

RICE INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2019*

Rice Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2019

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*Introductory Section*

CERTIFICATE OF BOARD

Rice Independent School District  
Name of School District

Navarro  
County

175-911  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 18 day of December, 2019.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

*Financial Section*

**ANDERSON, MARX & BOHL, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

**Independent Auditors' Report**

To the Board of Trustees  
Rice Independent School District  
1302 SW McKinney Street  
Rice, Texas 75155

**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 Rice Independent School District ("the District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

**Auditors' Responsibility**

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

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

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

## 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 Rice 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.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2019, Rice Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2019, Rice Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rice Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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 Par 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of Rice Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rice Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2019

# Rice Independent School District

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 1302 SW McKinney Street  
 Rice, TX 75155  
 Phone (903) 326-4287  
 Fax (903) 326-4164

*Elementary School*  
 305 North Dallas Street  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rice 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 financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

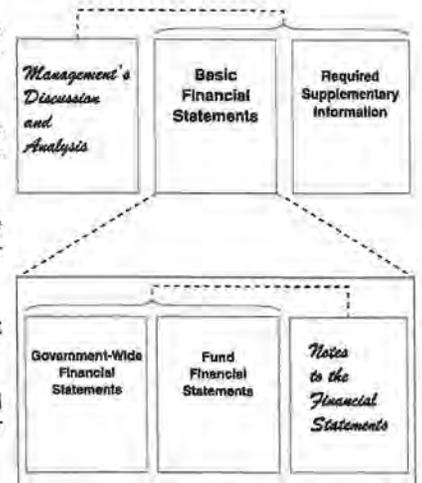
- The District's total combined net position on financial statement exhibit A-1 was \$7,670,938 at August 31, 2019.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$623,401 less than the \$12,599,511 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased \$8,755,741 from last year. An increase in capital outlay costs from the prior year accounted for a substantial portion of this increase.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$5,283,795. The District began the current year with a fund balance in the amount of \$4,850,048.

### 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* provide information about for-profit activities and services provided to other funds.
- *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



Summary ↔ Detail

The financial statements also include notes that explain some of the information in the 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 financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

### 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. The two government-wide statements report the District's net position and how it has 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 is 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.

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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 and a statement of changes in 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.
- *Proprietary funds*—The District's workman's compensation insurance is accounted for in an internal service fund.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$7.67 million at August 31, 2019. (See Table A-1).

**Table A-1**  
Rice Independent School District's Net position  
(In million dollars)

	Governmental Activities		Total Percentage Change
	<u>2019</u>	<u>2018</u>	<u>2019-2018</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2.4	\$ 2.2	9
Investments	6.5	17.5	-63
Due from other governments	.5	.5	0
Due from other funds	.0	.0	**
Inventories	.0	.0	**
Other receivables	.2	.1	100
<b>Total current assets:</b>	<u>9.6</u>	<u>20.3</u>	-53
<b>Noncurrent assets:</b>			
Land, furniture and equipment	39.9	28.3	41
Less accumulated depreciation	(8.9)	(8.3)	-7
<b>Total noncurrent assets</b>	<u>31.0</u>	<u>20.0</u>	55
<b>Total Assets</b>	<u>40.6</u>	<u>40.3</u>	1
<b>Deferred Outflows of Resources</b>	2.0	.7	186
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	1.4	1.5	-7
Claims payable	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	.0	.0	**
<b>Total current liabilities</b>	<u>1.4</u>	<u>1.5</u>	-7
<b>Long-term liabilities:</b>			
Noncurrent liabilities due in one year	.9	.7	29
Noncurrent liabilities due more than 1 yr	24.9	25.7	-3
Net Pension Liability	2.7	1.6	69
Net OPEB Liability	3.6	3.0	20
<b>Total Liabilities</b>	<u>33.5</u>	<u>32.5</u>	3
<b>Deferred Inflows of Resources</b>	1.4	1.5	-7
<b>Net Position:</b>			
Net investment in capital assets	7.1	6.7	6
Restricted	.7	.6	17
Unrestricted	(.1)	(.3)	67
<b>Total Net Position</b>	<u>\$ 7.7</u>	<u>\$ 7.0</u>	10

The District has \$697,150 in restricted net position that represents \$439,015 proceeds from debt service and \$258,135 proceeds for state and federal programs. These proceeds when spent are restricted for the above purposes. The \$(159,667) of unrestricted net position represents a deficit of resources to be available to fund the programs of the District next year.

**Changes in net position.** The District's total revenues were \$12,599,511. A significant portion, 18 percent, of the District's revenue comes from taxes. (See Figure A-3.) 61 percent comes from state aid – formula grants, while only 4 percent relates to charges for services.

The total cost of all programs and services was \$11,976,110; 81 percent of these costs are for governmental activities associated with instructional and student services.

**Governmental Activities**

- Property tax rates remained the same. However, due to increased values, tax revenues increased by \$190,885 or 9%.

**Table A-2**  
**Changes in Rice Independent School District's Net Position**  
*(In million dollars)*

	Governmental Activities		Total % Change
	2019	2018	
Program Revenues:			
Charges for Services	\$ 0.5	\$ 0.5	0
Operating Grants and Contributions	1.8	1.6	13
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	2.3	2.1	10
State Aid – Formula	7.6	5.8	31
Investment Earnings	.2	.2	0
Other	.2	.1	100
<b>Total Revenues</b>	<b>12.6</b>	<b>10.3</b>	<b>22</b>
Instruction	5.3	3.5	51
Instructional Resources and Media Services	.2	.1	100
Curriculum Dev. And Instructional Staff Dev.	.1	.1	0
Instructional Leadership	.1	.1	0
School Leadership	1.0	.6	67
Guidance, Counseling and Evaluation Services	.3	.2	50
Social Work Services	.0	.0	**
Health Services	.1	.1	0
Student (Pupil) Transportation	.3	.3	0
Food Services	.6	.4	50
Curricular/Extracurricular Activities	.6	.4	50
General Administration	.3	.2	50
Plant Maintenance & Oper.	1.3	1.0	30
Security & Monitoring Svcs.	.1	.1	0
Data Processing Services	.5	.3	67
Community Services	.0	.0	**
Debt Services	1.0	.9	11
Facilities Acquisition and Construction	.0	.0	**
Contracted Instr. Services Between Public Schools	.0	.0	**
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.2	.2	0
Public Education Grant Program	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Other	.0	.0	**
<b>Total Expenses</b>	<b>12.0</b>	<b>8.5</b>	<b>41</b>
Excess (Deficiency) Before Other Resources.			
Uses & Transfers	.6	1.8	-67
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
<b>Increase (Decrease) in Net Position</b>	<b>\$0.6</b>	<b>\$1.8</b>	<b>-67</b>

Table A-3 presents the cost of each of the District's largest 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 \$12.0 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2.3 million.
- Some of the cost was paid by those who directly benefited from the programs \$0.45 million, or
- By grants and contributions \$1.837 million.

**Table A-3**  
**Net Cost of Selected District Functions**  
*(in millions of dollars)*

	Total Cost of Services			Net Cost of Services		
	<u>2019</u>	<u>2018</u>	% Change	<u>2019</u>	<u>2018</u>	% Change
Instruction	5.3	3.5	51	4.7	3.1	52
School administration	.3	.2	50	.3	.2	50
Plant Maintenance & Operations	1.3	1.0	30	1.3	1.0	30
Debt Service – Interest & Fiscal Charges	1.0	.9	11	.5	.3	67

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

Revenues from governmental fund types totaled \$12.3 million, while the previous year it was \$11.9 million. The increase in local revenues is due to increased valuations. The increase in state revenues is a result of student population changes and changes in state funding formulas. The change in federal revenues is due to grant funding formulas distributed through other agencies.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget 4 times. Actual expenditures were \$409,482 below final budget amounts in the General Fund.

On the other hand, resources available were \$247,887 above the final budgeted amount with state revenue being over budget by \$242,402.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2019, the District had invested \$39,911,846 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase (including additions and deductions) of \$11,602,776 or 41% from last year.

**Table A-4**  
**District's Capital Assets**  
*(in millions of dollars)*

	Governmental Activities		Total Percentage Change <u>2019-2018</u>
	<u>2019</u>	<u>2018</u>	
Land	1.218	1.218	0
Construction in progress	14.244	2.863	398
Buildings and improvements	21.849	21.797	0
Vehicles	1.167	1.009	16
Equipment	1.154	1.142	1
Leased equipment	.280	.280	0
Totals at historical cost	<u>39.912</u>	<u>28.309</u>	41
Total accumulated depreciation	<u>(8.955)</u>	<u>(8.287)</u>	-8
Net capital assets	<u>30.957</u>	<u>20.022</u>	55

The District's fiscal year 2020 capital budget projects additional spending of approximately \$2,000,000 out of the bond proceeds. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end the District had \$32.121 million in bonds, leases, pension and OPEB liability as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-5**  
District's Long-Term Debt  
(In millions of dollars)

	Governmental Activities		Total Percentage Change 2019-2018
	<u>2019</u>	<u>2018</u>	
Leases payable	.097	.187	-48
Bonds payable	24.185	24.820	-3
Pension liability	2.754	1.571	75
OPEB liability	3.566	2.972	20
Accreted interest	.825	.733	13
Premium on bonds	.694	.735	-6
Total bonds & notes payable	<u>32.121</u>	<u>31.018</u>	4

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2020 budget preparation is \$142,204,981, an increase of 11.5% from 2019.
- General operating fund spending per student increased in the 2020 budget from \$10,732 to \$11,753. This is a 10% increase.
- The District's 2020 refined average daily attendance is expected to be 884.88, an increase from last year.

These indicators were considered when adopting the general fund budget for 2020. Amounts available for appropriation in the general fund budget are \$10,399,877, an increase of 14 percent from the final 2019 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2020.

### 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 the Rice Independent School District's Business Services Department at 1302 SW McKinney, Rice, Texas 75155 or phone number 903-326-4287.

## *Basic Financial Statements*

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Data Control Codes		1	Governmental Activities
	<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$	2,370,486
1120	Current Investments		6,537,806
1225	Property Taxes Receivable (Net)		163,181
1240	Due from Other Governments		534,795
1300	Inventories		9,274
	Capital Assets:		
1510	Land		1,218,078
1520	Buildings and Improvements, Net		14,877,633
1530	Furniture and Equipment, Net		422,021
1550	Capital Lease Assets, Net		195,004
1580	Construction in Progress		14,244,143
1000	Total Assets		<u>40,572,421</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	Deferred Outflow Related to Pensions		1,544,334
	Deferred Outflow Related to OPEB		470,239
1700	Total Deferred Outflows of Resources		<u>2,014,573</u>
	<b>LIABILITIES:</b>		
2110	Accounts Payable		875,479
2140	Interest Payable		41,967
2165	Accrued Liabilities		446,793
2300	Unearned Revenue		2,797
	Noncurrent Liabilities:		
2501	Due Within One Year		877,115
2502	Due in More Than One Year		24,924,304
2540	Net Pension Liability		2,753,684
2545	Net OPEB Liability		3,565,516
2000	Total Liabilities		<u>33,487,655</u>
	<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	Deferred Revenue-Property Sale		150,000
	Deferred Inflow Related to Pensions		150,899
	Deferred Inflow Related to OPEB		1,127,502
2600	Total Deferred Inflows of Resources		<u>1,428,401</u>
	<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets		7,133,455
	Restricted For:		
3820	Federal and State Programs		258,135
3850	Debt Service		439,015
3900	Unrestricted		(159,667)
3000	Total Net Position	\$	<u>7,670,938</u>

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 5,318,601	\$ 500	\$ 655,446	\$ (4,662,655)	
12	Instructional Resources and Media Services	186,978	--	28,465	(158,513)	
13	Curriculum and Staff Development	88,949	--	9,121	(79,828)	
21	Instructional Leadership	145,673	--	6,627	(139,046)	
23	School Leadership	975,089	--	44,012	(931,077)	
31	Guidance, Counseling, & Evaluation Services	301,294	--	14,176	(287,118)	
32	Social Work Services	16,807	--	1,057	(15,750)	
33	Health Services	70,131	--	4,018	(66,113)	
34	Student Transportation	316,190	--	9,688	(306,502)	
35	Food Service	580,881	68,768	449,456	(62,657)	
36	Cocurricular/Extracurricular Activities	560,378	21,076	16,629	(522,673)	
41	General Administration	287,457	--	7,688	(279,769)	
51	Facilities Maintenance and Operations	1,295,470	--	27,406	(1,268,064)	
52	Security and Monitoring Services	79,837	--	3,298	(76,539)	
53	Data Processing Services	471,826	--	21,380	(450,446)	
61	Community Services	11,763	--	599	(11,164)	
72	Interest on Long-term Debt	1,012,608	--	538,396	(474,212)	
73	Bond Issuance Costs and Fees	1,637	--	--	(1,637)	
93	Payments Related to Shared Services Arrangements	216,043	360,125	--	144,082	
99	Other Intergovernmental Charges	38,498	--	--	(38,498)	
TG	Total Governmental Activities	11,976,110	450,469	1,837,462	(9,688,179)	
TP	Total Primary Government	\$ 11,976,110	\$ 450,469	\$ 1,837,462	(9,688,179)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				1,649,459	
DT	Property Taxes, Levied for Debt Service				639,539	
IE	Investment Earnings				235,610	
GC	Grants and Contributions Not Restricted to Specific Programs				7,640,689	
MI	Miscellaneous				146,283	
TR	Total General Revenues				10,311,580	
CN	Change in Net Position				623,401	
NB	Net Position - Beginning				7,047,537	
NE	Net Position - Ending				\$ 7,670,938	

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2019**

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,666,170	\$ 1,598	\$ 676,430	\$ 2,344,198
1120	Current Investments	3,686,333	2,851,473	--	6,537,806
1225	Taxes Receivable, Net	122,128	--	41,053	163,181
1240	Due from Other Governments	496,650	--	38,145	534,795
1300	Inventories	--	--	9,274	9,274
1000	Total Assets	\$ 5,971,281	\$ 2,853,071	\$ 764,902	\$ 9,589,254
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 25,124	\$ 833,109	\$ 17,246	\$ 875,479
2150	Payroll Deductions & Withholdings	61,523	--	--	61,523
2160	Accrued Wages Payable	321,829	--	45,320	367,149
2200	Accrued Expenditures	6,882	--	2,389	9,271
2300	Unearned Revenue	--	--	2,797	2,797
2000	Total Liabilities	415,358	833,109	67,752	1,316,219
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	Deferred Revenue-Property Sale	150,000	--	--	150,000
	Deferred Revenue-Property Taxes	122,128	--	41,053	163,181
2600	Total Deferred Inflows of Resources	272,128	--	41,053	313,181
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3430	Prepaid Items	--	--	9,274	9,274
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	248,861	248,861
3470	Capital Acquisitions & Contractual Obligations	--	2,019,962	--	2,019,962
3480	Retirement of Long-Term Debt	--	--	397,962	397,962
Committed Fund Balances:					
3510	Construction	2,250,000	--	--	2,250,000
3600	Unassigned	3,033,795	--	--	3,033,795
3000	Total Fund Balances	5,283,795	2,019,962	656,097	7,959,854
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 5,971,281	\$ 2,853,071	\$ 764,902	\$ 9,589,254

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Total fund balances - governmental funds balance sheet	\$ 7,959,854
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,956,879
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	163,181
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	17,438
Payables for bond principal which are not due in the current period are not reported in the funds.	(24,184,592)
Payables for capital leases which are not due in the current period are not reported in the funds.	(97,115)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,967)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,753,684)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(150,899)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,544,334
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(825,246)
Bond premiums are amortized in the SNA but not in the funds.	(694,466)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,565,516)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,127,502)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	470,239
Net position of governmental activities - Statement of Net Position	\$ 7,670,938

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 1,840,359	\$ 196,936	\$ 1,068,242	\$ 3,105,537
5800 State Program Revenues	7,606,158	--	674,104	8,280,262
5900 Federal Program Revenues	145,957	--	768,575	914,532
5020 Total Revenues	<u>9,592,474</u>	<u>196,936</u>	<u>2,510,921</u>	<u>12,300,331</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,038,850	--	628,618	4,667,468
0012 Instructional Resources and Media Services	142,566	--	22,422	164,988
0013 Curriculum and Staff Development	72,262	--	6,149	78,411
0021 Instructional Leadership	126,822	--	--	126,822
0023 School Leadership	744,505	--	108,899	853,404
0031 Guidance, Counseling, & Evaluation Services	262,975	--	--	262,975
0032 Social Work Services	14,676	--	--	14,676
0033 Health Services	61,104	--	169	61,273
0034 Student Transportation	395,863	--	--	395,863
0035 Food Service	1,505	--	514,828	516,333
0036 Cocurricular/Extracurricular Activities	499,798	--	--	499,798
0041 General Administration	241,047	--	13,492	254,539
0051 Facilities Maintenance and Operations	1,147,137	--	29,767	1,176,904
0052 Security and Monitoring Services	156,635	--	7,595	164,230
0053 Data Processing Services	411,704	--	7,148	418,852
0061 Community Services	10,296	--	--	10,296
0071 Principal on Long-term Debt	89,680	--	635,000	724,680
0072 Interest on Long-term Debt	7,486	--	964,132	971,618
0073 Bond Issuance Costs and Fees	--	--	1,637	1,637
0081 Capital Outlay	34,868	11,365,095	--	11,399,963
0093 Payments to Shared Service Arrangements	216,043	--	--	216,043
0099 Other Intergovernmental Charges	35,969	--	--	35,969
6030 Total Expenditures	<u>8,711,791</u>	<u>11,365,095</u>	<u>2,939,856</u>	<u>23,016,742</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	880,683	(11,168,159)	(428,935)	(10,716,411)
Other Financing Sources and (Uses):				
7915 Transfers In	800	--	447,736	448,536
8911 Transfers Out	(447,736)	--	(800)	(448,536)
7080 Total Other Financing Sources and (Uses)	<u>(446,936)</u>	<u>--</u>	<u>446,936</u>	<u>--</u>
1200 Net Change in Fund Balances	438,747	(11,168,159)	18,001	(10,716,411)
0100 Fund Balances - Beginning	4,850,048	13,188,121	638,096	18,676,265
3000 Fund Balances - Ending	\$ <u>5,283,795</u>	\$ <u>2,019,962</u>	\$ <u>656,097</u>	\$ <u>7,959,854</u>

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

Net change in fund balances - total governmental funds	\$ (10,716,411)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,602,776
The depreciation of capital assets used in governmental activities is not reported in the funds.	(667,836)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	15,824
Amortization of Bond Premiums is not reported in the funds.	40,438
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	635,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	89,680
The accretion of interest on capital appreciation bonds is not reported in the funds.	(91,694)
(Increase) decrease in accrued interest from beginning of period to end of period.	10,266
The net revenue (expense) of internal service funds is reported with governmental activities.	11,820
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(248,815)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(57,647)
Change in net position of governmental activities - Statement of Activities	\$ 623,401

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2019**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
<b>ASSETS:</b>			
	Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 26,288	
	Total Current Assets	26,288	
1000	Total Assets	26,288	
<b>LIABILITIES:</b>			
	Current Liabilities:		
2200	<i>Accrued Expenses</i>	8,850	
	Total Current Liabilities	8,850	
2000	Total Liabilities	8,850	
<b>NET POSITION:</b>			
3900	<i>Unrestricted</i>	17,438	
3000	Total Net Position	\$ 17,438	

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	<b>OPERATING REVENUES:</b>		
5700	<i>Local and Intermediate Sources</i>	\$ 39,829	
5020	Total Revenues	<u>39,829</u>	
	<b>OPERATING EXPENSES:</b>		
6100	<i>Payroll Costs</i>	28,009	
6030	Total Expenses	<u>28,009</u>	
1300	Change in Net Position	11,820	
0100	Total Net Position - Beginning	5,618	
3300	Total Net Position - Ending	<u>\$ 17,438</u>	

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 21,902
<i>Cash Payments to Employees for Services</i>	(28,009)
<i>Other Operating Cash Receipts (Payments)</i>	—
Net Cash Provided (Used) by Operating Activities	<u>(6,107)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers From (To) Other Funds</i>	—
Net Cash Provided (Used) by Non-capital Financing Activities	<u>—</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Acquisition or Construction of Capital Assets</i>	—
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>—</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	—
Net Cash Provided (Used) for Investing Activities	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,107)
Cash and Cash Equivalents at Beginning of Year	32,395
Cash and Cash Equivalents at End of Year	<u>\$ 26,288</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 11,820
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	—
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accrued Expenses</i>	(17,927)
Total Adjustments	<u>(17,927)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,107)</u>

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2019

Data Control Codes	Private-purpose Trust Funds	Agency Funds  Student Activity
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 23,038	\$ 42,616
1120 <i>Current Investments</i>	3,414	--
1000 <b>Total Assets</b>	<u>26,452</u>	<u>42,616</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	--	42,616
2000 <b>Total Liabilities</b>	<u>--</u>	<u>42,616</u>
<b>NET POSITION:</b>		
3800 <i>Held in Trust</i>	26,452	--
3000 <b>Total Net Position</b>	<u>\$ 26,452</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 35
Gifts and Bequests	5,274
Total Additions	<u>5,309</u>
<b>Deductions:</b>	
Scholarship Awards	4,290
Total Deductions	<u>4,290</u>
<b>Change in Net Position</b>	1,019
Net Position-Beginning of the Year	25,433
Net Position-End of the Year	<u>\$ 26,452</u>

The accompanying notes are an integral part of this statement.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Rice Independent School District (the "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 ("Resource 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 has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position 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 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.

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 is used to maintain funds restricted for capital projects of the District.

## **RICE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019**

In addition, the District reports the following fund types:

**Internal Service 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.

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

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

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

#### **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 does not consider revenues collected after its year-end to be available in the current period. 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 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases 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. Financial Statement Amounts**

#### **a. Cash and Cash Equivalents**

For purposes 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.

## RICE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

#### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. An allowance for uncollectible accounts in the amount of \$16,931 is reflected in the financial statements as of August 31, 2019.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

#### e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

f. 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.

g. Interfund Activity

Interfund activity results from loans, services 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 "Transfers" 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.

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. 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 expense, and information about assets, liabilities and additions to / deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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6. Implementation of New Standards

*GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and risks associated with changes in terms associated with debt on a government's future resource flows.

The District expects that implementation of the pronouncement will primarily affect some disclosures in the notes and will not have an impact on the financial statements.

*GASB Statement No. 83, Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**RICE INDEPENDENT SCHOOL DISTRICT**  
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C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,125,887 and the bank balance was \$6,896,234. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of deposit included in cash above	<1 year	\$ 2,589,375
Money Market account included in cash above	N/A	1,100,372
Texpool	N/A	2,851,473
Total Investments		<u>\$ 6,541,220</u>

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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3. Analysis of Specific Deposit and Investment Risks

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 rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, have no 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 credit 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 District's 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.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

## **RICE INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019*

#### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttsc.org](http://www.ttsc.org).

**RICE INDEPENDENT SCHOOL DISTRICT**  
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D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,218,078	\$ --	\$ --	\$ 1,218,078
Construction in progress	2,863,430	11,380,713	--	14,244,143
Total capital assets not being depreciated	4,081,508	11,380,713	--	15,462,221
<i>Capital assets being depreciated:</i>				
Buildings and improvements	21,797,090	52,212	--	21,849,302
Equipment	1,141,612	12,000	--	1,153,612
Vehicles	1,008,667	157,851	--	1,166,518
Leased Assets	280,193	--	--	280,193
Total capital assets being depreciated	24,227,562	222,063	--	24,449,625
Less accumulated depreciation for:				
Buildings and improvements	(6,508,376)	(463,293)	--	(6,971,669)
Equipment	(845,078)	(94,296)	--	(939,374)
Vehicles	(904,527)	(54,208)	--	(958,735)
Leased Assets	(29,150)	(56,039)	--	(85,189)
Total accumulated depreciation	(8,287,131)	(667,836)	--	(8,954,967)
Total capital assets being depreciated, net	15,940,431	(445,773)	--	15,494,658
Governmental activities capital assets, net	\$ 20,021,939	\$ 10,934,940	\$ --	\$ 30,956,879

Depreciation was charged to functions as follows:

Instruction	\$ 328,116
Instructional Resources and Media Services	11,598
Curriculum and Staff Development	5,512
Instructional Leadership	8,915
School Leadership	59,993
Guidance, Counseling, & Evaluation Services	18,487
Social Work Services	1,032
Health Services	4,307
Student Transportation	20,098
Food Services	36,297
Extracurricular Activities	35,135
General Administration	17,894
Plant Maintenance and Operations	82,735
Security and Monitoring Services	5,019
Data Processing Services	29,445
Community Services	724
Other Intergovernmental Charges	2,529
	\$ 667,836

**RICE INDEPENDENT SCHOOL DISTRICT**  
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**E. Interfund Balances and Activities**

1. Due To and From Other Funds

There are no balances due to and due from other funds at August 31, 2019.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	\$ 448,536	Supplement other funds sources
	Total	\$ 448,536	

**F. Long-Term Obligations**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Building & Refunding Bonds	\$ 23,565,000	\$ --	\$ 360,000	\$ 23,205,000	\$ 500,000
Unlimited Tax Refunding Bds	1,135,000	--	275,000	860,000	280,000
Capital Appreciation Bonds	119,592	--	--	119,592	--
Capital Leases from Direct Borrowings and Placements	186,795	--	89,680	97,115	97,115
Capital Apprec Bd Acc Interest	733,552	91,694	--	825,246	--
Bond Premiums	734,904	--	40,438	694,466	--
Net Pension Liability *	1,571,181	1,351,036	168,533	2,753,684	--
Net OPEB Liability *	2,971,763	643,015	49,262	3,565,516	--
Total governmental activities	\$ 31,017,787	\$ 2,085,745	\$ 982,913	\$ 32,120,619	\$ 877,115

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

**Bonds**

The District issued Series 2010 Tax school Building and Refunding Bonds during the fiscal year ended August 31, 2010, for the purpose of refunding Series 2008 Bonds and 2008 Capital Appreciation Bonds, and also for the new issuance of \$500,000 for the completion of buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 1% to 4.17%, with annual installments ranging from \$150,000 to \$785,000. The total balance on this issue at August 31, 2019 is \$8,654,592, with \$119,592 considered capital appreciation bonds.

**RICE INDEPENDENT SCHOOL DISTRICT**  
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The District issued \$1,950,000 of Series 2014 Unlimited Tax Refunding Bonds during the fiscal year ended August 31, 2015, for the purpose of refunding other bonds. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 2.5% to 3%, with annual installments ranging from \$255,000 to \$315,000. The total balance on this issue at August 31, 2019 is \$860,000.

The District issued \$8,995,000 of Series 2017 Unlimited Tax School Building Bonds during the fiscal year ended August 31, 2017, for the purpose of construction, renovation, acquisition and equipment of school buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 2.0% to 4.25%, with annual installments ranging from \$390,850 to \$852,600. The total balance on this issue at August 31, 2019 is \$8,325,000. The total approved authorized principal amount related to this issue was \$15,900,000. The board reserves the right to issue the balance of unissued bonds when funds are needed to accomplish the purposes for which the bonds were voted to finance.

The District issued \$6,400,000 of Series 2018 Unlimited Tax School Building Bonds during the fiscal year ended August 31, 2018, for the purpose of construction, renovation, acquisition and equipment of school buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 3.0% to 4.0%, with annual installments ranging from \$291,375 to \$645,600. The total balance on this issue at August 31, 2019 is \$6,345,000. The total approved authorized principal amount related to this issue was \$15,900,000. The board reserves the right to issue the balance of unissued bonds when funds are needed to accomplish the purposes for which the bonds were voted to finance.

Leases from Direct Borrowings and Direct Placements

The District executed a capital lease agreement during the fiscal year ended August 31, 2018 in the original amount of \$280,193, for the purchase of buses, which serve as collateral. The lease is payable in three annual installments of \$97,196, which includes interest at a rate of 4.09%. The total balance at August 31, 2019 is \$97,115. In the event of default, lessor has the right to repossess the buses and demand payment for any unpaid portion of the lease.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
2020	\$ 780,000	\$ 917,203	\$ 1,697,203
2021	800,000	897,180	1,697,180
2022	820,000	875,208	1,695,208
2023	187,640	1,313,693	1,501,333
2024	184,510	1,317,548	1,502,058
2025-2029	2,917,442	4,239,229	7,156,671
2030-2034	4,065,000	3,335,863	7,400,863
2035-2039	4,895,000	2,407,865	7,302,865
2040-2044	5,605,000	1,328,859	6,933,859
2045-2049	3,930,000	161,883	4,091,883
Totals	\$ 24,184,592	\$ 16,794,531	\$ 40,979,123

Year Ending August 31,	Governmental Activities - Leases-Direct Borrowings/Placements		
	Principal	Interest	Total
2020	\$ 97,115	\$ 51	\$ 97,166
Totals	\$ 97,115	\$ 51	\$ 97,166

**RICE INDEPENDENT SCHOOL DISTRICT**  
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3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2019, as follows:

<u>Year Ending August 31:</u>	
2020	\$ 97,166
Total Minimum Rentals	<u>\$ 97,166</u>
 Rental Expenditures in 2019	 <u>\$ 97,166</u>

The effective interest rate on capital leases is 4.09%.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

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

2. Pension Plan Fiduciary Net Position

Detail 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 <https://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.

**RICE INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
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3. 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% (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.

4. Contributions

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

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

	<u>Contribution Rates</u>	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 176,753	
District's 2019 Member Contributions	\$ 447,672	
2018 NECE On-Behalf Contributions (state)	\$ 292,417	

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).

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

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

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
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 three year period ending August 31, 2017 and adopted in July, 2018.

**RICE INDEPENDENT SCHOOL DISTRICT**  
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6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

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.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
<b>Total</b>	<b>100.0%</b>		<b>7.2%</b>

\* Target allocation are based on the FY 2018 policy model.

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 4,155,970	\$ 2,753,684	\$ 1,618,451

8. 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 \$2,753,684 for its proportionate share of the TRS' 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	\$ 2,753,684
State's proportionate share that is associated with District	4,780,814
Total	\$ 7,534,498

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0050028% which was an increase (decrease) of 0.000088993% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation -**

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

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

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

For the year ended August 31, 2019, the District recognized pension expense of \$898,741 and revenue of \$473,173 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,164	\$ 87,565
Changes in actuarial assumptions	992,836	31,026
Difference between projected and actual investment earnings	-	52,249
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	357,581	59
Contributions paid to TRS subsequent to the measurement date	176,753	-
Total	\$ 1,544,334	\$ 150,899

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

Year Ended August 31	Pension Expense Amount
2020	\$ 329,391
2021	\$ 219,437
2022	\$ 187,334
2023	\$ 194,824
2024	\$ 173,817
Thereafter	\$ 111,879

**I. Defined Other Post-Employment Benefit Plans**

**1. Plan Description**

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

**2. OPEB Plan Fiduciary Net Position**

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at a reduced 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.

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

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Contribution Rates		
	2018	2019
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%
District's 2019 Employer Contributions		\$ 52,580
District's 2019 Member Contributions		\$ 37,790
2018 NECE On-Behalf Contributions (state)		\$ 67,609

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

\*Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

\*\*8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

\*\*\* Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .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.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 4,244,190	\$ 3,565,516	\$ 3,028,642

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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 \$3,565,516 for its proportionate share of the TRS' 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	\$ 3,565,516
State's proportionate share that is associated with the District	\$ 4,900,415
<b>Total</b>	<b>\$ 8,465,931</b>

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 District's proportion of the Net OPEB liability was based on the District's contributions to OPEB 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 District's proportion of the collective net OPEB liability was 0.0071409%, which was an increase of 0.0003071000% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 2,981,220	\$ 3,565,516	\$ 4,361,389

9. Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

**RICE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

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

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

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

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

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$288,475 and revenue of \$178,248 for support provided by the State.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 189,209	\$ 56,269
Changes in actuarial assumptions	59,499	1,071,233
Differences between projected and actual investment earnings	624	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	168,327	--
Contributions paid to TRS subsequent to the measurement date	52,580	--
<b>Total</b>	<b>\$ 470,239</b>	<b>\$ 1,127,502</b>

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

Year ended August 31,	Amount
2020	\$ (119,389)
2021	\$ (119,389)
2022	\$ (119,389)
2023	\$ (119,507)
2024	\$ (119,575)
Thereafter	\$ (112,594)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal years ended August 31, 2019, 2018 and 2017 the subsidy payments received by TRS-Care on behalf of the District were \$22,149, \$17,345 and \$16,700.

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$367 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2019, and terms of coverage and premium costs are included in the contractual provisions.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

**K. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2019.

**3. Commitments**

The District is expected to spend approximately \$2,000,000 out of its Capital Fund during fiscal year 2020 to finish up its construction program.

On August 23, 2019, the District approved the sale of 55.49 acres of District property for \$151,000. As of August 31, 2019, the sale was not yet completed, and title had not transferred.

**L. Shared Services Arrangements**

**Shared Services Arrangement - Fiscal Agent**

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides salaries for the credit recovery program and alternative education program to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Fund 458, a special revenue fund, and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Expenditures
Blooming Grove ISD	\$ 75,851
Dawson ISD	38,426
Frost ISD	36,828
Hubbard ISD	30,092
Kerens ISD	49,173
Mildred ISD	60,197
Rice ISD	74,986
Wortham ISD	41,491
Total	\$ 407,044

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for IDEA-B Formula Program with the following school districts:

Member Districts		
Dawson ISD	Mildred ISD	Kerens ISD
Frost ISD	Rice ISD	Wortham ISD
Blooming Grove ISD	Hubbard ISD	

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fairfield Bi-County Co-op nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for IDEA-B and Career Technology Education with the following school districts:

Member Districts	
Dawson ISD	Teague ISD
Frost ISD	Dew ISD
Blooming Grove ISD	Fairfield ISD
Kerens ISD	Wortham ISD
Mildred ISD	Rice ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fairfield ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**M. Self Funded Workman's Compensation Insurance**

The District maintains a self-funded workers compensation plan known as Texas Public Schools Workers' Compensation Project. The District pays an administrative fee based on total payroll costs multiplied by an experience modifier. The service agreement provides that the association will be self-sustaining through member premiums. Excess worker's compensation insurance is carried by Safety National Casualty Corporation. The specific retention is \$350,000, maximum limit per occurrence \$1,000,000. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. The following reflects the change in liability reported during the Plan's fiscal year.

Statement of Change in Liability	2019	2018
Unpaid (overpayment) claims, beginning of fiscal year	\$ 26,777	\$ 26,777
Net claims incurred or (adjusted) during the year	(14,490)	—
Payments of claims during the year	(3,437)	—
Unpaid claims, fiscal year end	\$ 8,850	\$ 26,777

The above amount is included in liabilities on the financial statements as of August 31, 2019.

**N. Accumulated Unpaid Vacation and Personal Leave Benefits**

At August 31, 2019, the District had no liability for accrued sick leave or vacation leave.

District employees accumulate personal leave at the rate of 5 days per year with no accumulation limit.

The District has non vested sick and personal leave benefits at August 31, 2019 which are not recorded on the financial statements in the amount of \$571,969. These benefits are recorded as expenditures as used.

## **RICE INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019*

### **O. Sale of Property**

During the fiscal year 2018, the district executed a letter of intent with the City of Rice for the sale of real property located at 305 N. Dallas Street and all other lots owned by Rice ISD within the city limits, Rice, Texas, together with all buildings, improvements, and fixtures constructed or located on the land and all easements and rights benefiting or appurtenant to the land. Upon execution of the agreement, the city paid \$50,000. Additional payments totalling \$250,000 are to be received from the city during fiscal years 2019 and 2020. As of August 31, 2019, Rice ISD maintained possession of the elementary school, with the intent to use it pending completion of the new elementary. Title and risk of loss would transfer to the city at that time. Since several conditions still needed to be met at August 31, 2019 in order for title to pass, the District reported the \$50,000 received in the prior fiscal year along with the \$100,000 received this year as deferred revenue.

### *Required Supplementary Information*

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

EXHIBIT G-1

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original	Final					
<b>REVENUES:</b>								
5700	Local and Intermediate Sources	\$ 1,862,293	\$ 1,815,739	\$ 1,840,359	\$ 24,620			\$ 24,620
5800	State Program Revenues	7,365,019	7,363,756	7,606,158	242,402			242,402
5900	Federal Program Revenues	268,091	165,092	145,957	(19,135)			(19,135)
5020	Total Revenues	9,295,403	9,344,587	9,592,474	247,887			247,887
<b>EXPENDITURES:</b>								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	4,199,154	4,199,154	4,038,850	160,304			160,304
0012	Instructional Resources and Media Services	144,255	144,255	142,566	1,689			1,689
0013	Curriculum and Staff Development	78,294	79,294	72,262	7,032			7,032
	Total Instruction & Instr. Related Services	4,421,703	4,422,703	4,253,678	169,025			169,025
Instructional and School Leadership:								
0021	Instructional Leadership	132,458	132,458	126,822	5,636			5,636
0023	School Leadership	726,494	750,494	744,505	5,989			5,989
	Total Instructional & School Leadership	858,952	882,952	871,327	11,625			11,625
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	268,832	270,032	262,975	7,057			7,057
0032	Social Work Services	14,596	16,596	14,676	1,920			1,920
0033	Health Services	62,807	63,807	61,104	2,703			2,703
0034	Student (Pupil) Transportation	386,760	441,760	395,863	45,897			45,897
0035	Food Services	1,683	1,683	1,505	178			178
0036	Cocurricular/Extracurricular Activities	513,235	523,235	499,798	23,437			23,437
	Total Support Services - Student (Pupil)	1,247,913	1,317,113	1,235,921	81,192			81,192
Administrative Support Services:								
0041	General Administration	257,621	258,621	241,047	17,574			17,574
	Total Administrative Support Services	257,621	258,621	241,047	17,574			17,574
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	1,068,348	1,207,794	1,147,137	60,657			60,657
0052	Security and Monitoring Services	139,116	161,116	156,635	4,481			4,481
0053	Data Processing Services	444,942	444,942	411,704	33,238			33,238
	Total Support Services - Nonstudent Based	1,652,406	1,813,852	1,715,476	98,376			98,376
Ancillary Services:								
0061	Community Services	8,400	13,400	10,296	3,104			3,104
	Total Ancillary Services	8,400	13,400	10,296	3,104			3,104
Debt Service:								
0071	Principal on Long-Term Debt	97,196	89,710	89,680	30			30
0072	Interest on Long-Term Debt	--	7,486	7,486	--			--
	Total Debt Service	97,196	97,196	97,166	30			30
Capital Outlay:								
0081	Capital Outlay	140,713	56,963	34,868	22,095			22,095
	Total Capital Outlay	140,713	56,963	34,868	22,095			22,095
Intergovernmental Charges:								
0093	Payments to Fiscal Agent/Member Dist.-SSA	212,504	217,504	216,043	1,461			1,461
0099	Other Intergovernmental Charges	34,855	40,968	35,969	4,999			4,999
	Total Intergovernmental Charges	247,359	258,472	252,012	6,460			6,460
6030	Total Expenditures	8,932,263	9,121,273	8,711,791	409,482			409,482
1100	Excess (Deficiency) of Revenues Over (Under)							
1100	Expenditures	363,140	223,314	880,683	657,369			657,369
Other Financing Sources (Uses):								
7912	Sale of Real or Personal Property	--	100,000	--	(100,000)			(100,000)
7915	Transfers In	--	800	800	--			--
8911	Transfers Out	--	(447,736)	(447,736)	--			--
7080	Total Other Financing Sources and (Uses)	--	(346,936)	(446,936)	(100,000)			(100,000)
1200	Net Change in Fund Balance	363,140	(123,622)	433,747	557,369			557,369
0100	Fund Balance - Beginning	4,850,048	4,850,048	4,850,048	--			--
3000	Fund Balance - Ending	\$ 5,213,188	\$ 4,726,426	\$ 5,283,795	\$ 557,369			\$ 557,369

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

	Measurement Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.005%	0.005%	0.005%	0.005%	0.003%	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 2,753,684	\$ 1,571,181	\$ 1,811,314	\$ 1,661,812	\$ 698,102	--	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,780,814	2,861,600	3,596,000	3,430,525	2,795,783	--	--	--	--	--
<b>Total</b>	<b>\$ 7,534,498</b>	<b>\$ 4,432,781</b>	<b>\$ 5,407,314</b>	<b>\$ 5,092,337</b>	<b>\$ 3,493,885</b>	<b>\$ --</b>				
District's covered-employee payroll	\$ 5,721,326	\$ 5,543,477	\$ 5,533,193	\$ 5,212,782	\$ 4,794,763	--	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.13%	28.34%	32.74%	31.88%	14.56%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
*TEACHER RETIREMENT SYSTEM OF TEXAS*  
*LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 176,753	\$ 168,533	\$ 161,047	\$ 144,984	\$ 258,465	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(176,753)	(168,533)	(161,047)	(144,984)	(258,465)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,813,910	\$ 5,721,326	\$ 5,543,477	\$ 5,533,193	\$ 5,212,782	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.04%	2.95%	2.91%	2.62%	4.96%	--	--	--	--	--

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

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

	Measurement Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective net OPEB liability	0.007%	0.007%	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 3,565,516	\$ 2,971,763	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,900,415	\$ 4,325,658	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 8,465,931	\$ 7,297,421	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,721,326	\$ 5,543,477	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	62.32%	53.61%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%	--	--	--	--	--	--	--	--

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS*  
*TEACHER RETIREMENT SYSTEM OF TEXAS-OPEB*  
*LAST TEN FISCAL YEARS \**

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required District contribution	\$ 52,580	\$ 49,262	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(52,580)	(49,262)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,813,910	\$ 5,721,326	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.90%	0.86%	--	--	--	--	--	--	--	--

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

Budget

The official budget was prepared for adoption for the general fund, capital projects fund, national school breakfast and lunch program fund, and debt service fund. 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:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to the beginning of the fiscal year, 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 that 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.

Defined Benefit Pension Plan

*Changes of benefit terms*

See footnote H for changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of assumptions*

See footnote H for changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Postemployment Benefits Other Than Pension

*Changes of benefit terms*

See footnote I for changes of assumptions or other inputs that affected measurement of the total OPEB liability measurement period.

*Changes of assumptions*

See footnote I for changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

**RICE INDEPENDENT SCHOOL DISTRICT**

*CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2019*

**EXHIBIT H-1**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 190,000	\$ 196,936	\$ 6,936
5020 <b>Total Revenues</b>	<u>190,000</u>	<u>196,936</u>	<u>6,936</u>
<b>EXPENDITURES:</b>			
Capital Outlay:			
0081 <i>Capital Outlay</i>	14,329,294	11,365,095	2,964,199
<b>Total Capital Outlay</b>	<u>14,329,294</u>	<u>11,365,095</u>	<u>2,964,199</u>
6030 <b>Total Expenditures</b>	<u>14,329,294</u>	<u>11,365,095</u>	<u>2,964,199</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	(14,139,294)	(11,168,159)	2,971,135
1200 <b>Net Change in Fund Balance</b>	(14,139,294)	(11,168,159)	2,971,135
0100 <b>Fund Balance - Beginning</b>	13,188,121	13,188,121	--
3000 <b>Fund Balance - Ending</b>	<u>\$ (951,173)</u>	<u>\$ 2,019,962</u>	<u>\$ 2,971,135</u>

### *Other Supplementary Information*

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

**RICE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

Year Ended August 31	1 Tax Rates		2 Debt Service	3 Assessed/Appraised Value For School Tax Purposes
	Maintenance			
2010 and Prior Years	\$ Various	\$	Various	\$ Various
2011	1.04		.38	100,450,620
2012	1.04		.38	109,922,253
2013	1.04		.38	110,416,969
2014	1.04		.34	109,615,250
2015	1.04		.34	112,844,365
2016	1.04		.2965	110,527,182
2017	1.04		.2965	113,179,852
2018	1.17		.4565	127,239,471
2019 (School Year Under Audit)	1.17		.4565	137,046,292
1000 Totals				

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 26,305	\$ --	\$ 7,981	\$ 661	\$ 802	\$ 18,465
4,200	—	962	352	293	3,179
3,974	—	1,318	481	294	2,469
4,792	—	1,891	691	(77)	2,133
6,550	—	1,656	541	(78)	4,275
8,324	—	2,452	802	277	5,347
10,386	—	3,178	906	312	6,614
17,220	—	4,453	1,270	(471)	11,026
80,894	—	34,386	13,416	(3,375)	29,717
--	2,229,058	1,533,747	598,424	--	96,887
<u>\$ 162,645</u>	<u>\$ 2,229,058</u>	<u>\$ 1,592,024</u>	<u>\$ 617,544</u>	<u>\$ (2,023)</u>	<u>\$ 180,112</u>

**RICE INDEPENDENT SCHOOL DISTRICT**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)	\$ 5,283,795
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	2,250,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	-
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	-
7	Estimate of two months' average cash disbursements during the fiscal year	1,500,000
8	Estimate of delayed payments from state sources (58XX)	-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
10	Estimate of delayed payments from federal sources (59XX)	-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	3,750,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,533,795

Above amount is expected to be used for future buildings and equipment.

**RICE INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 84,100	\$ 69,899	\$ (14,201)
5800 <i>State Program Revenues</i>	14,735	16,252	1,517
5900 <i>Federal Program Revenues</i>	409,000	433,203	24,203
5020 <b>Total Revenues</b>	<u>507,835</u>	<u>519,354</u>	<u>11,519</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	520,975	514,828	6,147
<b>Total Support Services - Student (Pupil)</b>	<u>520,975</u>	<u>514,828</u>	<u>6,147</u>
6030 <b>Total Expenditures</b>	<u>520,975</u>	<u>514,828</u>	<u>6,147</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	(13,140)	4,526	17,666
1200 <b>Net Change in Fund Balance</b>	(13,140)	4,526	17,666
0100 <b>Fund Balance - Beginning</b>	33,627	33,627	--
3000 <b>Fund Balance - Ending</b>	<u>\$ 20,487</u>	<u>\$ 38,153</u>	<u>\$ 17,666</u>

**RICE INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**EXHIBIT J-4**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 600,013	\$ 638,218	\$ 38,205
5800 <i>State Program Revenues</i>	553,233	538,396	(14,837)
5020 <b>Total Revenues</b>	<u>1,153,246</u>	<u>1,176,614</u>	<u>23,368</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	635,000	635,000	—
0072 <i>Interest on Long-Term Debt</i>	963,982	964,132	(150)
0073 <i>Bond Issuance Costs and Fees</i>	2,000	1,637	363
<b>Total Debt Service</b>	<u>1,600,982</u>	<u>1,600,769</u>	<u>213</u>
6030 <b>Total Expenditures</b>	<u>1,600,982</u>	<u>1,600,769</u>	<u>213</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(447,736)</u>	<u>(424,155)</u>	<u>23,581</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	447,736	447,736	—
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>447,736</u>	<u>447,736</u>	<u>—</u>
1200 <b>Net Change in Fund Balance</b>	<u>--</u>	<u>23,581</u>	<u>23,581</u>
0100 <b>Fund Balance - Beginning</b>	<u>374,381</u>	<u>374,381</u>	<u>--</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ 374,381</u>	<u>\$ 397,962</u>	<u>\$ 23,581</u>

# **ANDERSON, MARX & BOHL, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Rice Independent School District  
1302 SW McKinney Street  
Rice, Texas 75155

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rice Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Rice Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2019.

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2019

# ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

## Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Rice Independent School District  
1302 SW McKinney Street  
Rice, Texas 75155

Members of the Board of Trustees:

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

We have audited the Rice Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rice Independent School District's major federal programs for the year ended August 31, 2019. Rice Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Rice Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

### **Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2019

**RICE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

Type of auditors' report issued on compliance for major programs: **Unmodified**

Version of compliance supplement used in audit: **August 2019**

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-cash)

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

Auditee qualified as low-risk auditee?  Yes  No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**RICE INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None noted		

**RICE INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

None noted, so none required

**RICE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**EXHIBIT K-1**

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	175-911	\$ --	\$ 91,984
National School Lunch Program	10.555	175-911	--	302,610
National School Lunch Program (Non-cash)	10.555	175-911	--	38,609
Total CFDA Number 10.555			--	341,219
Total Passed Through State Department of Education			--	433,203
Total U. S. Department of Agriculture			--	433,203
Total Child Nutrition Cluster			--	433,203
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	9660001175911	--	8,730
IDEA-B Formula	84.027	9660001175911	--	31,331
Total CFDA Number 84.027			--	40,061
Total Passed Through State Department of Education			--	40,061
Total U. S. Department of Education			--	40,061
Total Special Education (IDEA) Cluster			--	40,061
<b>OTHER PROGRAMS:</b>				
U. S. Department of Education				
Direct Program:				
Student Support and Academic Enrichment	84.424A	175-911	--	16,552
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	1951010117591	--	216,950
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	1969600117591	--	17,480
Title III Part A English Language Acquisition and Language Enhancement	84.365	1967100117591	--	17,430
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1969450117591	--	26,899
Total Passed Through State Department of Education			--	278,759
Total U. S. Department of Education			--	295,311
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ --</b>	<b>\$ 768,575</b>
Reconciliation to Exhibit C-2:				
Total Expenditures of Federal Awards				\$ 768,575
SHARS Medical Assistance Program included in Exhibit C-2				145,957
Total Federal Program Revenue per Exhibit C-2				\$ 914,532

The accompanying notes are an integral part of this schedule.

## **RICE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2019**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Rice Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

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

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

**RICE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2019

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 825,246
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 2,753,684
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 3,565,516