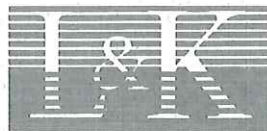


GREGORY-PORTLAND
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2019

BOARD OF TRUSTEES

VICTOR HERNANDEZ	PRESIDENT
REY ROJAS	VICE-PRESIDENT
CARRIE GREGORY	SECRETARY
DEAN ATKINSON	MEMBER
GILBERT CORTINAS	MEMBER
RANDY EULENFELD	MEMBER
TIM FLINN	MEMBER

OTHER OFFICIALS

PAUL CLORE, PH.D.	SUPERINTENDENT
BRIGITTE CLARK	CHIEF FINANCIAL OFFICER
VELMA SOLIZ-GARCIA	ASSISTANT SUPERINTENDENT— CURRICULUM & INSTRUCTION
LESLIE FAUGHT, ED.D.	ASSISTANT SUPERINTENDENT— SCHOOL LEADERSHIP & STUDENT SERVICES
BRANDON CHANDLER	CHIEF HUMAN RESOURCES OFFICER
ALBERTO SILGUERO	DIRECTOR OF BUSINESS SERVICES

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Gregory-Portland Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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Introductory Section

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CERTIFICATE OF BOARD

Gregory-Portland Independent School District
Name of School District

San Patricio
County

205-902
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 ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gregory-Portland 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland 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, Gregory-Portland 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, Gregory-Portland 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, and budgetary comparison information and 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 Gregory-Portland 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The 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 13, 2019 on our consideration of Gregory-Portland 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 Gregory-Portland Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 13, 2019

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Management's Discussion and Analysis

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2019
UNAUDITED**

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

FINANCIAL HIGHLIGHTS

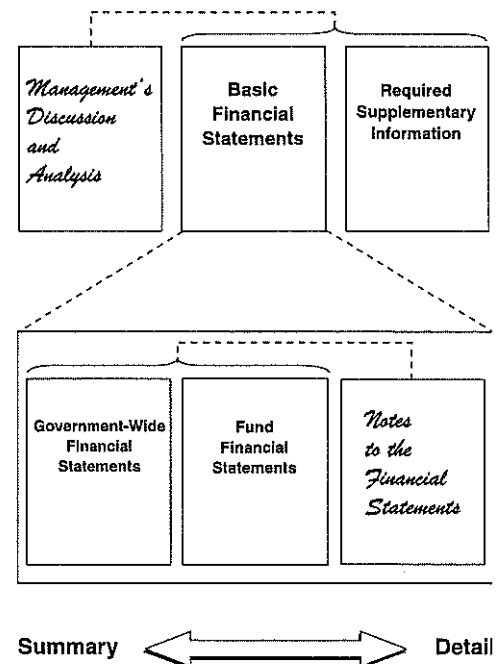
- The District's total combined net position was \$73,150,758 at August 31, 2019.
- During the year, the District's expenses were \$3,812,731 less than the \$63,005,145 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$51,833,823.
- The District issued \$19,920,000 in Unlimited Tax Refunding Bonds to advance refund \$22,805,000 of outstanding series 2013 unlimited Tax School Building Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.

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



- *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.

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.

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of

net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources—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, state formula revenue, and grants finance most of these activities.

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures & changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
	Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; the Agency's funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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 explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. 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.

Continued

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position was \$73,150,758 at August 31, 2019. (See Table A-1.)

Table A-1
Gregory-Portland Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change 2019-2018
	2019	2018	2019	2018	2019	2018	2019-2018
Current Assets:							
Cash and Investments	138.4	144.2	0.4	0.6	138.8	144.8	-4.1%
Property Taxes (Net)	0.5	0.4	-	-	0.5	0.4	25.0%
Due from Other Governments	1.5	6.3	0.2	0.2	1.7	6.5	-73.8%
Unrealized Expense	0.1	0.1	0.1	0.1	0.2	0.2	0.0%
Total Current Assets:	140.5	151.0	0.7	0.9	141.2	151.9	-7.0%
Noncurrent Assets:							
Land	4.1	3.1	-	-	4.1	3.1	32.3%
Construction in Progress	8.4	20.0	-	-	8.4	20.0	-58.0%
Buildings and Equipment, Net	102.1	78.2	0.5	0.5	102.6	78.7	30.4%
Total Noncurrent Assets	114.6	101.3	0.5	0.5	115.1	101.8	13.1%
Total Assets	255.1	252.3	1.2	1.4	256.3	253.7	1.0%
Deferred Outflows of Resources:							
Deferred Charge for Refunding	(0.3)	0.3	-	-	(0.3)	0.3	-200.0%
Deferred Outflow Related to Pensions	8.6	3.2	-	-	8.6	3.2	168.8%
Deferred Outflow Related to OPEB	3.5	0.2	-	-	3.5	0.2	1650.0%
Total Deferred Outflows of Resources	11.8	3.7	-	-	11.8	3.7	218.6%
Current Liabilities:							
Accounts Payable and Accrued Liabilities	6.1	5.0	0.1	0.1	6.2	5.1	21.6%
Interest Payable	0.2	0.3	-	-	0.2	0.3	-33.3%
Due to Other Governments	0.8	-	-	-	0.8	-	0.0%
Unearned Revenue	0.1	1.4	0.1	0.1	0.2	1.5	-86.7%
Total Current Liabilities	7.2	6.7	0.2	0.2	7.4	6.9	7.2%
Non-current Liabilities:							
Due Within One Year	4.6	3.9	-	-	4.6	3.9	17.9%
Due in More Than One Year	146.1	150.9	-	-	146.1	150.9	-3.2%
Net Pension Liability	13.5	6.5	-	-	13.5	6.5	107.7%
Net OPEB Liability	17.2	13.3	-	-	17.2	13.3	29.3%
Total Liabilities	188.6	181.3	0.2	0.2	188.8	181.5	4.0%
Deferred Inflows of Resources:							
Deferred Inflow Related to Pensions	0.8	1.0	-	-	0.8	1.0	-20.0%
Deferred Inflow Related to OPEB	5.4	5.6	-	-	5.4	5.6	-3.6%
Total Deferred Inflows of Resources	6.2	6.6	-	-	6.2	6.6	-6.1%
Net Position:							
Net Investment in Capital Assets	40.6	37.1	0.5	0.5	41.1	37.6	9.3%
Restricted For:							
Federal and State Programs	-	-	0.5	0.7	0.5	0.7	-28.6%
Debt Service	2.6	2.4	-	-	2.6	2.4	8.3%
Unrestricted	28.9	28.6	-	-	28.9	28.6	1.0%
Total Net Position	72.1	68.1	1.0	1.2	73.1	69.3	5.5%

Approximately \$2.6 million of the District's restricted net position represents proceeds from local taxes. These proceeds, when spent, are restricted for debt service. The balance of restricted net position, \$0.5 million is restricted for use in state and federal programs. The \$28.9 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position

The District's total revenues were \$65.8 million. A significant portion, 68.4%, of the District's revenue comes from taxes. 16.0% comes from state aid, while 1.0% relates to charges for services.

The total cost of all programs and services was \$62.5 million.

Table A-2
Changes in Gregory-Portland Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2018*	2019	2018	2019	2018*	2019-2018
Program Revenues:							
Charges for Services	0.2	0.4	0.3	0.6	0.5	1.0	-50.0%
Operating Grants and Contributions	4.9	9.7	-	-	4.9	9.7	-49.5%
General Revenues:							
Property Taxes	45.0	40.5	-	-	45.0	40.5	11.1%
State Aid – Formula	10.5	10.0	-	-	10.5	10.0	5.0%
Grants Not Restricted	-	-	2.5	2.2	2.5	2.2	13.6%
Other	2.4	1.3	-	-	2.4	1.3	84.6%
Total Revenues	63.0	61.9	2.8	2.8	65.8	64.7	1.7%
Expenses:							
Instruction	29.2	17.3	-	-	29.2	17.3	68.8%
Instructional Resources and Media Services	2.4	2.0	-	-	2.4	2.0	20.0%
Curriculum Dev. and Instructional Staff Dev.	0.5	0.4	-	-	0.5	0.4	25.0%
Instructional Leadership	1.1	0.6	-	-	1.1	0.6	83.3%
School Leadership	3.2	1.9	-	-	3.2	1.9	68.4%
Guidance, Counseling and Evaluation Services	1.8	1.1	-	-	1.8	1.1	63.6%
Health Services	0.6	0.4	-	-	0.6	0.4	50.0%
Student (Pupil) Transportation	1.1	0.7	-	-	1.1	0.7	57.1%
Food Services	0.2	(0.4)	3.0	2.8	3.2	2.4	33.3%
Curricular/Extracurricular Activities	1.6	1.3	-	-	1.6	1.3	23.1%
General Administration	2.8	1.8	-	-	2.8	1.8	55.6%
Plant Maintenance & Oper.	7.1	5.5	-	-	7.1	5.5	29.1%
Security & Monitoring Services	1.0	0.3	-	-	1.0	0.3	233.3%
Debt Service	6.1	3.8	-	-	6.1	3.8	60.5%
Facilities Acquisition and Construction	0.2	-	-	-	0.2	-	0.0%
Other Intergovernmental Charges	0.6	0.6	-	-	0.6	0.6	0.0%
Total Expenses	59.5	37.3	3.0	2.8	62.5	40.1	55.9%
Increase (Decrease) in Net Position	3.5	24.6	(0.2)	-	3.3	24.6	-86.6%

- The cost of all *governmental* activities this year was \$59.5* million.
- However, the amount that our taxpayers paid for these activities through property taxes was \$45.0 million.
- Some of the cost was paid by those who directly benefited from the programs, \$0.2 million, or
- By grants and contributions \$4.9 million.

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.

Table A-3
Net Cost of Selected Gregory-Portland Independent School District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2019	2018*	% Change	2019	2018*	% Change
Instruction	29.2	17.3	68.8%	25.9	9.7	167.0%
School Administration	2.8	1.8	55.6%	2.6	1.7	52.9%
Plant Maintenance & Operations	7.1	5.5	29.1%	6.8	5.3	28.3%
Debt Service - Interest & Fiscal Charges	6.1	3.8	60.5%	6.1	3.6	69.4%

*The functional expenses reported for 2018 in Tables A-2 and A-3 were significantly reduced due to negative NECE expenses due to changes in benefits within the TRS-care plan.

Business-type Activities

Revenues of the District’s business-type activities increased \$62,869 and expenses increased \$229,907 from the preceding year.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$63.3 million, a decrease of 10.1% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees reviewed the District budget and made budget amendments. Even with these adjustments, actual expenditures were \$4.3 million below final budget amounts. The most significant favorable variance in expenditures was for “Instruction,” which benefited from Emergency Impact Aid as a result of Hurricane Harvey.

Resources available were \$6.4 million above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018-19, the District had invested \$145.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$13.3 million or 12.8% from last year.

Table A-4
Gregory-Portland Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2018
	2019	2018	2019	2018	2019	2018	
Land	4.1	3.1	-	-	4.1	3.1	32.3%
Buildings and Improvements	120.5	96.8	-	-	120.5	96.8	24.5%
Construction in Progress	8.4	20.0	-	-	8.4	20.0	-58.0%
Vehicles	3.7	3.2	0.1	0.1	3.8	3.3	15.2%
Equipment	7.8	4.9	1.2	1.1	9.0	6.0	50.0%
Totals at Historical Cost	144.5	128.0	1.3	1.2	145.8	129.2	12.8%
Total Accumulated Depreciation	29.9	26.7	0.8	0.7	30.7	27.4	12.0%
Net Capital Assets	114.6	101.3	0.5	0.5	115.1	101.8	13.1%

Long-Term Obligations

During the year, the District issued \$19,920,000 in Unlimited Refunding Bonds.

More detailed information about the District's obligations is presented in the notes to the financial statements.

The District had the following obligations at August 31, 2019:

Bond Ratings

The District's bonds presently carry "AAA" enhanced rating with underlying ratings as follows: Standard & Poors "AA"; Moody's Aa2.

Table A-5
Gregory-Portland Independent School District's Long-Term Obligations
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2019-2018
	2019	2018	2019	2018	2019	2018	
Bonds Payable	135.6	141.5	-	-	135.6	141.5	-4.17%
Bond Premium	14.8	12.8	-	-	14.8	12.8	15.63%
Capital Lease	0.3	0.4	-	-	0.3	0.4	-25.00%
Sub-Total	150.7	154.7	-	-	150.7	154.7	-2.59%
Net Pension Liability	13.5	6.6	-	-	13.5	6.6	104.55%
Net OPEB Liability	17.2	13.4	-	-	17.2	13.4	28.36%
Total Long-Term Obligations	181.4	174.7	-	-	181.4	174.7	3.84%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors taken into consideration during budget planning include the following:

- Appraised value used for the 2019-20 budget preparation is up \$4 billion, or 70% from the prior-year estimated value.
- Anticipating an average daily attendance (ADA) of 4,339.
- General operating fund spending per student in average daily attendance increases in the 2019-20 budget from \$11,109 to \$11,918.
- Increasing starting Teacher Salary to \$56,584 to maintain the highest starting salary in ESC 2.
- Adding staff targeted to support the Board of Trustee's and Superintendent's priorities.

Amounts available for appropriation in the 2019-20 general fund budget are \$63 million, an increase of 48% from the original 2018-19 budget of \$43 million. Total local revenue for the general fund will increase approximately \$9 million. State revenue sources are expected to increase \$11 million from the amount budgeted for prior year. Those increases are the result of the changes associated with House Bill 3 of the 86th Legislature and Chapter 313 agreements taking effect. These payments will continue to provide increases to fund balance through approximately 2027, barring any further legislative changes.

General fund expenditures are budgeted to increase 8% to \$51.7 million. The District's largest budget item remains payroll. For the 2019-20 school year, House Bill 3 mandated 10.57% teacher raises, and the Board of Trustees approved a 10% raise based on the mid-point system for other employees not on the Teacher Salary Schedule, and an 8% raise for administrators. Teachers' pay increases ranged from \$4,300 to \$6,500. The competitive salary schedule adjustments allowed the District to open the 2019-20 school year with no teacher vacancies.

The District continues to increase in expenditure needs because of salaries, curriculum needs, security needs, aging facilities, and increasing uncontrollable costs. Unfinished maintenance projects will also be budgeted and completed in 2019-20. In addition, the Board has identified several areas of need to be addressed by assignments of fund balance.

The school board has supported senior District management which has been in place for 17+ years and has assured stability in financial management. The District uses conservative principles to manage financial activities, underestimating projected annual enrollment and/or increases to annual property valuations to ensure that budgets remain within projected revenues.

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 Office of the Chief Financial Officer, Gregory-Portland Independent School District at (361) 777-1091.

Basic Financial Statements

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GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110	\$ 128,132,410	\$ 353,635	\$ 128,486,045
1120	10,142,390	--	10,142,390
1225	447,321	--	447,321
1240	1,538,274	199,058	1,737,332
1250	32,303	--	32,303
1290	101,364	--	101,364
1300	9,616	99,053	108,669
1410	92,839	--	92,839
Capital Assets:			
1510	4,106,096	--	4,106,096
1520	94,322,530	--	94,322,530
1530	7,812,735	539,972	8,352,707
1580	8,360,872	--	8,360,872
1000	<u>255,098,750</u>	<u>1,191,718</u>	<u>256,290,468</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701	(292,065)	--	(292,065)
1705	8,614,287	--	8,614,287
1706	3,469,072	--	3,469,072
1700	<u>11,791,294</u>	<u>--</u>	<u>11,791,294</u>
LIABILITIES:			
2110	2,126,460	90,841	2,217,301
2140	256,745	--	256,745
2165	3,946,844	--	3,946,844
2180	794,937	--	794,937
2300	83,844	91,855	175,699
2400	3,238	--	3,238
Noncurrent Liabilities:			
2501	4,563,095	--	4,563,095
2502	146,130,182	--	146,130,182
2540	13,497,387	--	13,497,387
2545	17,174,872	--	17,174,872
2000	<u>188,577,604</u>	<u>182,696</u>	<u>188,760,300</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	739,595	--	739,595
2606	5,431,109	--	5,431,109
2600	<u>6,170,704</u>	<u>--</u>	<u>6,170,704</u>
NET POSITION:			
3200	40,590,324	539,972	41,130,296
Restricted For:			
3820	7,818	469,050	476,868
3840	21,020	--	21,020
3850	2,553,397	--	2,553,397
3900	28,969,177	--	28,969,177
3000	<u>\$ 72,141,736</u>	<u>\$ 1,009,022</u>	<u>\$ 73,150,758</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	4 Operating Grants and Contributions
	Governmental Activities:			
11	<i>Instruction</i>	\$ 28,903,366	\$ 32,663	\$ 3,240,471
12	<i>Instructional Resources and Media Services</i>	2,369,437	--	103,634
13	<i>Curriculum and Staff Development</i>	563,939	--	148,972
21	<i>Instructional Leadership</i>	1,067,635	--	133,702
23	<i>School Leadership</i>	3,151,361	--	202,493
31	<i>Guidance, Counseling, & Evaluation Services</i>	1,770,015	--	300,876
32	<i>Social Work Services</i>	51,106	--	3,354
33	<i>Health Services</i>	634,948	--	92,253
34	<i>Student Transportation</i>	1,061,321	--	57,617
35	<i>Food Service</i>	195,774	--	44,658
36	<i>Cocurricular/Extracurricular Activities</i>	1,600,590	200,678	57,550
41	<i>General Administration</i>	2,774,032	--	127,385
51	<i>Facilities Maintenance and Operations</i>	7,054,588	--	279,529
52	<i>Security and Monitoring Services</i>	1,014,067	--	24,621
53	<i>Data Processing Services</i>	1,799	--	--
61	<i>Community Services</i>	24,908	--	21,224
72	<i>Interest on Long-term Debt</i>	5,868,618	--	55,740
73	<i>Bond Issuance Costs and Fees</i>	256,676	--	--
81	<i>Capital Outlay</i>	193,966	--	6,973
99	<i>Other Intergovernmental Charges</i>	634,269	--	--
TG	Total Governmental Activities	<u>59,192,414</u>	<u>233,341</u>	<u>4,901,052</u>
	Business-type Activities:			
05	Food Services	3,037,316	354,056	18,078
TB	Total Business-type Activities	<u>3,037,316</u>	<u>354,056</u>	<u>18,078</u>
TP	Total Primary Government	<u>\$ 62,229,730</u>	<u>\$ 587,397</u>	<u>\$ 4,919,130</u>
	General Revenues:			
MT	<i>Property Taxes, Levied for General Purposes</i>			
DT	<i>Property Taxes, Levied for Debt Service</i>			
	<i>Chapter 313 Payments</i>			
IE	<i>Investment Earnings</i>			
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>			
MI	<i>Miscellaneous</i>			
	Special and Extraordinary Items:			
E1	<i>Extraordinary Item Inflow - Insurance Proceeds</i>			
S2	<i>Special Item Outflow - Tax Valuation Judgments (Note R)</i>			
E2	<i>Extraordinary Item Outflow - Hurricane Harvey Damages</i>			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning (Restated)			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (25,630,232)		\$ (25,630,232)
(2,265,803)		(2,265,803)
(414,967)		(414,967)
(933,933)		(933,933)
(2,948,868)		(2,948,868)
(1,469,139)		(1,469,139)
(47,752)		(47,752)
(542,695)		(542,695)
(1,003,704)		(1,003,704)
(151,116)		(151,116)
(1,342,362)		(1,342,362)
(2,646,647)		(2,646,647)
(6,775,059)		(6,775,059)
(989,446)		(989,446)
(1,799)		(1,799)
(3,684)		(3,684)
(5,812,878)		(5,812,878)
(256,676)		(256,676)
(186,993)		(186,993)
(634,269)		(634,269)
<u>(54,058,021)</u>		<u>(54,058,021)</u>
--	\$ (2,665,182)	(2,665,182)
--	(2,665,182)	(2,665,182)
<u>(54,058,021)</u>	<u>(2,665,182)</u>	<u>(56,723,203)</u>
23,630,058	--	23,630,058
9,196,829	--	9,196,829
12,206,665	--	12,206,665
3,352,599	10,396	3,362,995
10,514,832	2,460,032	12,974,864
701,839	--	701,839
16,953	--	16,953
(1,601,225)	--	(1,601,225)
(147,797)	--	(147,797)
<u>57,870,752</u>	<u>2,470,428</u>	<u>60,341,181</u>
3,812,731	(194,754)	3,617,977
68,329,005	1,203,776	69,532,781
<u>\$ 72,141,736</u>	<u>\$ 1,009,022</u>	<u>\$ 73,150,758</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 44,268,288	\$ 2,745,562
1120	10,142,390	--
1225	386,728	60,593
1240	1,488,263	5,467
1250	32,303	--
1260	310,832	--
1290	69,081	--
1300	9,616	--
1410	85,525	--
1000	<u>56,793,026</u>	<u>2,811,622</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 430,782	\$ --
2160	2,242,736	--
2170	1,022,221	1,500
2180	791,479	--
2200	--	--
2300	82,019	--
2400	3,238	--
2000	<u>4,572,475</u>	<u>1,500</u>
DEFERRED INFLOWS OF RESOURCES:		
2601	386,728	60,594
2600	<u>386,728</u>	<u>60,594</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410	9,616	--
3430	85,525	--
Restricted Fund Balances:		
3450	--	--
3480	--	2,749,528
3490	--	--
Assigned Fund Balances:		
3590	42,568,257	--
3600	9,170,425	--
3000	<u>51,833,823</u>	<u>2,749,528</u>
4000	<u>\$ 56,793,026</u>	<u>\$ 2,811,622</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund - 615	Other Governmental Funds	98 Total Governmental Funds
\$ 77,015,954	\$ 1,003,998	\$ 125,033,802
--	--	10,142,390
--	--	447,321
--	44,544	1,538,274
--	--	32,303
746,811	276,910	1,334,553
--	32,283	101,364
--	--	9,616
--	7,314	92,839
<u>77,762,765</u>	<u>1,365,049</u>	<u>138,732,462</u>
\$ 1,490,530	\$ 197,383	\$ 2,118,695
--	--	2,242,736
--	71,970	1,095,691
--	3,458	794,937
198,950	--	198,950
--	1,825	83,844
--	--	3,238
<u>1,689,480</u>	<u>274,636</u>	<u>6,538,091</u>
<u>--</u>	<u>--</u>	<u>447,322</u>
<u>--</u>	<u>--</u>	<u>447,322</u>
--	--	9,616
--	--	85,525
--	7,818	7,818
--	--	2,749,528
76,073,285	914,849	76,988,134
--	167,746	42,736,003
--	--	9,170,425
<u>76,073,285</u>	<u>1,090,413</u>	<u>131,747,049</u>
<u>\$ 77,762,765</u>	<u>\$ 1,365,049</u>	<u>\$ 138,732,462</u>

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GREGORY-PORTLAND 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 \$ 131,747,049

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the funds.	114,602,233
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	447,322
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,691,548
Payables for bond principal which are not due in the current period are not reported in the funds.	(135,630,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(313,955)
Payables for bond interest which are not due in the current period are not reported in the funds.	(256,745)
Payables for tax refunds which are not due in the current period are not reported in the funds.	(1,344,725)
Premiums on issuance of bonds to be amortized over life of debt.	(14,749,322)
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	(292,065)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(13,497,387)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(739,595)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	8,614,287
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(17,174,872)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(5,431,109)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>3,469,072</u>

Net position of governmental activities - Statement of Net Position \$ 72,141,736

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND 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	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 37,480,715	\$ 9,306,826
5800 State Program Revenues	11,082,149	55,740
5900 Federal Program Revenues	758,359	--
5020 Total Revenues	<u>49,321,223</u>	<u>9,362,566</u>
EXPENDITURES:		
Current:		
0011 Instruction	24,441,215	--
0012 Instructional Resources and Media Services	1,666,764	--
0013 Curriculum and Staff Development	382,184	--
0021 Instructional Leadership	852,788	--
0023 School Leadership	2,750,493	--
0031 Guidance, Counseling, & Evaluation Services	1,339,987	--
0032 Social Work Services	44,903	--
0033 Health Services	500,574	--
0034 Student Transportation	777,046	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	1,197,366	--
0041 General Administration	2,509,603	--
0051 Facilities Maintenance and Operations	6,549,580	--
0052 Security and Monitoring Services	774,521	--
0053 Data Processing Services	1,702	--
0061 Community Services	2,618	--
0071 Principal on Long-term Debt	363,066	2,720,000
0072 Interest on Long-term Debt	30,487	6,462,497
0073 Bond Issuance Costs and Fees	--	256,676
0081 Capital Outlay	1,003,387	--
0099 Other Intergovernmental Charges	634,269	--
6030 Total Expenditures	<u>45,822,553</u>	<u>9,439,173</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>3,498,670</u>	<u>(76,607)</u>
Other Financing Sources and (Uses):		
7911 Capital-Related Debt Issued (Refunding Bonds)	--	19,920,000
7916 Premium on Issuance of Bonds	--	3,213,229
8949 Payment to Escrow Agent	--	(22,873,584)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>259,645</u>
SPECIAL ITEM:		
8912 Special Item (Use) - Tax Valuation Judgment (Note R)	(222,308)	(34,192)
EXTRAORDINARY ITEM:		
7919 Extraordinary Item (Resource) - Insurance Proceeds	16,953	--
8913 Extraordinary Item (Use) - Hurricane Harvey Damage	(147,797)	--
1200 Net Change in Fund Balances	<u>3,145,518</u>	<u>148,846</u>
0100 Fund Balances - Beginning (Restated)	48,688,305	2,600,682
3000 Fund Balances - Ending	<u>\$ 51,833,823</u>	<u>\$ 2,749,528</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund - 615	Other Governmental Funds	98 Total Governmental Funds
\$ 2,118,597	\$ 384,142	\$ 49,290,280
2,538	269,288	11,409,715
--	1,850,275	2,608,634
<u>2,121,135</u>	<u>2,503,705</u>	<u>63,308,629</u>
229,710	1,631,834	26,302,759
708,161	19,999	2,394,924
--	133,291	515,475
--	78,477	931,265
13,403	5,568	2,769,464
3,200	207,668	1,550,855
--	--	44,903
7,039	56,497	564,110
363,727	--	1,140,773
--	44,658	44,658
19,859	234,007	1,451,232
--	1,000	2,510,603
306,715	--	6,856,295
48,420	715,479	1,538,420
--	--	1,702
--	20,942	23,560
--	27,716	3,110,782
--	4,657	6,497,641
--	--	256,676
11,735,162	1,497,533	14,236,082
--	--	634,269
<u>13,435,396</u>	<u>4,679,326</u>	<u>73,376,448</u>
<u>(11,314,261)</u>	<u>(2,175,621)</u>	<u>(10,067,819)</u>
--	--	19,920,000
--	--	3,213,229
--	--	(22,873,584)
<u>--</u>	<u>--</u>	<u>259,645</u>
--	--	(256,500)
--	--	16,953
--	--	(147,797)
<u>(11,314,261)</u>	<u>(2,175,621)</u>	<u>(10,195,518)</u>
87,387,546	3,266,034	141,942,567
<u>\$ 76,073,285</u>	<u>\$ 1,090,413</u>	<u>\$ 131,747,049</u>

GREGORY-PORTLAND 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	\$ (10,195,518)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	16,386,419
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,099,191)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	31,050
Tax refunds not requiring the use of current financial resources are not reported as expenditures in the funds.	(1,344,725)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,014,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	96,783
(Increase) decrease in accrued interest from beginning of period to end of period.	25,390
The net revenue (expense) of internal service funds is reported with governmental activities.	222,873
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	603,633
Payments to an escrow agent on refunding bonds are not reported as an other financing use in the SOA.	22,873,584
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(19,920,000)
Bond premiums are reported in the funds but not in the SOA.	(3,213,229)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(1,242,532)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(425,806)
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,812,731</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

AUGUST 31, 2019

Data Control Codes	Nonmajor Enterprise Fund <u>National Breakfast/Lunch Program</u>	Nonmajor Internal Service Fund <u>Insurance Fund</u>
ASSETS:		
Current Assets:		
1110	\$ 353,635	\$ 3,098,608
<i>Cash and Cash Equivalents</i>		
<i>Receivables:</i>		
1240	199,058	--
<i>Due from Other Governments</i>		
1310	99,053	--
<i>Inventories, at Cost</i>		
	<u>651,746</u>	<u>3,098,608</u>
Total Current Assets		
Noncurrent Assets:		
Capital Assets:		
1530	1,309,354	--
<i>Furniture and Equipment</i>		
1570	(769,382)	--
<i>Accumulated Depreciation</i>		
	<u>539,972</u>	<u>--</u>
Total Noncurrent Assets		
1000	<u>1,191,718</u>	<u>3,098,608</u>
Total Assets		
LIABILITIES:		
Current Liabilities:		
2110	\$ 90,841	\$ 7,765
<i>Accounts Payable</i>		
2170	--	238,862
<i>Due to Other Funds</i>		
2200	--	160,433
<i>Accrued Expenses</i>		
2300	91,855	--
<i>Unearned Revenues</i>		
	<u>182,696</u>	<u>407,060</u>
Total Current Liabilities		
2000	<u>182,696</u>	<u>407,060</u>
Total Liabilities		
NET POSITION:		
3200	539,972	--
<i>Net Investment in Capital Assets</i>		
3800	469,050	--
<i>Restricted</i>		
3900	--	2,691,548
<i>Unrestricted</i>		
3000	<u>\$ 1,009,022</u>	<u>\$ 2,691,548</u>
Total Net Position		

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND 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 Enterprise Fund	Nonmajor Internal Service Fund
	National Breakfast/Lunch Program	Insurance Fund
OPERATING REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 354,056	\$ 482,154
5800 <i>State Program Revenues</i>	18,078	--
5020 <i>Total Revenues</i>	<u>372,134</u>	<u>482,154</u>
OPERATING EXPENSES:		
6100 <i>Payroll Costs</i>	1,313,329	--
6200 <i>Professional and Contracted Services</i>	168,168	63,263
6300 <i>Supplies and Materials</i>	1,406,404	--
6400 <i>Other Operating Costs</i>	99,225	234,039
6600 <i>Capital Outlay - Land, Buildings & Equipment</i>	50,190	--
6030 <i>Total Expenses</i>	<u>3,037,316</u>	<u>297,302</u>
Operating Income (Loss)	<u>(2,665,182)</u>	<u>184,852</u>
NON-OPERATING REVENUES (EXPENSES):		
7952 <i>National School Breakfast Program</i>	422,633	--
7953 <i>National School Lunch Program</i>	1,848,752	--
7954 <i>USDA Donated Commodities</i>	188,647	--
7955 <i>Earnings from Temp. Deposits and Investments</i>	10,396	38,021
8030 <i>Total Non-operating Revenues (Expenses)</i>	<u>2,470,428</u>	<u>38,021</u>
1300 <i>Change in Net Position</i>	(194,754)	222,873
0100 <i>Total Net Position - Beginning</i>	1,203,776	2,468,675
3300 <i>Total Net Position - Ending</i>	<u>\$ 1,009,022</u>	<u>\$ 2,691,548</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Enterprise Funds</u> National Breakfast/Lunch Program	<u>Nonmajor Internal Service Funds</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 354,056	\$ --
Cash Received from Grants	18,078	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	482,154
Cash Payments to Employees for Services	(1,313,329)	--
Cash Payments to Other Suppliers for Goods and Services	(1,642,495)	(63,442)
Net Cash Provided (Used) by Operating Activities	<u>(2,583,690)</u>	<u>418,712</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Grants	2,460,032	--
Principal and Interest Paid	--	--
Acquisition or Construction of Capital Assets	(124,519)	--
Proceeds from Sale of Capital Assets	--	--
Contributed Capital	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>2,335,513</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	10,396	38,021
Net Cash Provided (Used) for Investing Activities	<u>10,396</u>	<u>38,021</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(237,781)	456,733
Cash and Cash Equivalents at Beginning of Year	591,416	2,641,875
Cash and Cash Equivalents at End of Year	<u>\$ 353,635</u>	<u>\$ 3,098,608</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ (2,665,182)	\$ 184,852
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	77,911	--
Provision for Uncollectible Accounts	--	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(19,156)	--
Decrease (Increase) in Inventories	(14,196)	--
Decrease (Increase) in Prepaid Expenses	--	--
Increase (Decrease) in Accounts Payable	40,767	566
Increase (Decrease) in Payroll Deductions	--	--
Increase (Decrease) in Accrued Wages Payable	--	--
Increase (Decrease) in Interfund Payables	--	175,421
Increase (Decrease) in Due to Other Governments	--	--
Increase (Decrease) in Accrued Expenses	--	57,873
Increase (Decrease) in Unearned Revenue	(3,834)	--
Total Adjustments	<u>81,492</u>	<u>233,860</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,583,690)</u>	<u>\$ 418,712</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2019

Data Control Codes		<u>Agency Fund</u>
<u>ASSETS:</u>		<u>Student Activity</u>
1110	Cash and Cash Equivalents	\$ 192,873
1000	Total Assets	<u>192,873</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190	Due to Student Groups	\$ 192,873
2000	Total Liabilities	<u>192,873</u>
<u>NET POSITION:</u>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND 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 Gregory-Portland 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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.

Debt Service Fund: This fund is used to account for general long-term debt principal and interest for

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

debt issues and other long-term debts for which a tax has been dedicated.

Capital Projects Fund: This fund is used to account for construction activities.

The District reports the following major enterprise funds:

Food Service Fund: This fund is used to account for child nutrition service operations financed from the NSLP program and user charges.

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.

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues 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.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

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.

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

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Equipment	10

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

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.

Except for delinquent taxes, 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 GAAP requires the use of management's 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 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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

come from outside parties, constitutional provisions, or enabling legislation.

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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At August 31, 2019, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	13,497,387

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

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.

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>
Functional expenditures exceeded functional appropriations and other uses in the General Fund and the Debt Service Fund	In the future, the budget will be amended before overspending. Refunding of bonds occurred August 31, 2019.

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:

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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 (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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 41,956,094 and the bank balance was 42,848,397. 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:

As of August 31, 2019, the District had the following investments and maturities:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	4,131,893	4,131,893	--	--
Investment in Lone Star Pool	92,733,316	92,733,316	--	--
Total Fair Value	\$ 96,865,209	\$ 96,865,209	\$ --	\$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pools such as TexPool and Lone Star Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by FIRST Public. The fair value of the funds in Lone Star is also the same as the value of Lone Star shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star or TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

D. Capital Assets

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,103,041	\$ 1,003,055	\$ --	\$ 4,106,096
Construction in progress	19,994,711	13,722,513	25,356,352	8,360,872
Total capital assets not being depreciated	<u>23,097,752</u>	<u>14,725,568</u>	<u>25,356,352</u>	<u>12,466,968</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	96,884,905	23,652,520	--	120,537,425
Equipment	4,862,093	2,897,904	--	7,759,997
Vehicles	3,231,446	466,779	--	3,698,225
Total capital assets being depreciated	<u>104,978,444</u>	<u>27,017,203</u>	<u>--</u>	<u>131,995,647</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,822,482)	(2,392,414)	--	(26,214,896)
Equipment	(1,462,794)	(449,539)	--	(1,912,333)
Vehicles	(1,475,916)	(257,238)	--	(1,733,154)
Total accumulated depreciation	<u>(26,761,192)</u>	<u>(3,099,191)</u>	<u>--</u>	<u>(29,860,383)</u>
Total capital assets being depreciated, net	<u>78,217,252</u>	<u>23,918,012</u>	<u>--</u>	<u>102,135,264</u>
Governmental activities capital assets, net	<u>\$ 101,315,004</u>	<u>\$ 38,643,580</u>	<u>\$ 25,356,352</u>	<u>\$ 114,602,232</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ --	\$ --	\$ --	\$ --
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	--	--	--	--
Equipment	1,054,666	125,069	5,497	1,174,238
Vehicles	135,118	--	--	135,118
Total capital assets being depreciated	<u>1,189,784</u>	<u>125,069</u>	<u>5,497</u>	<u>1,309,356</u>
Less accumulated depreciation for:				
Buildings and improvements	--	--	--	--
Equipment	(682,908)	(64,399)	(4,947)	(742,360)
Vehicles	(13,512)	(13,512)	--	(27,024)
Total accumulated depreciation	<u>(696,420)</u>	<u>(77,911)</u>	<u>(4,947)</u>	<u>(769,384)</u>
Total capital assets being depreciated, net	<u>493,364</u>	<u>47,158</u>	<u>550</u>	<u>539,972</u>
Business-type activities capital assets, net	<u>\$ 493,364</u>	<u>\$ 47,158</u>	<u>\$ 550</u>	<u>\$ 539,972</u>

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Depreciation was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 1,603,228
Instructional Resources and Media Services	140,694
Curriculum and Staff Development	30,520
Instructional Leadership	57,780
School Leadership	170,551
Guidance, Counseling, & Evaluation Services	95,793
Social Work Services	2,766
Health Services	34,473
Student Transportation	233,310
Extracurricular Activities	86,623
General Administration	150,130
Plant Maintenance and Operations	402,949
Security and Monitoring Services	88,929
Data Processing Services	97
Community Services	1,348
	<u>\$ 3,099,191</u>
Business-type Activities:	
Food Services	\$ 77,911
	<u>\$ 77,911</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 71,971	Short-term loans
General Fund	Internal Service Fund	238,862	Short-term loans
Capital Projects Fund	General Fund	746,811	Capital projects expenditures
Other Governmental Funds	General Fund	275,410	Capital projects expenditures
Other Governmental Funds	Debt Service Fund	1,500	Short-term loans
	Total	<u>\$ 1,334,554</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

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

There were no transfers to and from other funds at August 31, 2019.

F. Long-Term Obligations

1. Long-Term Obligation Activity

On August 15, 2019, the District issued \$19,920,000 Unlimited Tax Refunding Bonds, Taxable Series 2019 serial bonds with interest rates of 3.00% to 4.00%. The District issued the bonds to advance refund \$22,805,000 of outstanding series 2013 Unlimited Tax School Building Bonds with interest rates of 3.00% to 4.00%. The District used the net proceeds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to

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provide for all future debt service on refunded portions of the 2013 series bonds. As a result, that portion of the 2013 series bonds is considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$22,805,000 at August 31, 2019.

The advance refunding reduced total debt service payments over the next 12 years by approximately \$3,028,718. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of \$2,539,179. The average interest rates of the bonds refunded is 3.5%. The net proceeds from the refunding were \$22,873,584 after payment of \$252,545 in issuance costs and underwriting fees.

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:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/18	Issued	Retired	Amounts Outstanding 8/31/19	Amounts Due Within One Year
Public Property Finance Contractual Obligations							
Series 2012	1.79%	2,864,000	1,209,000	--	294,000	915,000	300,000
Unlimited Tax Refunding Bonds Series 2013	4.00%	13,050,000	4,735,000	--	2,310,000	2,425,000	2,425,000
Unlimited Tax Refunding Bonds Series 2013	3.50%	6,565,000	6,565,000	--	--	6,565,000	--
Unlimited Tax School Building Bonds Series 2013	3.00% to 4.00%	22,805,000	22,805,000	--	22,805,000	--	--
Unlimited Tax School Building Bonds Series 2015	3.25% to 5.00%	11,710,000	11,710,000	--	--	11,710,000	--
Unlimited Tax School Building Bonds Series 2016	3.00% to 4.25%	9,050,000	9,050,000	--	--	9,050,000	--
Unlimited Tax School Building Bonds Series 2018	2.00% to 5.00%	30,425,000	29,475,000	--	410,000	29,065,000	405,000
Unlimited Tax School Building Bonds Series 2018A	4.00% to 5.25%	55,980,000	55,980,000	--	--	55,980,000	315,000

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Unlimited Tax Refunding Bonds Series 2019	3.00% to 4.00%	19,920,000	--	19,920,000	--	19,920,000	--
Subtotals		<u>141,529,000</u>	<u>19,920,000</u>	<u>25,819,000</u>	<u>135,630,000</u>	<u>3,445,000</u>	
Bond Premiums		<u>12,816,876</u>	<u>3,213,229</u>	<u>1,280,785</u>	<u>14,749,320</u>	<u>1,017,480</u>	
Total Bonds		<u>154,345,876</u>	<u>23,133,229</u>	<u>27,099,785</u>	<u>150,379,320</u>	<u>4,462,480</u>	
Other Liabilities:							
Capital Leases		410,739	--	96,782	313,957	100,615	
Net Pension Liability		6,554,724	7,768,740	826,077	13,497,387	--	
Net OPEB Liability		13,361,015	4,051,149	237,292	17,174,872	--	
Total Governmental Activities		<u>\$ 174,672,354</u>	<u>\$ 34,953,118</u>	<u>\$ 28,259,936</u>	<u>\$ 181,365,536</u>	<u>\$ 4,563,095</u>	

The Debt Service Fund makes the debt payments for the Unlimited Tax Bonds and the General Fund pays the debt for the Contractual Obligation Bonds and Capital Leases.

2. Debt Service Requirements

Debt service requirements on long-term debt for bonds payable by the Debt Service fund at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Public Property Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 3,145,000	6,112,933	\$ 9,257,933	\$ 300,000	13,694	\$ 313,694
2021	3,395,000	6,048,125	9,443,125	305,000	8,279	313,279
2022	3,720,000	5,924,775	9,644,775	310,000	2,774	312,774
2023	4,195,000	5,763,800	9,958,800	--	--	--
2024	4,375,000	5,581,175	9,956,175	--	--	--
2025-2029	24,975,000	24,800,969	49,775,969	--	--	--
2030-2034	26,995,000	19,236,475	46,231,475	--	--	--
2035-2039	34,985,000	12,010,188	46,995,188	--	--	--
2040-2043	28,930,000	2,664,855	31,594,855	--	--	--
Totals	<u>\$ 134,715,000</u>	<u>\$ 88,143,295</u>	<u>\$ 222,858,295</u>	<u>\$ 915,000</u>	<u>\$ 24,747</u>	<u>\$ 939,747</u>

* Note: The District has approved a resolution to defease \$6,845,000 of Unlimited Tax School Building Bonds, Series 2018-A prior to scheduled maturity on August 15, 2020.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The District had \$22,805,000 in defeased bonds outstanding at August 31, 2019.

Authorized But Not Issued Debt

The District has \$9,845,000 in Unlimited Tax School Building Bonds authorized but unissued. The District plans to issue these bonds in fiscal years 2020 and thereafter to construct, design, acquire and equip school facilities in the District, purchase necessary sites for school facilities, and purchase new school buses.

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3. Capital Leases

During 2018, the District entered into a lease agreement to purchase software, malware, licenses, computer equipment and a phone security system at a cost of \$565,241. The District received a special financing promotion in the amount of \$43,146 and financed the remaining \$522,095. The initial lease payment of \$113,048 was made on August 15, 2018, with subsequent payments due annually on August 15. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of future minimum lease payments as of the date of inception.

Future combined minimum lease payments to be paid by the General Fund are as follows:

<u>Year Ending August 31:</u>	
2020	\$ 113,048
2021	113,048
2022	<u>113,049</u>
Total	<u>339,145</u>
Less amount representing interest (Rate 3.89%)	<u>(25,188)</u>
Present value of future minimum lease payments	<u>\$ 313,957</u>

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.

Unemployment Compensation

During the year ended August 31, 2019, Gregory-Portland ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

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

Worker's Compensation

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2018 and ended September 1, 2019. The District's maximum financial exposure for the plan year is \$316,317. Any costs above \$316,317 for the 2018-2019 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$94,895.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy

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provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$9,269,262. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$2,691,547 at 8/31/19 and is reported as net position in the Workers' Compensation Internal Service Fund. The claims liability of \$160,433 reported in the fund at 8/31/19, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities during the past two years are:

	Year Ended 08/31/19	Year Ended 08/31/18
Unpaid claims, beginning of year	\$ 102,560	\$ 133,455
Current year claims and changes in estimate	325,975	85,227
Claim payments	(268,102)	(116,122)
Unpaid claims, end of year	<u>\$ 160,433</u>	<u>\$ 102,560</u>

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.

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

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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>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%

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

District's 2019 Employer Contributions	\$ 974,279
District's 2019 Member Contributions	\$ 2,347,578
2018 NECE On-Behalf Contributions (state)	\$ 1,441,645

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

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

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- 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 the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected 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.

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 bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

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Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Rate of Return			
As of August 31, 2018			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.2%

* Target allocation are based on the FY 2016 policy model.

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

7. Discount Rate Sensitivity Analysis

The following 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	\$ 20,370,794	\$ 13,497,387	\$ 7,932,957

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 \$13,497,387 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

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District's proportionate share of the collective net pension liability	\$ 13,497,387
State's proportionate share that is associated with District	<u>23,569,913</u>
Total	<u>\$ 37,067,300</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0245218%, which was an increase (decrease) of .0040220% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$4,549,604 and revenue of \$2,332,793 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:
 (The amounts below will be the cumulative layers from the current and prior years combined)

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 84,132	\$ 331,173
Changes in actuarial assumptions	4,866,458	152,077
Difference between projected and actual investment earnings	--	256,103
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,689,418	242
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>974,279</u>	<u>--</u>
Total	<u>\$ 8,614,287</u>	<u>\$ 739,595</u>

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:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2020	\$ 1,746,195
2021	\$ 1,207,239
2022	\$ 1,056,440
2023	\$ 1,157,879
2024	\$ 1,060,885
Thereafter	\$ 671,775

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.

3. Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and

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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.

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	\$	254,258
District's 2019 Member Contributions	\$	198,146
2018 NECE On-Behalf Contributions (state)	\$	334,350

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.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2017 actuarial valuation was rolled forward to August 31, 2018. The 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	

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 20,443,998	\$ 17,174,872	\$ 14,588,782

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 \$17,174,872 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 17,174,872
State's proportionate share that is associated with the District	\$ 24,234,307
Total	\$ 41,409,179

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The 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 0.0343973%, which was an increase (decrease) of 0.0036726% 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	\$ 14,264,011	\$ 17,174,872	\$ 21,008,539

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.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

- 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 for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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 \$1,561,563 and revenue of \$881,499 for support provided by the State.

GREGORY-PORTLAND 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's 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	\$ 911,407	\$ 271,045
Changes in actuarial assumptions	286,602	5,160,064
Differences between projected and actual investment earnings	3,004	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,013,801	--
Contributions paid to TRS subsequent to the measurement date	254,258	
Total	\$ 3,469,072	\$ 5,431,109

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	\$ (425,447)
2021	\$ (425,447)
2022	\$ (425,447)
2023	\$ (426,015)
2024	\$ (426,340)
Thereafter	\$ (87,600)

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 year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$110,511.

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 \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to 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.

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

L. Unearned Revenue

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Food Service Enterprise Fund</u>
State Entitlements	\$ --	\$ 1,780	\$ 1,780	\$ --
Federal Grant Programs	--	--	--	91,855
Other	82,019	45	82,064	--
Total Unearned Revenue.	\$ 82,019	\$ 1,825	\$ 83,844	\$ 91,855

M. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 1,453,294	\$ 32	\$ 34,937	\$ 1,488,263
Debt Service Fund	5,467	--	--	5,467
Other Governmental Funds	--	44,545	--	44,545
Total Governmental Funds	\$ 1,458,761	\$ 44,577	\$ --	\$ 1,538,275
Enterprise Fund	--	199,058	--	199,058
Total	\$ 1,458,761	\$ 243,635	\$ --	\$ 1,737,333

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2019:

General Fund

Nonspendable:	
Inventories	\$ 9,616
Prepaid Items	85,525
	<u>95,141</u>

Assigned:	
Litigation and Tax Settlements	4,000,000
Insurance deductible	4,000,000
Claims and judgments	500,000
Encumbrances	54,465
Construction	24,013,792
Disaster Recovery	10,000,000
	<u>42,568,257</u>

Unassigned:	<u>9,170,425</u>
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Total General Fund fund balance	<u>51,833,823</u>
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Debt Service Fund

Restricted	
Retirement of Long-term debt	<u>2,749,528</u>

Capital Projects Fund

Restricted	
Construction	<u>76,079,605</u>

Other Governmental Funds

Restricted:	
State Textbook Fund	7,818
Math Achievement Academy	3,208
Spectra Energy Foundation	955
OxyChem Corp	355
Lowe's	11
Cheniere LNG	16,489
Exxon/DelMar	2
Construction	893,829
	<u>922,667</u>

Assigned:	
Campus Activity	<u>167,746</u>

Total Other Governmental Fund fund balance	<u>1,090,413</u>
--	------------------

Total Governmental fund balance	<u>\$ 131,753,369</u>
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GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

O. Tax Abatement Agreements

The Gregory-Portland ISD Board of Trustees has approved agreements with various companies for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

	< A >	< B >	< C >	< D <	< E >	< F >	< G >
	Project Value 2018	Project's Value Limitation Amount 2018	Amount of Applicant's M&O Taxes Paid 2018	Amount of Applicant's M&O Taxes Reduced 2018	Company Revenue Loss Payment to School District 2018	Company Supplemental Payment to School District 2018	Net Benefit (Loss) to the School District 2018 (C+E+F)
1.	\$64,396,500	\$20,000,000	\$234,000	\$5,199,439	\$6,393	\$259,705	\$500,098
2.	\$722,595,408	\$30,000,000	\$351,000	\$8,103,366	\$6,587	\$2,256,540	\$2,614,127
3.	--	\$30,000,000	--	--	--	--	--
4.	\$1,986,423,296	\$30,000,000	\$351,000	\$22,890,153	\$8,011,553	--	\$8,362,553
5.	\$436,809,968	\$30,000,000	\$351,000	\$4,759,677	\$1,665,887	--	\$2,016,887

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

6.	--	\$30,000,000	--	--	--	--	--
7.	--	\$30,000,000	--	--	--	--	--
8.	--	\$30,000,000	--	--	--	--	--
9.	--	\$30,000,000	--	--	--	--	--
10.	--	\$30,000,000	--	--	--	--	--
11.	--	\$30,000,000	--	--	--	--	--

Project Description

1. EC&R Papalote Creek Wind Farm II (Application #164), First Year Value Limitation: 2012
2. Voestalpine Texas, LLP (Application #299), First Year Value Limitation: 2016
3. Apex Midway Wind, LLC (Application #1,091), First Year Value Limitation: 2017
4. Corpus Christi Liquefaction Train 1 (Application #296), First Year Value Limitation: 2018
5. Corpus Christi Liquefaction Train 2 (Application #297), First Year Value Limitation: 2018
6. Corpus Christi Liquefaction Train 3 (Application #298), First Year Value Limitation: 2023
7. Corpus Christi Liquefaction Train 4 (Application #1179), First Year Value Limitation: 2022
8. Corpus Christi Liquefaction Train 5 (Application #1180), First Year Value Limitation: 2023
9. Sabic (Application #1154), First Year Value Limitation: 2024
10. GCGV (Application #1155), First Year Value Limitation: 2024
11. Exxon (Application #1156), First Year Value Limitation: 2024

P. Construction Commitments

The District has several construction projects in various stages of development:

- * Expansion for Academic Wing of Gregory-Portland High School
- * Career and Technology Center at Gregory-Portland High School
- * New Middle School which replaces and combines Gregory-Portland Junior High and Intermediate Schools

Each of these projects are part of voter approved Bond Issues that are being managed by the District's administrative staff with support from architects, construction managers, legal counsel, and other related service providers. The school board is providing the oversight required by law and board policy. Any additional information may be requested from the Office of the Chief Financial Officer at (361) 777-1091.

Q. Prior Period Adjustment

During the year, management determined that capital assets were understated and accounts payable had been overstated in both capital projects funds. Beginning equity for the capital projects funds and Government-wide Net Position has been restated as follows:

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

	Capital Projects Fund - 615	Capital Projects Fund - 621	Government- wide Net Position
Beginning equity, as originally stated	\$ 87,255,478	\$ 3,032,801	\$ 68,102,610
Restatement for capital assets	--	--	53,327
Restatement for overstated payables	<u>132,068</u>	<u>41,000</u>	<u>173,068</u>
Beginning equity, as restated	<u>\$ 87,387,546</u>	<u>\$ 3,073,801</u>	<u>\$ 68,329,005</u>

R. Special Item - Tax Valuation Judgment

During the fiscal year, San Patricio County Appraisal District lost lawsuits filed against them for high property tax valuations by various tax paying entities. Due to the losses of these lawsuits, Gregory-Portland ISD had to pay back \$1,601,225 in overpayment of taxes. During FY 2019, the District paid back overpayment of taxes in the amount of \$256,500. This left the District with a liability at August 31, 2019 of \$1,344,725, which is due to be paid during FY 2020.

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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.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1
 Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 34,822,869	\$ 34,822,869	\$ 37,480,715	\$ 2,657,846		
5800	State Program Revenues	7,928,201	7,928,201	11,082,149	3,153,948		
5900	Federal Program Revenues	200,000	200,000	758,359	558,359		
5020	Total Revenues	<u>42,951,070</u>	<u>42,951,070</u>	<u>49,321,223</u>	<u>6,370,153</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	25,865,287	25,045,094	24,441,215	603,879		
0012	Instructional Resources and Media Services	1,743,969	2,046,839	1,666,764	380,075		
0013	Curriculum and Staff Development	470,246	521,975	382,184	139,791		
	Total Instruction & Instr. Related Services	<u>28,079,502</u>	<u>27,613,909</u>	<u>26,490,163</u>	<u>1,123,746</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	760,222	986,865	852,788	134,077		
0023	School Leadership	2,904,944	3,309,354	2,750,493	558,861		
	Total Instructional & School Leadership	<u>3,665,166</u>	<u>4,296,219</u>	<u>3,603,281</u>	<u>692,938</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	1,365,723	1,546,040	1,339,987	206,053		
0032	Social Work Services	--	53,940	44,903	9,037		
0033	Health Services	736,028	714,141	500,574	213,567		
0034	Student (Pupil) Transportation	925,411	992,509	777,046	215,463		
0036	Cocurricular/Extracurricular Activities	1,291,600	1,405,049	1,197,366	207,683		
	Total Support Services - Student (Pupil)	<u>4,318,762</u>	<u>4,711,679</u>	<u>3,859,876</u>	<u>851,803</u>		
Administrative Support Services:							
0041	General Administration	2,374,438	2,601,786	2,509,603	92,183		
	Total Administrative Support Services	<u>2,374,438</u>	<u>2,601,786</u>	<u>2,509,603</u>	<u>92,183</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	6,523,507	6,868,468	6,549,580	318,888		
0052	Security and Monitoring Services	648,983	1,010,842	774,521	236,321		
0053	Data Processing Services	20,000	20,000	1,702	18,298		
	Total Support Services - Nonstudent Based	<u>7,192,490</u>	<u>7,899,310</u>	<u>7,325,803</u>	<u>573,507</u>		
Ancillary Services:							
0061	Community Services	--	2,619	2,618	1		
	Total Ancillary Services	<u>--</u>	<u>2,619</u>	<u>2,618</u>	<u>1</u>		
Debt Service:							
0071	Principal on Long-Term Debt	324,000	384,000	363,066	20,934		
0072	Interest on Long-Term Debt	24,000	41,930	30,487	11,443		
	Total Debt Service	<u>348,000</u>	<u>425,930</u>	<u>393,553</u>	<u>32,377</u>		
Capital Outlay:							
0081	Capital Outlay	--	1,025,374	1,003,387	21,987		
	Total Capital Outlay	<u>--</u>	<u>1,025,374</u>	<u>1,003,387</u>	<u>21,987</u>		
Intergovernmental Charges:							
0091	Contracted Instr. Services Between Public Schools	965,000	600,000	--	600,000		
0099	Other Intergovernmental Charges	824,000	899,000	634,269	264,731		

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 2 of 2

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Total Intergovernmental Charges	<u>1,789,000</u>	<u>1,499,000</u>	<u>634,269</u>	<u>864,731</u>
6030	Total Expenditures	<u>47,767,358</u>	<u>50,075,826</u>	<u>45,822,553</u>	<u>4,253,273</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(4,816,288)</u>	<u>(7,124,756)</u>	<u>3,498,670</u>	<u>10,623,426</u>
	SPECIAL ITEM:				
8912	<i>Special Item (Use) - Tax Valuation Judgment (Note R)</i>	--	--	(222,308)	(222,308)
	EXTRAORDINARY ITEM:				
7919	<i>Extraordinary Item (Resource) - Insurance Proceeds</i>	--	--	16,953	16,953
8913	<i>Extraordinary Item (Use) - Hurricane Harvey Damages</i>	--	(1,992,196)	(147,797)	1,844,399
1200	Net Change in Fund Balance	<u>(4,816,288)</u>	<u>(9,116,952)</u>	<u>3,145,518</u>	<u>12,262,470</u>
0100	Fund Balance - Beginning	<u>48,688,305</u>	<u>48,688,305</u>	<u>48,688,305</u>	--
3000	Fund Balance - Ending	<u>\$ 43,872,017</u>	<u>\$ 39,571,353</u>	<u>\$ 51,833,823</u>	<u>\$ 12,262,470</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0245217880%	0.0204997752%	0.0193795699%	0.0190359000%	0.0105472000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,497,387	\$ 6,554,724	\$ 7,323,251	\$ 6,728,937	\$ 2,817,304
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	23,569,913	14,288,418	16,571,226	15,213,710	12,757,955
Total	<u>\$ 37,067,300</u>	<u>\$ 20,843,142</u>	<u>\$ 23,894,477</u>	<u>\$ 21,942,647</u>	<u>\$ 15,575,259</u>
District's Covered Payroll	\$ 28,546,267	\$ 26,388,900	\$ 23,894,477	\$ 21,942,647	\$ 15,575,259
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	47.28%	24.84%	30.65%	30.67%	18.09%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 974,279	\$ 825,275	\$ 671,884	\$ 618,472	\$ 563,662
Contribution in Relation to the Contractually Required Contribution	<u>(974,279)</u>	<u>(825,275)</u>	<u>(671,884)</u>	<u>(618,472)</u>	<u>(563,662)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 30,488,027	\$ 28,546,267	\$ 26,388,900	\$ 24,637,543	\$ 22,678,134
Contributions as a percentage of Covered Payroll	3.20%	2.89%	2.55%	2.51%	2.49%

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0343972702%	0.0307246887%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 17,174,872	\$ 13,361,015
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>24,234,307</u>	<u>20,737,100</u>
Total	<u>\$ 41,409,179</u>	<u>\$ 34,098,115</u>
District's Covered Payroll	\$ 28,546,267	\$ 26,388,900
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	60.17%	50.63%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,	
	2019	2018
Contractually Required Contribution	\$ 254,258	\$ 236,757
Contribution in Relation to the Contractually Required Contribution	<u>(254,258)</u>	<u>(236,757)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 30,488,027	\$ 28,546,267
Contributions as a percentage of Covered Payroll	0.83%	0.83%

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

Budget

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

- 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

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
OPERATING REVENUES:					
5700	Local and Intermediate Sources	\$ 716,631	\$ 716,631	\$ 354,056	\$ (362,575)
5800	State Program Revenues	11,000	11,000	18,078	7,078
5020	Total Revenues	<u>727,631</u>	<u>727,631</u>	<u>372,134</u>	<u>(355,497)</u>
OPERATING EXPENSES:					
6100	Payroll Costs	1,337,048	1,337,048	1,313,329	23,719
6200	Professional and Contracted Services	70,000	176,600	168,168	8,432
6300	Supplies and Materials	1,199,679	1,572,230	1,406,404	165,826
6400	Other Operating Costs	30,000	22,098	99,225	(77,127)
6600	Capital Outlay - Land, Buildings & Equipment	65,977	617,117	50,190	566,927
6030	Total Expenses	<u>2,702,704</u>	<u>3,725,093</u>	<u>3,037,316</u>	<u>687,777</u>
	Operating Income (Loss)	<u>(1,975,073)</u>	<u>(2,997,462)</u>	<u>(2,665,182)</u>	<u>332,280</u>
NON-OPERATING REVENUES (EXPENSES):					
7952	National School Breakfast Program	302,414	302,414	422,633	120,219
7953	National School Lunch Program	1,522,659	1,522,659	1,848,752	326,093
7954	USDA Donated Commodities	150,000	150,000	188,647	38,647
7955	Earnings from Temp. Deposits and Investments	--	--	10,396	10,396
8030	Total Non-operating Revenues (Expenses)	<u>1,975,073</u>	<u>1,975,073</u>	<u>2,470,428</u>	<u>495,355</u>
1300	Change in Net Position	--	(1,022,389)	(194,754)	827,635
0100	Total Net Position - Beginning	1,203,776	1,203,776	1,203,776	--
3300	Total Net Position - Ending	<u>\$ 1,203,776</u>	<u>\$ 181,387</u>	<u>\$ 1,009,022</u>	<u>\$ 827,635</u>

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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.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2019

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2010 and Prior Years	\$ Various	\$ Various			\$ Various
2011	1.17	.20			1,090,810,194
2012	1.17	.20			1,034,995,666
2013	1.17	.18			1,072,620,402
2014	1.17	.18			1,244,177,778
2015	1.17	.18			1,347,522,592
2016	1.12	.18			1,589,550,923
2017	1.17	.18			1,755,413,629
2018	1.17	.18			2,772,662,667
2019 (School Year Under Audit)	1.17	.18			2,413,554,148
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
\$ 185,834	\$ --	\$ 7,525	\$ 1,223	\$ (1,015)	\$ 176,071
27,697	--	1,647	268	(1,174)	24,608
27,290	--	1,727	295	(444)	24,824
32,187	--	2,353	402	(5,020)	24,412
39,404	--	(1,779)	(274)	(12,628)	28,829
54,396	--	15,422	2,373	6,401	43,002
77,085	--	28,172	4,334	19,726	64,305
127,776	--	(281,948)	(43,377)	(353,933)	99,168
260,875	--	(251,961)	(38,763)	(426,759)	124,840
--	32,582,981	23,155,602	9,142,795	--	284,584
<u>\$ 832,544</u>	<u>\$ 32,582,981</u>	<u>\$ 22,676,760</u>	<u>\$ 9,069,276</u>	<u>\$ (774,846)</u>	<u>\$ 894,643</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/10	2009	15,109,246	14,764,585	97.72%
08/31/11	2010	15,131,139	14,828,259	98.00%
08/31/12	2011	15,463,629	15,238,841	98.55%
08/31/13	2012	14,652,131	14,446,021	98.59%
08/31/14	2013	16,846,506	16,635,832	98.75%
08/31/15	2014	18,191,554	17,900,567	98.40%
08/31/16	2015	20,664,162	20,344,593	98.45%
08/31/17	2016	23,698,084	23,398,586	98.74%
08/31/18	2017	37,430,946	37,170,071	99.30%
08/31/19	2018	32,582,981	32,298,397	99.13%

GREGORY-PORTLAND 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)	\$ 51,833,823
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	95,141
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)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	42,568,257
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	7,667,120
8	Estimate of delayed payments from state sources (58XX)	1,458,761
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)	44,577
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)	51,833,856
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (33)

If Item 13 is a Positive Number

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND 511
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original	Final					
REVENUES:								
5700	Local and Intermediate Sources	\$ 9,016,727	\$ 9,016,727	\$ 9,306,826	\$ 290,099			
5800	State Program Revenues	--	--	55,740	55,740			
5020	Total Revenues	<u>9,016,727</u>	<u>9,016,727</u>	<u>9,362,566</u>	<u>345,839</u>			
EXPENDITURES:								
Debt Service:								
0071	Principal on Long-Term Debt	2,720,000	2,720,000	2,720,000	--			
0072	Interest on Long-Term Debt	6,462,497	6,462,497	6,462,497	--			
0073	Bond Issuance Costs and Fees	5,000	5,000	256,676	(251,676)			
	Total Debt Service	<u>9,187,497</u>	<u>9,187,497</u>	<u>9,439,173</u>	<u>(251,676)</u>			
6030	Total Expenditures	<u>9,187,497</u>	<u>9,187,497</u>	<u>9,439,173</u>	<u>(251,676)</u>			
1100	Excess (Deficiency) of Revenues Over (Under)							
1100	Expenditures	<u>(170,770)</u>	<u>(170,770)</u>	<u>(76,607)</u>	<u>94,163</u>			
Other Financing Sources (Uses):								
7911	Capital-Related Debt Issued (Refunding Bonds)	--	--	19,920,000	19,920,000			
7916	Premium on Issuance of Bonds	--	--	3,213,229	3,213,229			
8949	Payment to Escrow Agent	--	--	(22,873,584)	(22,873,584)			
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>259,645</u>	<u>259,645</u>			
SPECIAL ITEM:								
8912	Special Item (Use) - Tax Valuation Judgment (Note R)	--	--	(34,192)	(34,192)			
1200	Net Change in Fund Balance	<u>(170,770)</u>	<u>(170,770)</u>	<u>148,846</u>	<u>319,616</u>			
0100	Fund Balance - Beginning	<u>2,600,682</u>	<u>2,600,682</u>	<u>2,600,682</u>	--			
3000	Fund Balance - Ending	<u>\$ 2,429,912</u>	<u>\$ 2,429,912</u>	<u>\$ 2,749,528</u>	<u>\$ 319,616</u>			

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

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, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Gregory-Portland Independent School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gregory-Portland 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 Gregory-Portland Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gregory-Portland 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

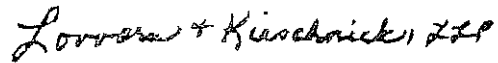
As part of obtaining reasonable assurance about whether the Gregory-Portland Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 13, 2019

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Gregory-Portland 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 Gregory-Portland Independent School District's major federal programs for the year ended August 31, 2019. Gregory-Portland 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 Gregory-Portland 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 Gregory-Portland 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 Gregory-Portland Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Gregory-Portland 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 Gregory-Portland 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 Gregory-Portland 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 Gregory-Portland 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,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 13, 2019

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

Type of auditor's 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 X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	IDEA -B Cluster
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool
84.027A	IDEA-B High Cost
84.027A	Evaluation Capacity Grant

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

Program

Corrective Action Required

N/A

No corrective action required

GREGORY-PORTLAND 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
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Medicaid Administration Claiming Program	93.778	529-07-0157 -00176	\$ --
			\$ 12,959
Total U. S. Department of Health and Human Services			<u>12,959</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	1961001012059	--
			627,413
<i>IDEA-B Cluster:</i>			
IDEA-B Formula	84.027A	1966000120590	--
IDEA-B Preschool	84.173A	1966100120590	--
IDEA-B High Cost	84.027A	66001906	--
Evaluation Capacity Grant	84.027A	2265431902003	--
Total IDEA-B Cluster			<u>976,016</u>
Career and Technical - Basic Grant	84.048A	1942000620590	--
			46,165
ESEA Title II Part A - Supporting Effective Instruction	84.367A	1969450120590	--
			103,740
Title III Part A English Language Acquisition and Language Enhance	84.365A	1967100120590	--
			16,875
Title IV, Part A, Subpart 1	84.424A	1968010120590	--
			35,408
Total Passed Through State Department of Education			<u>1,805,617</u>
Total U. S. Department of Education			<u>1,805,617</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	045339462	--
National School Lunch Program	10.555	045339462	--
Summer Feeding Program	10.559	045339462	--
Total Child Nutrition Cluster			<u>2,316,044</u>
Commodity Supplemental Food Program	10.565	045339462	--
			188,647
Total Passed Through Texas Department of Agriculture			<u>2,504,690</u>
Total U. S. Department of Agriculture			<u>2,504,690</u>
<u>Federal Emergency Management Administration</u>			
Passed Through Texas Department of Public Safety:			
Hazard Assistance Mitigation Program Grant	97.039	205-902	--
			221,644
Total Federal Emergency Management Administration			<u>221,644</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,544,910</u>

The accompanying notes are an integral part of this schedule.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	2,608,634
Add: Child Nutrition Program Revenues reported in Enterprise Fund Exhibit D-2	2,460,032
Less: School Health & Related Services (SHARS) Revenues reported in General Fund	<u>(523,756)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>4,544,910</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Gregory-Portland 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.

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

