

**ORE CITY INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED AUGUST 31, 2019**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
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ORE CITY INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2019

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**CERTIFICATE OF BOARD**

Ore City Independent School District  
Name of School District

Upshur  
County

230-903  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and ✓ **approved**/ \_\_\_\_\_ **disapproved** for the year ended August 31, 2019, at a meeting of the board of school trustees of such school district on January 20, 2020.

Virginia Harris  
Signature of Board Secretary

Bahf Clawson V.P.  
Signature of Board President  
Vice President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

## FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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Members of the Board

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ore City Independent School District (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 as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ore City Independent School District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The other supplementary information schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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*

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Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ore City Independent School District (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 January 9, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Report on Internal Control – Continued

**Purpose of this Report**

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

Rutherford, Taylor & Company PC

January 9, 2020  
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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Members of the Board

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

We have audited Ore City Independent School District's (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 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 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.

**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

Internal Control over Compliance with the Uniform Guidance – Continued

report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



January 9, 2020  
Greenville, Texas

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2019

**Summary of Auditor's Results (Section I)**

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*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

*Federal Awards –*

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None
Identification of major programs	Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2019

**Financial Statement Findings (Section II)**

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NONE

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2019

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2019

**Prior Year Findings (Section IV)**

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NONE

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2019

**Corrective Action Plans (Section V)**

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NONE

ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

This section of Ore City Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

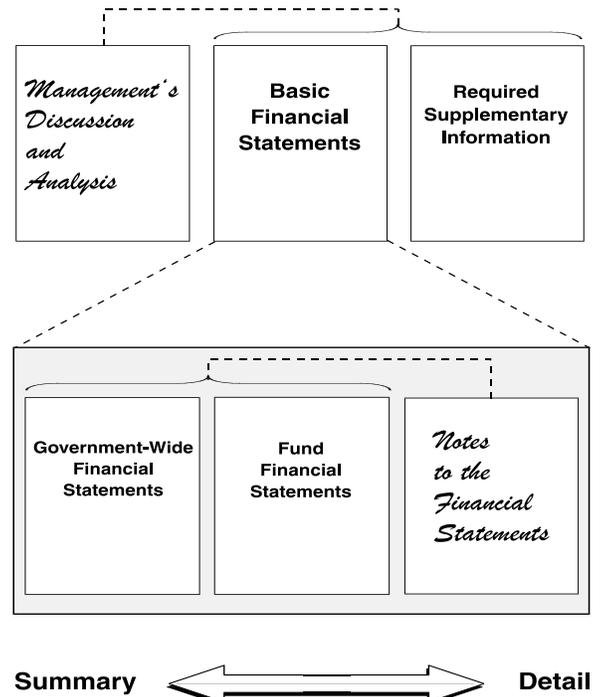
- The District's total combined net position was \$ 9,607,619 at August 31, 2019.
- During the year, the District's expenses were \$ 517,398 less than the \$ 11,963,521 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased over the prior year due to implementation of GASB 75 in the prior year which required reporting on-behalf supplemental contributions from the state and retiree healthcare program changes that decreased overall expenses.
- The General Fund reported a fund balance this year of \$ 4,309,116.
- The District issued no new debt this year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$ 9,607,619 at August 31, 2019.

<b>Ore City Independent School District's Net Position</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Assets:			
Cash and Investments	\$ 5,090,109	\$ 6,195,471	-17.84%
Other Assets	1,799,871	1,405,250	28.08%
Capital Assets less Accumulated Depreciation	19,200,534	18,040,319	6.43%
Total Assets	<u>\$ 26,090,514</u>	<u>\$ 25,641,040</u>	1.75%
Total Deferred Outflows of Resources	<u>\$ 3,192,227</u>	<u>\$ 1,335,981</u>	138.94%
Liabilities:			
Current Liabilities	\$ 1,307,320	\$ 1,195,313	9.37%
Long-term Liabilities	16,903,850	15,211,108	11.13%
Total Liabilities	<u>\$ 18,211,170</u>	<u>\$ 16,406,421</u>	11.00%
Total Deferred Inflows of Resources	<u>\$ 1,463,952</u>	<u>\$ 1,480,379</u>	-1.11%
Net Position:			
Net Investment in Capital Assets	\$ 8,603,175	\$ 6,921,344	24.30%
Restricted	395,194	128,633	207.23%
Unrestricted	609,250	2,040,244	-70.14%
Total Net Position	<u>\$ 9,607,619</u>	<u>\$ 9,090,221</u>	5.69%

Approximately \$ 312,382 of the District's restricted net position represent funds collected for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET POSITION**

The District's total revenues were \$ 11,963,521. 80% comes from state aid and federal grants (See Table A-2). 17% of the District's revenue comes from local property taxes, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 11,446,123. 56% of these costs are for instructional and related instructional services.

The District's current tax collection percentage rate (current and delinquent base tax only) was 95.04%. The total collection percentage rate (base tax and penalty and interest) was 98.32%.

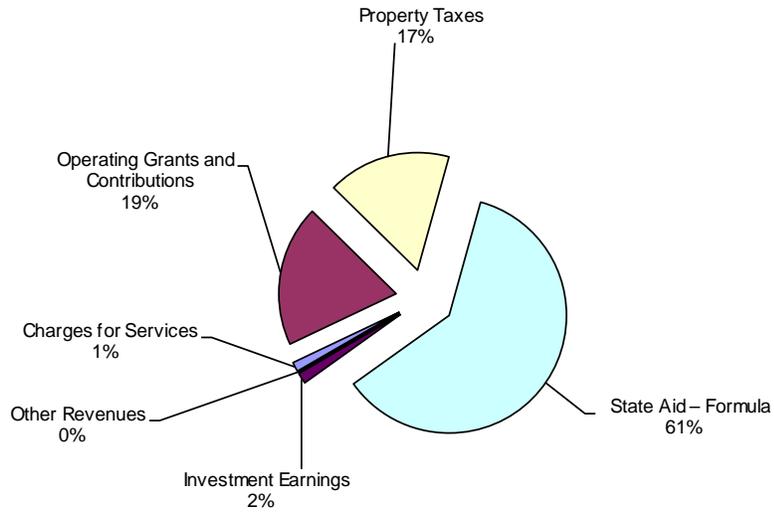
ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

**GOVERNMENTAL ACTIVITIES**

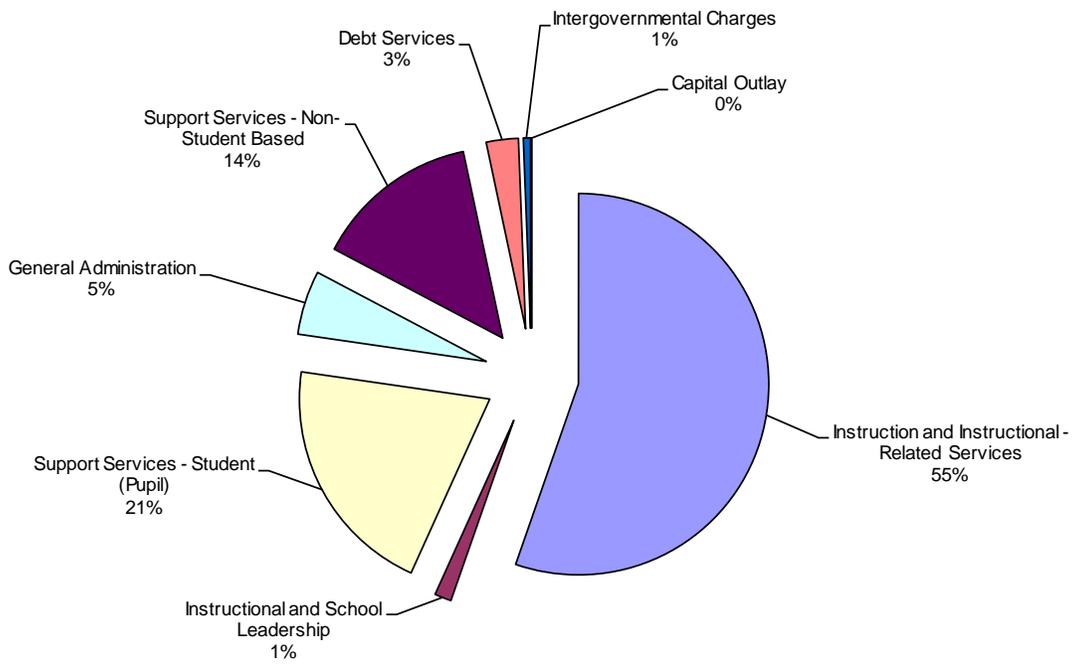
<b>Changes in Ore City Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Program Revenues:			
Charges for Services	\$ 154,968	\$ 147,945	4.75%
Operating Grants and Contributions	2,319,504	258,939	795.77%
General Revenues:			
Property Taxes	2,030,785	2,122,499	-4.32%
State Aid – Formula	7,275,179	6,941,925	4.80%
Investment Earnings	180,585	63,376	184.94%
Other Revenues	2,500	10,713	-76.66%
Total Revenues	<u>\$ 11,963,521</u>	<u>\$ 9,545,397</u>	25.33%
Expenses:			
Instruction	\$ 5,908,164	\$ 3,823,451	54.52%
Instructional Resources and Media Services	110,831	85,553	29.55%
Curriculum and Staff Development	981	4,925	-80.08%
Instructional Leadership	154,488	160,861	-3.96%
School Leadership	571,452	392,586	45.56%
Guidance, Counseling and Evaluation Services	375,930	211,725	77.56%
Health Services	101,814	65,318	55.87%
Student (Pupil) Transportation	524,269	397,880	31.77%
Food Services	659,335	578,592	13.96%
Cocurricular/Extracurricular Activities	569,260	415,924	36.87%
General Administration	589,319	492,438	19.67%
Plant Maintenance and Operations	1,103,204	962,411	14.63%
Security and Monitoring Services	117,890	27,148	334.25%
Data Processing Services	295,381	293,124	0.77%
Community Services	2,287	685	233.87%
Debt Service	294,823	312,399	-5.63%
Payments to Juvenile Justice Alt Ed Programs	66,695	66,631	0.10%
Total Expenses	<u>\$ 11,446,123</u>	<u>\$ 8,291,651</u>	38.04%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 517,398</u>	<u>\$ 1,253,746</u>	-58.73%
Increase (Decrease) in Net Position	<u>\$ 517,398</u>	<u>\$ 1,253,746</u>	-58.73%
Net Position - Beginning (September 1)	\$ 9,090,221	\$ 12,527,181	-27.44%
Prior Period Adjustment	<u>-</u>	<u>(4,690,706)</u>	-100.00%
Net Position - Beginning, as Restated	<u>\$ 9,090,221</u>	<u>\$ 7,836,475</u>	16.00%
Net Position - Ending (August 31)	<u>\$ 9,607,619</u>	<u>\$ 9,090,221</u>	5.69%

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2019

**Sources of Revenue for Fiscal Year 2019 - See Table A-2**



**Functional Expenses for Fiscal Year 2019 - See Table A-2**



ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

- Table A-3 presents the cost of each of the District's selected functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 11,446,123
- However, the amount that our taxpayers paid for these activities through property taxes was \$ 2,030,785.
- Some of the cost was paid by those who directly benefited from the programs \$ 154,968, or
- By grants and contributions \$ 2,319,504.

<b>Ore City Independent School District's Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2019	2018	Change	2019	2018	Change	
Instruction	\$ 5,908,164	\$ 3,823,451	54.52%	\$ 4,790,390	\$ 3,964,641	20.83%	
School Leadership	571,452	392,586	45.56%	527,696	460,019	14.71%	
General Administration	589,319	492,438	19.67%	557,276	549,231	1.46%	
Plant Maintenance and Operations	1,103,204	962,411	14.63%	1,065,113	1,022,113	4.21%	
Debt Service	294,823	312,399	-5.63%	(67,312)	112,429	-159.87%	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 11,634,380 which is a \$ 814,196 increase from the prior year amount of \$ 10,820,184. The change represents an increase in state revenue including foundation and available funds.

Expenditures for governmental fund types totaled \$ 12,508,076 which is a \$ 2,074,909 increase from the prior year amount of \$ 10,433,167. The increase accounts for the facility expansion and improvement projects in the District as well as overall expenditure increases.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 565,944 below final General Fund budget amounts. The most significant positive variance resulted from less than anticipated instruction and pupil transportation expenditures.

Resources available were \$ 536,508 above the final General Fund budgeted amount. The favorable variance was due to better than expected state program revenues as a result of increased enrollment and student attendance.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 27,755,421 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Ore City Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Land	\$ 470,166	\$ 449,644	4.56%
Buildings and Improvements	25,071,804	25,071,804	0.00%
Equipment	470,355	464,601	1.24%
Vehicles	1,743,096	1,667,050	4.56%
Totals at Historical Cost	\$ 27,755,421	\$ 27,653,099	0.37%
Total Accumulated Depreciation	(10,152,293)	(9,612,780)	5.61%
Net Capital Assets	<u>\$ 17,603,128</u>	<u>\$ 18,040,319</u>	-2.42%

**DEBT**

At year-end, the District had \$ 10,597,359 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

<b>Ore City Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Bonds Payable	\$ 8,100,000	\$ 8,380,000	-3.34%
Loans Payable	1,574,000	1,763,272	-10.73%
Other Debt Payable	923,359	975,703	-5.36%
Total Debt Payable	<u>\$ 10,597,359</u>	<u>\$ 11,118,975</u>	-4.69%

ORE CITY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2019

**ECONOMIC FACTORS**

The District's property valuation has increased slightly over the prior year and reversed the recent downward trend. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The District's taxpayers have approved the increase to \$ 1.17 the maximum allowed under state law. The state funding formula was modified to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow. Housing has not expanded at the rate similar to other north central Texas communities. These economic conditions should allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2019-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Talina McElhany, Business Manager for the District.

## BASIC FINANCIAL STATEMENTS

ORE CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

Data Control Codes	1	Governmental Activities
<b>ASSETS</b>		
1110	Cash and Investments	\$ 5,090,109
1225	Property Taxes Receivable, Net	893,785
1240	Due from Other Governments	906,086
	Capital Assets:	
1510	Land	470,166
1520	Buildings and Improvements, Net	16,599,868
1530	Furniture and Equipment, Net	533,094
1580	Construction in Progress	<u>1,597,406</u>
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 26,090,514</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred Outflows - Refunding	\$ 690,476
1705	Deferred Outflows - Pensions	1,349,747
1706	Deferred Outflows - OPEB	<u>1,152,004</u>
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 3,192,227</u></b>
<b>LIABILITIES</b>		
2110	Accounts Payable	\$ 299,374
2140	Interest Payable	12,712
2165	Accrued Liabilities	463,951
2300	Unearned Revenues	531,283
	Noncurrent Liabilities:	
2501	Due within one year	446,000
2502	Due in more than one year	10,151,359
2540	Net Pension Liability	2,490,689
2545	Net OPEB Liability	<u>3,815,802</u>
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 18,211,170</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred Inflows - Pensions	\$ 257,303
2606	Deferred Inflows - OPEB	<u>1,206,649</u>
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 1,463,952</u></b>
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	\$ 8,603,175
	Restricted For:	
3820	Federal and State Programs	82,812
3850	Debt Service	312,382
3900	Unrestricted	<u>609,250</u>
<b>3000</b>	<b>Total Net Position</b>	<b><u>\$ 9,607,619</u></b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2019

Data Control Codes Functions/Programs	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
	Program Revenues			
Governmental Activities:				
11 Instruction	\$ 5,908,164	\$ 14,980	\$ 1,102,794	\$ (4,790,390)
12 Instructional Resources and Media Services	110,831	-	3,218	(107,613)
13 Curriculum and Staff Development	981	-	-	(981)
21 Instructional Leadership	154,488	-	58,808	(95,680)
23 School Leadership	571,452	2,938	40,818	(527,696)
31 Guidance, Counseling and Evaluation Services	375,930	-	155,636	(220,294)
33 Health Services	101,814	-	7,976	(93,838)
34 Student (Pupil) Transportation	524,269	-	18,464	(505,805)
35 Food Services	659,335	111,384	477,168	(70,783)
36 Cocurricular/Extracurricular Activities	569,260	25,666	22,353	(521,241)
41 General Administration	589,319	-	32,043	(557,276)
51 Plant Maintenance and Operations	1,103,204	-	38,091	(1,065,113)
52 Security and Monitoring Services	117,890	-	-	(117,890)
53 Data Processing Services	295,381	-	-	(295,381)
61 Community Services	2,287	-	-	(2,287)
72 Interest on Long-term Debt	293,971	-	362,135	68,164
73 Debt Issuance Costs and Fees	852	-	-	(852)
95 Payments to Juvenile Justice Alt Ed Programs	66,695	-	-	(66,695)
TG Total Governmental Activities	<u>\$ 11,446,123</u>	<u>\$ 154,968</u>	<u>\$ 2,319,504</u>	<u>\$ (8,971,651)</u>
TP Total Primary Government	<u>\$ 11,446,123</u>	<u>\$ 154,968</u>	<u>\$ 2,319,504</u>	<u>\$ (8,971,651)</u>
General Revenues:				
MT Property Taxes, Levied for General Purposes				\$ 1,771,599
DT Property Taxes, Levied for Debt Service				259,186
IE Investment Earnings				180,585
GC Grant and Contributions Not Restricted to Specific Prgrms				7,275,179
MI Miscellaneous				2,500
TR Total General Revenues				<u>\$ 9,489,049</u>
CN Change in Net Position				\$ 517,398
NB Net Position - Beginning (September 1)				<u>9,090,221</u>
NE Net Position - Ending (August 31)				<u>\$ 9,607,619</u>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	60 Capial Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Investments	\$ 4,722,681	\$ 208,675	\$ 2,791	\$ 4,934,147
1225 Property Taxes Receivable, Net	777,849	-	115,936	893,785
1240 Due from Other Governments	531,722	-	374,364	906,086
1260 Due from Other Funds	-	-	2,000	2,000
<b>1000 Total Assets</b>	<b><u>\$ 6,032,252</u></b>	<b><u>\$ 208,675</u></b>	<b><u>\$ 495,091</u></b>	<b><u>\$ 6,736,018</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 18,687	\$ 208,675	\$ 15,012	\$ 242,374
2160 Accrued Wages Payable	406,615	-	45,548	452,163
2170 Due to Other Funds	2,000	-	-	2,000
2200 Accrued Expenditures	8,297	-	3,491	11,788
2300 Unearned Revenues	509,688	-	21,595	531,283
<b>2000 Total Liabilities</b>	<b><u>\$ 945,287</u></b>	<b><u>\$ 208,675</u></b>	<b><u>\$ 85,646</u></b>	<b><u>\$ 1,239,608</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2610 Deferred Property Tax Reveue	\$ 777,849	\$ -	\$ 115,936	\$ 893,785
<b>2600 Total Deferred Inflows of Resources</b>	<b><u>\$ 777,849</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 115,936</u></b>	<b><u>\$ 893,785</u></b>
<b>FUND BALANCES</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grants	\$ -	\$ -	\$ 82,812	\$ 82,812
3480 Retirement of Long-Term Debt	-	-	208,994	208,994
Committed Fund Balances:				
3545 Other Committed Funds	-	-	1,703	1,703
3600 Unassigned	4,309,116	-	-	4,309,116
<b>3000 Total Fund Balances</b>	<b><u>\$ 4,309,116</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 293,509</u></b>	<b><u>\$ 4,602,625</u></b>
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 6,032,252</u></b>	<b><u>\$ 208,675</u></b>	<b><u>\$ 495,091</u></b>	<b><u>\$ 6,736,018</u></b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2019

Total fund balances - Balance Sheet (governmental funds)	\$	4,602,625
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		19,200,534
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		893,785
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		98,962
Payables for bond principal which are not due in the current period are not reported in the funds.		(8,100,000)
Payables for bond interest which are not due in the current period are not reported in the funds.		(12,712)
Payables for notes which are not due in the current period are not reported in the funds.		(1,574,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		690,476
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(2,490,689)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(257,303)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		1,349,747
Bond premiums are amortized in the SNA but not in the funds.		(923,359)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(3,815,802)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(1,206,649)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		<u>1,152,004</u>
Net position of governmental activities - Statement of Net Position	\$	<u>9,607,619</u>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUE</b>				
5700 Local and Intermediate Sources	\$ 1,970,525	\$ -	\$ 390,143	\$ 2,360,668
5800 State Program Revenues	7,669,254	-	508,794	8,178,048
5900 Federal Program Revenues	142,498	-	953,166	1,095,664
<b>5020 Total Revenues</b>	<b>\$ 9,782,277</b>	<b>\$ -</b>	<b>\$ 1,852,103</b>	<b>\$ 11,634,380</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 4,708,143	\$ -	\$ 422,754	\$ 5,130,897
0012 Instructional Resources and Media Services	83,385	-	-	83,385
0013 Curriculum and Staff Development	981	-	-	981
0021 Instructional Leadership	96,254	-	51,811	148,065
0023 School Leadership	537,602	-	1,235	538,837
0031 Guidance, Counseling and Evaluation Services	270,763	-	89,038	359,801
0033 Health Services	96,487	-	-	96,487
0034 Student (Pupil) Transportation	415,476	-	98,022	513,498
0035 Food Service	14,624	-	583,508	598,132
0036 Cocurricular/Extracurricular Activities	515,614	-	-	515,614
0041 General Administration	558,424	-	-	558,424
0051 Plant Maintenance and Operations	1,105,539	-	-	1,105,539
0052 Security and Monitoring Services	117,890	-	-	117,890
0053 Data Processing Services	295,381	-	-	295,381
0061 Community Services	2,287	-	-	2,287
0071 Principal on Long-term Debt	189,271	-	280,000	469,271
0072 Interest on Long-term Debt	4,683	-	303,950	308,633
0073 Debt Issuance Costs and Fees	26	-	826	852
0081 Capital Outlay	-	1,597,407	-	1,597,407
0095 Payments to Juvenile Justice Alt Ed Programs	66,695	-	-	66,695
<b>6030 Total Expenditures</b>	<b>\$ 9,079,525</b>	<b>\$ 1,597,407</b>	<b>\$ 1,831,144</b>	<b>\$ 12,508,076</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 702,752</b>	<b>\$ (1,597,407)</b>	<b>\$ 20,959</b>	<b>\$ (873,696)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
7912 Sale of Real or Personal Property	\$ 2,500	\$ -	\$ -	\$ 2,500
7915 Transfers In	-	1,597,407	243,841	1,841,248
8911 Transfers Out	(1,842,248)	-	-	(1,842,248)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ (1,839,748)</b>	<b>\$ 1,597,407</b>	<b>\$ 243,841</b>	<b>\$ 1,500</b>
<b>1200 Net Change in Fund Balances</b>	<b>\$ (1,136,996)</b>	<b>\$ -</b>	<b>\$ 264,800</b>	<b>\$ (872,196)</b>
0100 Fund Balances - Beginning (September 1)	5,446,112	-	28,709	5,474,821
<b>3000 Fund Balances - Ending (August 31)</b>	<b>\$ 4,309,116</b>	<b>\$ -</b>	<b>\$ 293,509</b>	<b>\$ 4,602,625</b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED AUGUST 31, 2019

Net change in fund balances - total governmental funds	\$ (872,196)
<p>Amounts reported for governmental activities in the statement                  of activities are different because:</p>	
Capital outlays are not reported as expenses in the SOA	1,827,728
The depreciation of capital assets used in governmental activities is not reported in the funds.	(667,513)
The gain or loss on the sale of capital assets is not reported in the funds	2,500
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(2,500)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	24,407
Expenses not requiring the use of current financial resources are not reported as expenditures in funds.	14,042
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	280,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	189,272
(Increase) decrease in accrued interest expense from beginning of period to end of period.	620
The net revenue (expense) of internal service funds is reported with governmental activities.	24,421
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(145,469)
OPEB contributions in the current year are de-expended and recorded as deferred resource outflows.	60,135
OPEB contributions deferred in the prior year are expended in the current year.	(52,720)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(192,513)
Pension contributions in the current year are de-expended and recorded as deferred resource outflows.	179,621
Pension contributions deferred in the prior year are expended in the current year.	<u>(152,437)</u>
Change in net position of government activities - Statement of Activities	<u>\$ 517,398</u>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
 AUGUST 31, 2019

Data Control Codes		Internal Service Fund
	<b>ASSETS</b>	
	Current Assets:	
1110	Cash and Cash Investments	\$ <u>155,692</u>
	Total Current Assets	\$ <u>155,692</u>
<b>1000</b>	<b>Total Assets</b>	<b>\$ <u>155,692</u></b>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2110	Accounts Payable	\$ <u>57,000</u>
	Total Current Liabilities	\$ <u>57,000</u>
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ <u>57,000</u></b>
	<b>NET POSITION</b>	
3900	Unrestricted Net Position	\$ <u>98,692</u>
<b>3000</b>	<b>Total Net Position</b>	<b>\$ <u><u>98,692</u></u></b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2019

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	<u>\$ 62,772</u>
<b>5020 Total Operating Revenues</b>	<b><u>\$ 62,772</u></b>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	<u>\$ 39,351</u>
<b>6030 Total Operating Expenses</b>	<b><u>\$ 39,351</u></b>
Income (Loss) before Contributions and Transfers	\$ 23,421
7915 Transfers In	<u>1,000</u>
1300 Change in Net Position	\$ 24,421
0100 Total Net Position - Beginning (September 1)	<u>74,541</u>
<b>3300 Total Net Position - Ending (August 31)</b>	<b><u><u>\$ 98,962</u></u></b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2019

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi-External Operating Transfers	\$ 62,772
Cash Reciepts from Transfers from Other Funds	1,000
Cash Payments for Claims	(33,094)
Cash Payments for Administration and Reinsurance	(18,620)
Net Cash Provided by (Used for) Operating Activities	\$ 12,058
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows for Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 12,058
Cash and Investments - Beginning (September 1)	143,904
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 155,962</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 23,421
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	(11,363)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 12,058</b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 AUGUST 31, 2019

Data Control Codes	Agency Funds Student Agency	
<u>                    </u>	<u>                    </u>	
<b>ASSETS</b>		
1110	Cash and Investments	\$ <u>122,166</u>
<b>1000</b>	<b>Total Assets</b>	<b>\$ <u>122,166</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
2190	Due to Student Groups	\$ <u>122,166</u>
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ <u>122,166</u></b>
<b>NET POSITION</b>		
3800	Held in Trust	<u>\$ -</u>
<b>3000</b>	<b>Total Net Position</b>	<b><u><u>\$ -</u></u></b>

The accompanying notes are an integral part of this statement.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

The basic financial statements of the Ore City Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public, and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

*Government-wide Statements* – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements* – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund – This fund accounts for the District's capital construction activities. The district transferred general resources to provide the financing for the projects.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

Internal Service Funds – These funds are proprietary type funds. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The District participates in a workers compensation cost sharing fund.

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of result of operations.

b. Measurement Focus – Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements* – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		<u>-0-</u>
Total	\$	<u><u>-0-</u></u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Capital Projects	Other Governmental	Total
Restricted				
Child Nutrition Program	\$ -	\$ -	\$ 82,812	\$ 82,812
Retirement of Debt	-	-	208,994	208,994
Committed				
Campus Activity	-	-	1,703	1,703
Unassigned	4,309,116	-	-	4,309,116
Total	<u>\$ 4,309,116</u>	<u>\$ -</u>	<u>\$ 293,509</u>	<u>\$ 4,602,625</u>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior period.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

8. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

9. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

10. Pensions

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

11. Other Post-Employment Benefits

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

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

13. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

14. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2019, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's depository in the District's name. Deposits appear to have not been properly secured at all times throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool and certificates of deposit located at the local depository. All TexPool and certificates of deposit investments are reported at share price (fair value) and are reported as cash and investments.

*Texas Local Government Investment Pool (TexPool)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (the "Trust Company"), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2019

B. Deposits, Securities and Investments (Continued)

The following table identifies the District's investments at year end:

	Credit Rating	Fair Value
TexPool	AAAm	\$ 6,985

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit.

- a. Name of bank: First National Bank of Gilmer, Gilmer, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 7,509,665.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 7,881,745, and occurred during the month of December 2018.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 405,263.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. **Credit Risk**  
 Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.
  
- b. **Custodial Credit Risk**  
 Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.  
  
 Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.
  
- c. **Concentration of Credit Risk**  
 This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.
  
- d. **Interest Rate Risk**  
 This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.
  
- e. **Foreign Currency Risk**  
 This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting the criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.1700 to fund general operations and \$ 0.1650 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 154,376,682.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 449,644	\$ 20,522	\$ -	\$ 470,166
Construction in Progress	-	1,597,406	-	1,597,406
<b>Total Capital Assets not being Depreciated</b>	<b>\$ 449,644</b>	<b>\$ 1,617,928</b>	<b>\$ -</b>	<b>\$ 2,067,572</b>
Capital Assets being Depreciated:				
Building and Improvements	\$ 25,071,804	\$ -	\$ -	\$ 25,071,804
Equipment	464,601	5,754	-	470,355
Vehicles	1,667,050	204,046	128,000	1,743,096
<b>Total Capital Assets being Depreciated</b>	<b>\$ 27,203,455</b>	<b>\$ 209,800</b>	<b>\$ 128,000</b>	<b>\$ 27,285,255</b>
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 7,917,646	\$ 554,290	\$ -	\$ 8,471,936
Equipment	436,194	9,928	-	446,122
Vehicles	1,258,940	103,295	128,000	1,234,235
<b>Total Accumulated Depreciation</b>	<b>\$ 9,612,780</b>	<b>\$ 667,513</b>	<b>\$ 128,000</b>	<b>\$ 10,152,293</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>\$ 17,590,675</b>	<b>\$ (457,713)</b>	<b>\$ -</b>	<b>\$ 17,132,962</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 18,040,319</b>	<b>\$ 1,160,215</b>	<b>\$ -</b>	<b>\$ 19,200,534</b>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2019

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 416,324
Instructional Resources and Media Services	26,139
School Leadership	11,630
Guidance, Counseling and Evaluation Services	1,315
Health Services	1,860
Student (Pupil) Transportation	105,591
Food Services	45,803
Cocurricular / Extracurricular Activities	42,013
General Administration	13,453
Plant Maintenance and Operations	3,385
Total	\$ 667,513

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	\$ 8,380,000	\$ -	\$ 280,000	\$ 8,100,000	\$ 290,000
Loans Payable	1,763,272	-	189,272	1,574,000	156,000
Bond Premium (Discount)	975,703	-	52,344	923,359	-
Total Governmental Activities	\$ 11,118,975	\$ -	\$ 521,616	\$ 10,597,359	\$ 446,000

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Refunding Bonds, Series 2016	4.0000%	\$ 8,385,000	\$ 8,100,000

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

E. Long Term Obligations (Continued)

Bonds (Continued)

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2020	\$ 290,000	\$ 296,800	\$ 586,800
2021	300,000	287,950	587,950
2022	305,000	278,875	583,875
2023	310,000	269,650	579,650
2024	350,000	259,750	609,750
2025-2029	1,930,000	1,114,650	3,044,650
2030-2034	2,360,000	694,400	3,054,400
2035-2039	2,255,000	184,900	2,439,900
Totals	<u>\$ 8,100,000</u>	<u>\$ 3,386,975</u>	<u>\$ 11,486,975</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

Loans

The District executed various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes. The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Qualified Zone Academy Tax Maintenance Note, Series 2014	0.25%	\$ 2,346,000	\$ 1,574,000

Maturity requirements on loans at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2020	\$ 156,000	\$ 3,935	\$ 159,935
2021	156,000	3,545	159,545
2022	156,000	3,155	159,155
2023	157,000	2,765	159,765
2024	157,000	2,373	159,373
2025-2029	792,000	5,947	797,947
Totals	<u>\$ 1,574,000</u>	<u>\$ 21,720</u>	<u>\$ 1,595,720</u>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

F. Pension Plan

1. *Plan Description*

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

2. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

3. *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.

Employees' contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2018. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

**Contribution Rates**

	<b>2018</b>	<b>2019</b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2019 Employer Contributions	\$	179,621
2019 Member Contributions	\$	447,593
2018 NECE On-Behalf Contributions	\$	308,772

ORE CITY INDEPENDENT SCHOOL DISTRICT  
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F. Pension Plan (Continued)

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

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

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.

4. *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 \$ 2,490,689 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,490,689
State's proportionate share that is associated with the District	<u>5,048,214</u>
Total	<u>\$ 7,538,903</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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F. Pension Plan (Continued)

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0045250356% which was an increase of 0.0000743958% from its proportion measured as of August 31, 2017.

*Changes Since the Prior Actuarial Valuation*

The following changes have occurred to the actuarial assumptions or other inputs that affects measurement of the total premium liability since the prior measurement date:

- a. Use of the roll forward method for the 2018 valuation
- b. Use of the 2017 experience study which includes demographic assumptions such as post-retirement mortality, termination rates, and rates of retirement
- c. Use of economic assumption such as salary increases
- d. Change in discount rate from 8.0% to 6.907%
- e. Change in assumed rate of return from 8.0% to 7.25%

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

For the year ended August 31, 2019, the District recognized pension expense of \$ 844,589 and revenue of \$ 499,639 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 15,525	\$ 61,112
Changes of actuarial assumptions	898,014	28,063
Differences between projected and actual investment earnings	-	47,259
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>256,587</u>	<u>120,869</u>
Total as of August 31, 2018 measurement date	\$ 1,170,126	\$ 257,303
Contributions paid to TRS subsequent to the measurement date	<u>179,621</u>	<u>-</u>
Total at fiscal year end	<u>\$ 1,349,747</u>	<u>\$ 257,303</u>

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

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2020	\$ 252,922
2021	153,471
2022	125,896
2023	145,877
2024	133,671
Thereafter	100,986

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2019

F. Pension Plan (Continued)

5. *Actuarial Assumptions*

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

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

6. *Discount Rate*

The discount rate used to measure the total pension liability was 6.907%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized on the next page:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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F. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%	-0.30%	0.00%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
<b>Total</b>	<u>100.00%</u>		<u>7.25%</u>

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

7. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 6.907%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (5.907%) or 1 – percentage point higher (9.907%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 3,759,048	\$ 2,490,689	\$ 1,463,878

ORE CITY INDEPENDENT SCHOOL DISTRICT  
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8. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018 and 2017.

Net Pension Liability	August 31, 2018	August 31, 2017
Total Pension Liability	\$ 209,611,328,793	\$ 179,336,834,819
Less: Plan Fiduciary Net Position	(154,568,901,883)	(147,361,922,120)
Net Pension Liability	<u>\$ 55,042,426,910</u>	<u>\$ 31,974,912,699</u>
Net Position as percentage of Total Pension Liability	73.74%	82.17%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

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

2. *OPEB Plan Fiduciary Net Position*

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

3. *Benefits Provided*

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

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

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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G. Defined Other Post-Employment Benefit Plans (Continued)

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

<b>TRS-Care Plan Premium Rates</b>			
<b>Effective Sept. 1, 2017 - Dec. 31, 2018</b>			
	<u>TRS-Care 1</u>	<u>TRS-Care 2</u>	<u>TRS-Care 3</u>
	Basic Plan	Optional Plan	Optional Plan
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

\* or surviving spouse

4. *Contributions*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

**Contribution Rates**

	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
2019 Employer Contributions	\$ 60,135	
2019 Member Contributions	\$ 37,783	
2018 NECE On-Behalf Contributions	\$ 66,316	

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G. Defined Other Post-Employment Benefit Plans (Continued)

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2018 and \$ 182.6 million in fiscal year 2019.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on pan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

6. *Discount Rate*

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change 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. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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G. Defined Other Post-Employment Benefit Plans (Continued)

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 4,542,115	\$ 3,815,802	\$ 3,241,241

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,169,086	\$ 3,815,802	\$ 4,667,541

8. *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 \$ 3,815,802 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	3,815,802
State's proportionate share that is associated with the District		4,806,734
 Total		 \$ 8,622,536

The net OPEB liability was measured as of 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 contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0076421628%, which was an increase of 0.0015044572% 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 measurements of the total OPEB liability since the prior measurement period:

- a. Use of a roll-forward method for the actuarial assumption
- b. Known retirees that discontinued health insurance were adjusted
- c. Changes in the healthcare trend rate allowing for the return of the Health Insurance Fee
- d. Demographic and economic changes resulting from the 2017 experience study
- e. Discount rate increase from 3.42% to 3.69%

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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G. Defined Other Post-Employment Benefit Plans (Continued)

Changes to the benefits provided since the prior measurement date include:

- a. Changes of retiree registration entry date
- b. Requiring retiree to contribute \$200 monthly towards insurance premiums
- c. Various changes in Medicare eligible retirees including prescription coverage and other appropriate health benefit plans.

For the year ended August 31, 2019, the District recognized OPEB expense of \$ 373,029 and revenue of \$ 174,840 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 202,490	\$ 60,219
Changes in actuarial assumptions	63,675	1,146,430
Differences between projected and actual investment earnings	667	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>825,037</u>	<u>-</u>
Total as of August 31, 2017 measurement date	\$ 1,091,869	\$ 1,206,649
Contributions paid to TRS subsequent to the measurement date	<u>60,135</u>	<u>-</u>
Total at fiscal year end	<u>\$ 1,152,004</u>	<u>\$ 1,206,649</u>

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

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2020	\$ (47,547)
2021	(47,547)
2022	(47,547)
2023	(47,673)
2024	(47,745)
Thereafter	123,279

H. Medicare Part D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$ 21,896, \$ 16,367 and \$ 16,509, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the district.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

I. Risk Management

Health Care

During the year ended, employees of the Ore City Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to the Teacher Retirement System of Texas (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Ore City Independent School District and the Teacher Retirement System of Texas (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is 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 at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$ 38,082 for the 18-19 fiscal year. Additionally, the District incurred fixed costs of \$ 18,620 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for the Fund for aggregate losses for claims exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in payroll will adjust subsequent year charges for fixed costs.

The accrued liability for workers' compensation self-insurance of \$ 56,175 includes \$ 21,255 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

I. Risk Management (Continued)

Workers' Compensation (continued)

Changes in the workers' compensation claims liability amounts in the periods of 2019 and 2018 are represented below:

	2019	2018
Claims Liability - Beginning	\$ 68,653	\$ 37,325
Claims Incurred (Reduced)	16,995	50,296
Claim Payments	(29,473)	(18,968)
Claims Liability - Ending	\$ 56,175	\$ 68,653

Other Risk Management

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 to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. Litigation

The District appears to not be involved in any litigation at year end.

L. Commitments and Contingencies

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

M. Interfund Balances and Activities

Transfers Between Funds

Transfer between funds during the year consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt Service Fund	\$ 155,841	Debt Payment
General Fund	Food Service Fund	88,000	Annual Deficit
General Fund	Capital Projects Fund	1,597,407	Construction Projects
General Fund	Workers Comp. Fund	1,000	Workers Comp. Allocations
Total		\$ 1,842,248	

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

M. Interfund Balances and Activities (Continued)

Interfund Receivables and Payables

Amounts due between funds at year end are as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 2,000

N. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

Shared Service Arrangement	Fiscal Agent	Service
Upshur County DAEP	Big Sandy Independent School District	DAEP Services
Piney Woods Consortium	Union Grove Independent School District	Carl D. Perkins Vocational Education

O. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate sources consisting of the following:

	General	Capital Projects Fund	Other Governmental	Total
Property Tax Collections	\$ 1,751,054	\$ -	\$ 255,326	\$ 2,006,380
Investment Income	178,824	-	1,760	180,584
Food Service Income	-	-	111,384	111,384
Extracurricular Activities	25,666	-	-	25,666
Tuition and Fees	14,706	-	-	14,706
Other	275	-	21,673	21,948
Total	\$ 1,970,525	\$ -	\$ 390,143	\$ 2,360,668

P. Receivables

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

	General	Capital Projects Fund	Other Governmental	Total
Due from Other Governments	\$ 531,722	\$ -	\$ 374,364	\$ 906,086
Property Taxes	864,277	-	128,818	993,095
Less Allowance for Uncollectible Property Taxes	(86,428)	-	(12,882)	(99,310)
Net Receivables	\$ 1,309,571	\$ -	\$ 490,300	\$ 1,799,871

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019

O. Subsequent Events

The District's management has evaluated subsequent events through January 9, 2020, the date which the financial statements were available for use.

P. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student populations; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 415,917	\$ 6,735,518	\$ 181,728	\$ 108,151
Prior Periods Settle-ups	-	24,437	79,805	(7,549)
August Instructional Days Change	(9,873)	97,689	-	-
Financial Statement Earnings	<u>\$ 406,044</u>	<u>\$ 6,857,644</u>	<u>\$ 261,533</u>	<u>\$ 100,602</u>
Financial Statement Amounts				
SOF Receivable (Overpayment) *	\$ -	\$ (509,688)	\$ 114,329	\$ 13,736
August Instructional Days Receivable	13,126	518,596	-	-

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

Q. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels at year end:

	Budget	Actual	Excess
General Fund:			
Instructional Leadership	\$ 94,999	\$ 96,254	\$ 1,255
School Leadership	536,971	537,602	631
Plant Maintenance and Operations	1,097,780	1,105,539	7,759
Debt Service Fund:			
Debt Services	538,853	584,776	45,923

REQUIRED SUPPLEMENTARY INFORMATION

ORE CITY INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 1,838,452	\$ 1,838,452	\$ 1,970,525	\$ 132,073
5800 State Program Revenues	7,289,317	7,289,317	7,669,254	379,937
5900 Federal Program Revenues	118,000	118,000	142,498	24,498
<b>5020 Total Revenues</b>	<b>\$ 9,245,769</b>	<b>\$ 9,245,769</b>	<b>\$ 9,782,277</b>	<b>\$ 536,508</b>
<b>EXPENDITURES</b>				
Instruction and Instructional Related Services:				
0011 Instruction	\$ 4,730,035	\$ 5,044,087	\$ 4,708,143	\$ 335,944
0012 Instructional Resources and Media Services	77,081	83,581	83,385	196
0013 Curriculum and Staff Development	5,900	4,600	981	3,619
Total Instruction and Instr. Related Services	\$ 4,813,016	\$ 5,132,268	\$ 4,792,509	\$ 339,759
Instructional and School Leadership:				
0021 Instructional Leadership	\$ 88,999	\$ 94,999	\$ 96,254	\$ (1,255)
0023 School Leadership	497,971	536,971	537,602	(631)
Total Instructional and School Leadership	\$ 586,970	\$ 631,970	\$ 633,856	\$ (1,886)
Support Services - Student (Pupil):				
0031 Guidance, Counseling and Evaluation Services	\$ 256,551	\$ 299,051	\$ 270,763	\$ 28,288
0033 Health Services	94,053	96,553	96,487	66
0034 Student (Pupil) Transportation	599,483	564,483	415,476	149,007
0035 Food Services	-	15,000	14,624	376
0036 Cocurricular/Extracurricular Activities	456,993	519,441	515,614	3,827
Total Support Services - Student (Pupil)	\$ 1,407,080	\$ 1,494,528	\$ 1,312,964	\$ 181,564
Administrative Support Services:				
0041 General Administration	\$ 632,471	\$ 588,897	\$ 558,424	\$ 30,473
Total Administrative Support Services	\$ 632,471	\$ 588,897	\$ 558,424	\$ 30,473
Support Services - Nonstudent Based:				
0051 Plant Maintenance and Operations	\$ 1,022,206	\$ 1,097,780	\$ 1,105,539	\$ (7,759)
0052 Security and Monitoring Services	144,000	135,000	117,890	17,110
0053 Data Processing Services	370,708	300,708	295,381	5,327
Total Support Services - Nonstudent Based	\$ 1,536,914	\$ 1,533,488	\$ 1,518,810	\$ 14,678
Ancillary Services:				
0061 Community Services	\$ 3,500	\$ 3,500	\$ 2,287	\$ 1,213
Total Ancillary Services	\$ 3,500	\$ 3,500	\$ 2,287	\$ 1,213
Debt Services:				
0071 Principal on Long-term Debt	\$ 189,000	\$ 188,845	\$ 189,271	\$ (426)
0072 Interest on Long-term Debt	10,123	5,278	4,683	595
0073 Bond Issuance Costs and Fees	-	-	26	(26)
Total Debt Services	\$ 199,123	\$ 194,123	\$ 193,980	\$ 143
Intergovernmental Charges:				
0095 Payments to Juvenile Justice Alternative Education Programs	\$ 66,695	\$ 66,695	\$ 66,695	\$ -
Total Intergovernmental Charges	\$ 66,695	\$ 66,695	\$ 66,695	\$ -
<b>6030 Total Expenditures</b>	<b>\$ 9,245,769</b>	<b>\$ 9,645,469</b>	<b>\$ 9,079,525</b>	<b>\$ 565,944</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (399,700)	\$ 702,752	\$ 1,102,452
<b>OTHER FINANCING SOURCES (USES)</b>				
7912 Sale of Real or Personal Property	\$ -	\$ -	\$ 2,500	\$ 2,500
8911 Transfers Out	-	(88,000)	(1,842,248)	(1,754,248)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (88,000)</b>	<b>\$ (1,839,748)</b>	<b>\$ (1,751,748)</b>
<b>1200 Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (487,700)</b>	<b>\$ (1,136,996)</b>	<b>\$ (649,296)</b>
0100 Fund Balance - Beginning (September 1)	5,446,112	5,446,112	5,446,112	-
<b>3000 Fund Balance - Ending (August 31)</b>	<b>\$ 5,446,112</b>	<b>\$ 4,958,412</b>	<b>\$ 4,309,116</b>	<b>\$ (649,296)</b>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2019

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0045250356%	0.0044506398%	0.0049389000%	0.0047808000%	0.0032787000%
District's proportionate share of the net pension liability	\$ 2,490,689	\$ 1,423,075	\$ 1,866,333	\$ 1,689,949	\$ 875,785
State's proportionate share of the net pension liability associated with the District	<u>5,048,214</u>	<u>2,906,132</u>	<u>3,344,999</u>	<u>3,052,247</u>	<u>2,621,111</u>
Total	<u>\$ 7,538,903</u>	<u>\$ 4,329,207</u>	<u>\$ 5,211,332</u>	<u>\$ 4,742,196</u>	<u>\$ 3,496,896</u>
District's covered-employee payroll (for Measurement Year)	\$ 2,922,810	\$ 3,002,829	\$ 5,090,966	\$ 4,741,624	\$ 4,632,789
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	85.22%	47.39%	36.66%	35.64%	18.90%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only five years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 179,621	\$ 157,474	\$ 145,750	\$ 151,758	\$ 144,811
Contributions in relations to the contractual required contributions	<u>(179,621)</u>	<u>(157,474)</u>	<u>(145,750)</u>	<u>(151,758)</u>	<u>(144,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 5,812,887	\$ 2,922,810	\$ 5,231,047	\$ 5,090,966	\$ 4,741,624
Contributions as a percentage of covered employee payroll	3.09%	5.39%	2.79%	2.98%	3.05%

Note: Only five years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2019

	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0076421628%	0.0061377056%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 3,815,802	\$ 2,669,058
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>4,806,734</u>	<u>4,134,817</u>
Total	<u>\$ 8,622,536</u>	<u>\$ 6,803,875</u>
District's covered-employee payroll (for Measurement Year)	\$ 2,922,810	\$ 3,002,829
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	130.55%	88.88%
Plan fiduciary net position as a percentage of the Total OPEB Liability	1.57%	0.91%

Note: Only two yeas of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 60,135	\$ 52,720
Contributions in relations to the contractual required contributions	<u>(60,135)</u>	<u>(52,720)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 5,812,887	\$ 2,992,810
Contributions as a percentage of covered employee payroll	1.03%	1.80%

Note: Only two years of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2019

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions:

- a. A roll forward method was used to determine the August 31, 2018 valuation.
- b. Demographic assumptions including post retirement mortality, termination rates and rates of retirement were updated based on the experience study performed for the period ended August 31, 2017.
- c. The same experience study resulted in changes to the economic assumptions including rates of salary increases for individual participants.
- d. The discount rate was decreased from 8.0% to 6.907%.
- e. The assumed long term rate of return decreased from 8.0% to 7.25%.

2. Changes of Benefit Terms

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

ORE CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2019

C. OPEB Healthcare Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions.

- a. A roll forward method was used to develop the August 31, 2018 valuation.
- b. Adjustments were made for known retirees that discontinued their health insurance in the 2018 year.
- c. The health care trend rate assumption was adjusted to allow for the anticipated return of the Health Insurance Fee.
- d. The demographic and economic assumptions were changed to consider the result of the experience study for the year ended August 31, 2017.
- e. The discount rate was increased from 3.42% to 3.69%.

2. Changes of Benefit Terms

These following changes have occurred in the benefits terms:

- a. Implemented a high-deductible health plan that provides a zero cost generic prescriptions for certain preventative drugs and zero premium for disability retirees who retired as a disability retiree and are not eligible to enroll in Medicare.
- b. Created a single Medicare advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- c. Allowed the system (TRS) to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- d. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age. Rather than waiting for the next enrollment period.
- e. Eliminated free coverage under the TRS-Care except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards health insurance premiums.

OTHER SUPPLEMENTARY INFORMATION

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED AUGUST 31, 2019

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2018	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2019
		Maintenance	Maintenance							
XXXX	2010 and Prior Years	Various	Various	Various	\$ 198,092	\$ -	\$ 6,272	\$ 1,044	\$ (32,276)	\$ 158,500
2010	2011	1.040000	0.245000	137,361,104	52,966	-	1,478	348	(3,333)	47,807
2011	2012	1.040000	0.295000	132,690,841	58,177	-	2,333	662	(4,036)	51,146
2012	2013	1.170000	0.165000	135,623,970	65,998	-	2,181	308	(2,733)	60,776
2013	2014	1.170000	0.165000	134,134,420	70,334	-	2,111	298	(2,608)	65,317
2014	2015	1.170000	0.165000	140,599,700	83,012	-	4,818	680	(2,890)	74,624
2015	2016	1.170000	0.165000	151,177,325	99,964	-	7,201	1,016	(4,202)	87,545
2016	2017	1.170000	0.165000	151,271,243	123,318	-	10,714	1,511	(6,821)	104,272
2017	2018	1.170000	0.165000	158,194,382	214,116	-	72,858	10,275	(8,473)	122,510
2018	2019	1.170000	0.165000	154,376,682	-	2,060,929	1,606,028	226,492	(7,810)	220,599
<b>1000</b>	<b>TOTALS</b>				<b>\$ 965,977</b>	<b>\$ 2,060,929</b>	<b>\$ 1,715,994</b>	<b>\$ 242,634</b>	<b>\$ (75,182)</b>	<b>\$ 993,096</b>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 102,500	\$ 102,500	\$ 111,384	\$ 8,884
5800 State Program Revenues	-	-	2,768	2,768
5900 Federal Program Revenues	426,000	426,000	454,168	28,168
<b>5020 Total Revenues</b>	<b>\$ 528,500</b>	<b>\$ 528,500</b>	<b>\$ 568,320</b>	<b>\$ 39,820</b>
<b>EXPENDITURES</b>				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	\$ 528,500	\$ 591,500	\$ 583,508	\$ 7,992
Total Support Services - Student (Pupil)	\$ 528,500	\$ 591,500	\$ 583,508	\$ 7,992
<b>6030 Total Expenditures</b>	<b>\$ 528,500</b>	<b>\$ 591,500</b>	<b>\$ 583,508</b>	<b>\$ 7,992</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (63,000)	\$ (15,188)	\$ 47,812
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers In	\$ -	\$ 88,000	\$ 88,000	\$ -
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 88,000</b>	<b>\$ 88,000</b>	<b>\$ -</b>
<b>1200 Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ 72,812</b>	<b>\$ 47,812</b>
0100 Fund Balance - Beginning (September 1)	10,000	10,000	10,000	-
<b>3000 Fund Balance - Ending (August 31)</b>	<b>\$ 10,000</b>	<b>\$ 35,000</b>	<b>\$ 82,812</b>	<b>\$ 47,812</b>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 252,636	\$ 252,636	\$ 257,085	\$ 4,449
5800	State Program Revenues	286,217	286,217	362,135	75,918
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 538,853</b>	<b>\$ 538,853</b>	<b>\$ 619,220</b>	<b>\$ 80,367</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 280,000	\$ 280,000	\$ 280,000	\$ -
0072	Interest on Long-term Debt	249,353	258,040	303,950	(45,910)
0073	Bond Issuance Costs and Fees	9,500	813	826	(13)
	Total Debt Service	<u>\$ 538,853</u>	<u>\$ 538,853</u>	<u>\$ 584,776</u>	<u>\$ (45,923)</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 538,853</b>	<b>\$ 538,853</b>	<b>\$ 584,776</b>	<b>\$ (45,923)</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 34,444	\$ 34,444
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers In	\$ -	\$ -	\$ 155,841	\$ 155,841
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,841</b>	<b>\$ 155,841</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 190,285</b>	<b>\$ 190,285</b>
0100	Fund Balance - Beginning (September 1)	18,709	18,709	18,709	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 18,709</b>	<b>\$ 18,709</b>	<b>\$ 208,994</b>	<b>\$ 190,285</b>

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2019

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,490,689
SF13	Net Pension Expenses (6147) at fiscal year-end.	\$ -0-

FEDERAL AWARDS SECTION

ORE CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2019

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs *	84.010	18610101230903	\$ 139,864
IDEA-B Formula (A)	84.027	186600012309036000	170,866
IDEA-B Formula (A)	84.027	196600012309036000	149,631
ESSA Title II Part A - Teacher & Recruiting	84.367	19694501230903	24,976
ESSA Title IV, Part A, Subpart 1	84.424	19680101230903	9,091
Total Passed through the Texas Education Agency			<u>\$ 494,428</u>
Passed through Union Grove Independent School District:			
Carl Perkins - Vocational Education	84.048	19420006230908	\$ 4,569
Total Passed through Union Grove Independent School District			<u>\$ 4,569</u>
<b>Total Department of Education</b>			<b><u>\$ 498,997</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (B)	10.553	0600	\$ 104,812
National School Lunch Program (B)	10.555	0600	311,990
Commodity Food Distribution	10.565	230005A	37,366
<b>Total Department of Agriculture</b>			<b><u>\$ 454,168</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 953,165</u></b>

\* Denotes Major Program

A - Special Education Cluster

B - Child Nutrition Cluster

See accompanying notes to the schedule of expenditures of federal award.

ORE CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2019

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ore City Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

C. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 953,165
School Health and Related Services	<u>142,499</u>
Federal Revenue (Exhibit C-3)	<u>\$ 1,095,664</u>