

**NATALIA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**JUNE 30, 2021**

**NATALIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

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CERTIFICATE OF BOARD

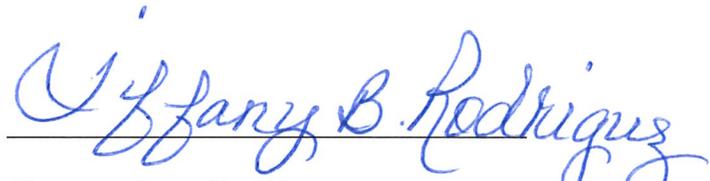
Natalia Independent School District  
Name of School District

Medina  
County

163903  
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 June 30, 2021 at a meeting of the Board of Trustees of such school district on the 15<sup>th</sup> of November, 2021.

  
Signature of Board Secretary

  
Signature of Board President

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

# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305  
www.colemanhortoncpa.com

DEBORAH V. McDONALD, CPA  
DEREK L. WALKER, CPA  
DUSTY R. ROUTH, CPA  
MELINDA D. KORCZYNSKI, CPA  
TREVOR T. MYRES, CPA

TEL (830) 278-6276  
FAX (830) 278-6868  
chc@colemanhortoncpa.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Natalia Independent School District  
Natalia, Texas

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natalia Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Natalia Independent School District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Natalia Independent School District as of June 30, 2021, and the respective changes in financial position, for the year ended then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District's Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability and Schedule of the District's Contributions for Other Post Employment Benefits on pages 7–12 and 46-52 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 Natalia Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulation of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021, on our consideration of the Natalia 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 Natalia Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Natalia Independent School District's internal control over financial reporting and compliance.

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 17, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Natalia Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other schedules, T.E.A. required schedules and federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending June 30, 2021. Please read it in conjunction with the District's financial section, which follows.

### **Overview of the Basic Financial Statements**

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.
  
- \* *Fiduciary fund* statements provide information about the financial relationships in which the District acts as a *custodian* 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.

### **Government-Wide Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

The District has two 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 government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- \* *Fiduciary funds*—The District is the custodian, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and the statement of changes in fiduciary fund net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Highlights**

\* The District’s combined net position was \$5,715,815 at June 30, 2021, an increase of \$669,152 from current year operations.

\* During the year, the District's revenue was \$15,563,410 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Taxes	\$ 3,353,923	\$ 3,250,993	\$ 102,930
b) State aid	10,001,674	10,143,267	(141,593)
c) Federal aid	1,911,262	1,508,334	402,928
d) Investment earnings	52,318	293,766	(241,448)
e) Other	244,233	244,337	(104)
Total Revenues	<u>\$ 15,563,410</u>	<u>\$ 15,440,697</u>	<u>\$ 122,713</u>

\* During the year the District's expenses were \$14,894,258 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Instruction and instructional related	\$ 8,038,345	\$ 7,859,185	\$ 179,160
b) Instruction leadership/school administration	947,532	1,001,329	(53,797)
c) Guidance, social work, health, transportation	977,769	890,457	87,312
d) Food services	767,541	818,154	(50,613)
e) Extracurricular activities	711,008	645,168	65,840
f) General administration	686,399	748,914	(62,515)
g) Plant maintenance and security	1,802,867	1,692,151	110,716
h) Data processing services	415,648	409,181	6,467
i) Community services	62,573	68,263	(5,690)
j) Debt service	474,744	469,495	5,249
k) Shared service	9,832	-	9,832
Total Expenses	<u>\$ 14,894,258</u>	<u>\$ 14,602,297</u>	<u>\$ 291,961</u>

- \* The general fund reported a fund balance of \$6,914,315, an increase of \$397,801.
- \* The debt service fund reported a fund balance of \$968,164, an increase of \$111,914.
- \* The capital projects fund reported a fund balance of \$4,798,576, a decrease of \$6,176,026.
- \* The District's combined net position was \$5,715,815 at June 30, 2021, as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Current and other assets	\$ 15,584,782	\$ 20,562,677	\$ (4,977,895)
Capital and non-current assets	15,878,143	9,163,330	6,714,813
<b>Total Assets</b>	<b>\$ 31,462,925</b>	<b>\$ 29,726,007</b>	<b>\$ 1,736,918</b>
Deferred resource outflow	<b>\$ 1,878,689</b>	<b>\$ 2,475,817</b>	<b>\$ (597,128)</b>
Current Liabilities	\$ 2,450,593	\$ 1,732,247	\$ 718,346
Long term liabilities	20,587,319	21,613,215	(1,025,896)
<b>Total Liabilities</b>	<b>\$ 23,037,912</b>	<b>\$ 23,345,462</b>	<b>\$ (307,550)</b>
Deferred resource inflow	<b>\$ 4,587,887</b>	<b>\$ 3,809,699</b>	<b>\$ 778,188</b>
Net position:			
Net investment in capital assets	\$ 7,074,503	\$ 6,932,922	\$ 141,581
Restricted	1,267,537	1,090,885	176,652
Unrestricted	(2,626,225)	(2,977,144)	350,919
<b>Total Net Position</b>	<b>\$ 5,715,815</b>	<b>\$ 5,046,663</b>	<b>\$ 669,152</b>

- \* Property tax rates decreased by 5.79¢ for the past year. The tax base increased during the past year by \$23,081,730. The tax levy increased by \$102,997.
- \* State aid decreased for the year by \$141,593.
- \* Federal aid increased for the year by \$402,928.
- \* The general fund transferred \$44,322 to the food service fund and the campus activity fund transferred \$10,536 to the general fund.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Capital assets for the District at the end of the fiscal year June 30, 2021, amounted to \$15,878,143. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles, and construction in progress, as reflected below:

#### **District's Capital Assets**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Land	\$ 205,668	\$ 145,668	\$ 60,000
Buildings and improvements	15,432,227	15,146,819	285,408
Equipment	3,901,196	3,783,967	117,229
Property under capital lease	260,483	260,483	-
Construction in progress	7,987,188	1,213,410	6,773,778
Totals at historical cost	27,786,762	20,550,347	7,236,415
Total accumulated depreciation	(11,908,619)	(11,387,017)	(521,602)
Net capital assets	<u>\$ 15,878,143</u>	<u>\$ 9,163,330</u>	<u>\$ 6,714,813</u>

### **Long-term Liabilities**

- \* The District had scheduled bond retirements during the year of \$484,000.
- \* Maintenance tax notes were retired for \$40,000.
- \* Time warrant notes were issued for \$1,000,000.
- \* Capital lease debt was reduced by \$51,296.

### District's Long Term Debt

	Governmental Activities		
	Current Year	Prior Year	Change
Bonds payable	\$ 10,126,000	\$ 10,610,000	\$ (484,000)
Maintenance tax note	1,835,000	1,875,000	(40,000)
Time warrant note	1,000,000	-	1,000,000
Capital lease	123,551	174,847	(51,296)
Unamortized bond premium/discount	517,665	545,163	(27,498)
Totals	<u>\$ 13,602,216</u>	<u>\$ 13,205,010</u>	<u>\$ 397,206</u>

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$252,489 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Additionally, resources available were \$358,006 above the final budgeted amount.

- \* Local revenue sources were greater than expected.
- \* State revenue earned was greater than expected.
- \* Federal revenue earned was more than expected.

### Contacting the District's Financial Management

This financial report is designed for customers, 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 District's Business Services department.

## **BASIC FINANCIAL STATEMENTS**

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 3,762,090
1120 Current Investments	10,202,161
1220 Property Taxes - Delinquent	388,848
1230 Allowance for Uncollectible Taxes	(38,885)
1240 Due from Other Governments	1,270,568
Capital Assets:	
1510 Land	205,668
1520 Buildings, Net	7,073,323
1530 Furniture and Equipment, Net	507,772
1550 Leased Property Under Capital Leases, Net	104,192
1580 Construction in Progress	7,987,188
1000 Total Assets	31,462,925
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	1,420,373
1706 Deferred Outflow Related to TRS OPEB	458,316
1700 Total Deferred Outflows of Resources	1,878,689
<b>LIABILITIES</b>	
2110 Accounts Payable	1,091,707
2150 Payroll Deductions and Withholdings	44,027
2160 Accrued Wages Payable	894,321
2180 Due to Other Governments	163,039
2200 Accrued Expenses	257,499
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	666,819
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	12,935,397
2540 Net Pension Liability (District's Share)	3,517,148
2545 Net OPEB Liability (District's Share)	3,467,955
2000 Total Liabilities	23,037,912
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	957,132
2606 Deferred Inflow Related to TRS OPEB	3,630,755
2600 Total Deferred Inflows of Resources	4,587,887
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	2,275,927
Restricted:	
3820 Restricted for Federal and State Programs	299,373
3850 Restricted for Debt Service	968,164
3860 Restricted for Capital Projects	4,798,576
3900 Unrestricted	(2,626,225)
3000 Total Net Position	\$ 5,715,815

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Net (Expense)  
Revenue and  
Changes in Net  
Position

6  
Primary Gov.

Governmental

Activities

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 7,662,517	\$ 30,743	\$ 901,170	\$ (6,730,604)
12	Instructional Resources and Media Services	213,473	-	52	(213,421)
13	Curriculum and Instructional Staff Development	162,355	-	34,267	(128,088)
21	Instructional Leadership	213,394	-	-	(213,394)
23	School Leadership	734,138	-	213	(733,925)
31	Guidance, Counseling, and Evaluation Services	342,522	-	8,412	(334,110)
33	Health Services	92,519	-	-	(92,519)
34	Student (Pupil) Transportation	542,728	-	-	(542,728)
35	Food Services	767,541	4,845	711,670	(51,026)
36	Extracurricular Activities	711,008	36,250	-	(674,758)
41	General Administration	686,399	-	-	(686,399)
51	Facilities Maintenance and Operations	1,708,155	5,620	144,928	(1,557,607)
52	Security and Monitoring Services	94,712	-	8,349	(86,363)
53	Data Processing Services	415,648	-	-	(415,648)
61	Community Services	62,573	-	-	(62,573)
72	Debt Service - Interest on Long-Term Debt	428,794	-	-	(428,794)
73	Debt Service - Bond Issuance Cost and Fees	45,950	-	-	(45,950)
93	Payments Related to Shared Services Arrangements	9,832	-	-	(9,832)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 14,894,258	\$ 77,458	\$ 1,809,061	(13,007,739)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	2,523,914
DT	Property Taxes, Levied for Debt Service	830,009
SF	State Aid - Formula Grants	9,126,899
GC	Grants and Contributions not Restricted	976,976
IE	Investment Earnings	52,318
MI	Miscellaneous Local and Intermediate Revenue	166,775
TR	Total General Revenues	13,676,891
CN	Change in Net Position	669,152
NB	Net Position - Beginning	5,046,663
NE	Net Position - Ending	\$ 5,715,815

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 2,755,726	\$ -	\$ 1,006,364	\$ 3,762,090
1120 Investments - Current	4,018,748	5,846,522	336,891	10,202,161
1220 Property Taxes - Delinquent	316,291	-	72,557	388,848
1230 Allowance for Uncollectible Taxes	(31,629)	-	(7,256)	(38,885)
1240 Due from Other Governments	859,186	-	411,382	1,270,568
1260 Due from Other Funds	393,973	-	-	393,973
1000 Total Assets	<u>\$ 8,312,295</u>	<u>\$ 5,846,522</u>	<u>\$ 1,819,938</u>	<u>\$ 15,978,755</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 40,728	\$ 1,047,946	\$ 3,033	\$ 1,091,707
2150 Payroll Deductions and Withholdings Payable	44,027	-	-	44,027
2160 Accrued Wages Payable	790,720	-	103,601	894,321
2170 Due to Other Funds	80,912	-	313,061	393,973
2180 Due to Other Governments	127,809	-	35,230	163,039
2200 Accrued Expenditures	68,162	-	24,794	92,956
2000 Total Liabilities	<u>1,152,358</u>	<u>1,047,946</u>	<u>479,719</u>	<u>2,680,023</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	245,622	-	54,274	299,896
2600 Total Deferred Inflows of Resources	<u>245,622</u>	<u>-</u>	<u>54,274</u>	<u>299,896</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	299,373	299,373
3470 Capital Acquisition and Contractual Obligation	-	4,798,576	-	4,798,576
3480 Retirement of Long-Term Debt	-	-	968,164	968,164
Committed Fund Balance:				
3510 Construction	1,000,000	-	-	1,000,000
3545 Other Committed Fund Balance	-	-	18,408	18,408
3600 Unassigned Fund Balance	5,914,315	-	-	5,914,315
3000 Total Fund Balances	<u>6,914,315</u>	<u>4,798,576</u>	<u>1,285,945</u>	<u>12,998,836</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,312,295</u>	<u>\$ 5,846,522</u>	<u>\$ 1,819,938</u>	<u>\$ 15,978,755</u>

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	12,998,836
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,550,347 and the accumulated depreciation was \$(11,387,017). In addition, long-term debt liabilities of \$(12,659,847), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(3,496,517)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays of \$7,286,756, and debt principal payments of \$575,296, is to increase net position.		7,862,052
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$(3,517,148), a deferred resource inflow in the amount of \$(957,132) and a deferred resource outflow in the amount of \$1,420,373. The net effect of these recognitions is to decrease net position.		(3,053,907)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(3,467,955), a deferred resource inflow in the amount of \$(3,630,755), and a deferred resource outflow in the amount of \$458,316. The net effect of these recognitions is to decrease net position.		(6,640,394)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(571,893)
6 Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property tax receivable of \$299,896 as revenue, bond and debt premiums of \$(517,665), and recognizing the liabilities associated with maturing long-term debt interest of \$(164,543). Also, recognizing time warrant debt issued of \$(1,000,000), and the remaining basis of capital assets removed of \$(50). The net effect of these reclassifications and recognitions is to decrease net position.		(1,382,362)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>5,715,815</u>

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,835,065	\$ 17,346	\$ 875,094	\$ 3,727,505
5800 State Program Revenues	9,672,526	-	149,880	9,822,406
5900 Federal Program Revenues	146,306	-	1,764,956	1,911,262
5020 Total Revenues	<u>12,653,897</u>	<u>17,346</u>	<u>2,789,930</u>	<u>15,461,173</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	6,344,828	-	901,170	7,245,998
0012 Instructional Resources and Media Services	201,948	-	52	202,000
0013 Curriculum and Instructional Staff Development	126,398	-	34,267	160,665
0021 Instructional Leadership	200,478	-	-	200,478
0023 School Leadership	694,868	-	213	695,081
0031 Guidance, Counseling, and Evaluation Services	314,253	-	8,412	322,665
0033 Health Services	92,423	-	-	92,423
0034 Student (Pupil) Transportation	609,592	43,200	-	652,792
0035 Food Services	14,945	-	696,022	710,967
0036 Extracurricular Activities	686,979	-	17,792	704,771
0041 General Administration	651,710	-	-	651,710
0051 Facilities Maintenance and Operations	1,519,605	-	149,453	1,669,058
0052 Security and Monitoring Services	86,317	-	8,349	94,666
0053 Data Processing Services	407,849	-	-	407,849
0061 Community Services	62,754	-	-	62,754
Debt Service:				
0071 Principal on Long-Term Debt	91,296	-	484,000	575,296
0072 Interest on Long-Term Debt	91,271	-	370,965	462,236
0073 Bond Issuance Cost and Fees	400	45,550	-	45,950
Capital Outlay:				
0081 Facilities Acquisition and Construction	14,564	7,104,622	-	7,119,186
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	9,832	-	-	9,832
6030 Total Expenditures	<u>12,222,310</u>	<u>7,193,372</u>	<u>2,670,695</u>	<u>22,086,377</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>431,587</u>	<u>(7,176,026)</u>	<u>119,235</u>	<u>(6,625,204)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7914 Non-Current Loans	-	1,000,000	-	1,000,000
7915 Transfers In	10,536	-	44,322	54,858
8911 Transfers Out (Use)	(44,322)	-	(10,536)	(54,858)
7080 Total Other Financing Sources (Uses)	<u>(33,786)</u>	<u>1,000,000</u>	<u>33,786</u>	<u>1,000,000</u>
1200 Net Change in Fund Balances	397,801	(6,176,026)	153,021	(5,625,204)
0100 Fund Balance - July 1 (Beginning)	<u>6,516,514</u>	<u>10,974,602</u>	<u>1,132,924</u>	<u>18,624,040</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 6,914,315</u>	<u>\$ 4,798,576</u>	<u>\$ 1,285,945</u>	<u>\$ 12,998,836</u>

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (5,625,204)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays of \$7,286,756, and debt principal payments of \$575,296, is to increase net position.	7,862,052
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(571,893)
The reporting of GASB 68 for the current year recognized revenue of \$275,849 and expenses of \$(516,077). The result of these items is to decrease net position.	(240,228)
The reporting of GASB 75 for the current year recognized revenue of \$(96,581) and expenses of \$384,595. The result of these items is to increase net position.	288,014
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$(76,981), recognizing the change in liabilities associated with maturing long-term debt interest of \$5,944, and bond premium amortization of \$27,498. Also, recognizing time warrant debt of \$(1,000,000), and the remaining basis of capital assets removed of \$(50). The net effect of these reclassifications and recognitions is to decrease net position.	(1,043,589)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 669,152</b>

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

	Custodial Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,716
Investments - Current	42,399
Total Assets	50,115
<b>LIABILITIES</b>	
Accounts Payable	113
Total Liabilities	113
<b>NET POSITION</b>	
Restricted for Other Purposes	50,002
Total Net Position	\$ 50,002

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

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	Custodial Fund
<b>ADDITIONS:</b>	
Enterprising Services Revenue	\$ 51,341
Earnings from Temporary Deposits	40
Total Additions	51,381
<b>DEDUCTIONS:</b>	
Supplies and Materials	51,688
Total Deductions	51,688
Change in Fiduciary Net Position	(307)
Total Net Position - July 1 (Beginning)	50,309
Total Net Position - June 30 (Ending)	\$ 50,002

The notes to the financial statements are an integral part of this statement.

NATALIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Natalia Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency’s **Financial Accountability System Resource Guide** (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

*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.

*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 resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

*Fair Value.* The District applied Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Natalia Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “operating grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Position.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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 that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting.

The basis of accounting recognizes revenue in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

## D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

3. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
4. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

5. **Custodial Funds** - The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Account.

## E. FUND BALANCE POLICY

Natalia Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent or the Business Manager.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged to committed, assigned then unassigned.

Restricted		
Food service	\$	262,843
Summer Feeding		36,530
Debt service		968,164
Capital Projects		<u>4,798,576</u>
Total Restricted		6,066,113
Committed		1,018,408
Unassigned		<u>5,914,315</u>
Total Fund Balances	\$	<u><u>12,998,836</u></u>

The District’s financial goal is to maintain a yearly fund balance in the general operating fund of 50% of the total operating expenditures.

**F. OTHER ACCOUNTING POLICIES**

1. The District records purchases of supplies as expenditures.
2. The District records its investments at fair value.
3. Unearned revenue accounted for on the balance sheet of the general fund relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	5 - 10

9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
11. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Districts deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension & OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).
12. In addition to liabilities, the statement 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB).

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget 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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2021
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service and Summer Feeding Special Revenue Fund	\$ 299,373
Nonappropriated Budget Funds	<u>18,408</u>
All Special Revenue Funds	<u>\$ 317,781</u>

## III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. DEPOSITS AND INVESTMENTS

#### District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

As of June 30, 2021, the District had funds on deposit of \$ 3,496,030 in excess of FDIC coverage, secured by pledged securities of the depository bank.

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (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 a governmental entity 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 entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated now lower than "AA-" or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Natalia Independent School District is in substantial compliance with the requirements of the Act and with local policies.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

As of June 30, 2021, the District had the following investments.

<u>Investment Type and Description</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Texpool Investment Pool			
Texpool Prime	AAA-m	N/A	\$ 10,244,560
Total Investments			<u>\$ 10,244,560</u>

Public Funds Investment Pools: Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

## Texpool

Texas Local Government Investment Pool (Texpool); Texpool operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than market value to report net assets to compute share prices.

Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool.

Texpool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's Investment Policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool. Financial information for Texpool can be accessed on the internet (<http://www.texpool.com>).

Additional policies and contractual provisions governing deposits and investments of Natalia Independent School District are specified below:

*Credit Risk* To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those allowed by Government Code 2256. As of June 30, 2021, the District's investments were limited to investment pools.

*Custodial Credit Risk for Investments* To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District requires counterparties to register the securities in the name of the District's custodian and hand them over to the District or its designated agent. All of the securities are held by the District's agent.

*Concentration of Credit Risk* To limit the risk of loss, the District's investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

*Interest Rate Risk* To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District's investment portfolio has various maturities.

*Foreign Currency Risk for Investment* The District has no foreign currency investments.

## Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

<u>Investments at Fair Value</u>	<u>Fair Value</u>	<u>Fair Value Measurement Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Public Funds Investment Pool	\$ 10,244,560	\$ -	\$ 10,244,560	\$ -
Total Investments, at Fair Value	<u>\$ 10,244,560</u>	<u>\$ -</u>	<u>\$ 10,244,560</u>	<u>\$ -</u>

**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 located in the District 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 30 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

**D. INTERFUND BALANCES/TRANSFERS**

Interfund balances at June 30, 2021, consisted of the following amounts:

**Due to General Fund From:**

Intrafund	\$ 80,912
Special Revenue Fund	<u>313,061</u>
Total Due to General Fund	<u><u>\$ 393,973</u></u>

Interfund balances are recorded primarily for payroll clearing and investment income allocation.

The general fund transferred \$44,322 to the food service fund and the campus activity fund transferred \$10,536 to the general fund in support of operations.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2021, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 316,291	\$ 859,186	\$ 393,973	\$ -	\$ 1,569,450
Nonmajor Governmental Funds	<u>72,557</u>	<u>411,382</u>	<u>-</u>	<u>-</u>	<u>483,939</u>
Total Governmental Activities	<u><u>\$ 388,848</u></u>	<u><u>\$ 1,270,568</u></u>	<u><u>\$ 393,973</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,053,389</u></u>
Amount not scheduled for collection during the subsequent year	<u><u>\$ 38,885</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,885</u></u>

Payables at June 30, 2021, were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
<b>Governmental Activities:</b>					
General Fund	\$ 40,728	\$ 902,909	\$ 80,912	\$ 127,809	\$ 1,152,358
Capital Projects Fund	1,047,946	-	-	-	1,047,946
Nonmajor Governmental Funds	3,033	128,395	313,061	35,230	479,719
Total Governmental Activities	<u>\$ 1,091,707</u>	<u>\$ 1,031,304</u>	<u>\$ 393,973</u>	<u>\$ 163,039</u>	<u>\$ 2,680,023</u>
Amount not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Land	\$ 145,668	\$ 60,000	\$ -	\$ 205,668
Buildings and improvements	15,146,819	285,408	-	15,432,227
Equipment	3,783,967	167,570	(50,341)	3,901,196
Property under capital lease	260,483	-	-	260,483
Construction in progress	1,213,410	6,773,778	-	7,987,188
Total at historical cost	<u>20,550,347</u>	<u>7,286,756</u>	<u>(50,341)</u>	<u>27,786,762</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	(8,023,690)	(335,214)	-	(8,358,904)
Equipment	(3,259,133)	(184,582)	50,291	(3,393,424)
Property under capital lease	(104,194)	(52,097)	-	(156,291)
Total accumulated depreciation	<u>(11,387,017)</u>	<u>(571,893)</u>	<u>50,291</u>	<u>(11,908,619)</u>
Governmental activities capital assets, net	<u>\$ 9,163,330</u>	<u>\$ 6,714,863</u>	<u>\$ (50)</u>	<u>\$ 15,878,143</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 331,698
Instructional Resources & Media Services	11,438
Instructional Leadership	11,438
School Leadership	34,314
Guidance and Counseling	17,157
Student (Pupil) Transportation	28,595
Food Services	45,751
General Administration	22,876
Plant Maintenance and Operations	62,908
Data Processing	<u>5,718</u>
Total depreciation expense	<u>\$ 571,893</u>

#### G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The bonds mature serially through the year 2044, with interest rates of 2.00% to 5.00%.

A summary of changes in bonds payable for the year ended June 30, 2021, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2020	Issued	Retired/ Refunded	Amounts Outstanding 6/30/2021	Amounts due within one year
Unlimited Tax Refunding Bonds Series 2016	2.00% - 3.00%	1,145,000	10,665	470,000	-	229,000	241,000	241,000
Unlimited Tax School Building Series 2019	3.00% - 5.00%	10,380,000	360,300	10,140,000	-	255,000	9,885,000	265,000
Totals			<u>\$ 370,965</u>	<u>\$ 10,610,000</u>	<u>\$ -</u>	<u>\$ 484,000</u>	<u>\$ 10,126,000</u>	<u>\$ 506,000</u>

Debt service requirements are as follows:

Year Ending June 30,	General Obligations		Total Requirements
	Principal	Interest	
2022	\$ 506,000	\$ 351,165	\$ 857,165
2023	280,000	334,300	614,300
2024	295,000	320,300	615,300
2025	310,000	305,550	615,550
2026	325,000	290,050	615,050
2027-2031	1,875,000	1,197,650	3,072,650
2032-2036	2,225,000	850,650	3,075,650
2037-2041	2,575,000	496,500	3,071,500
2042-2045	1,735,000	104,850	1,839,850
Total	<u>\$ 10,126,000</u>	<u>\$ 4,251,015</u>	<u>\$ 14,377,015</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2021.

#### H. LONG-TERM DEBT – NOTES AND TIME WARRANTS

The District accounts for loans and time warrants through the General Fund. Notes and time warrants are made in accordance with the provisions of the Texas Education Code Section 45.108.

Date of Issue	Purpose and Lawful Authority	Fund	Payable From	Interest Rate	Loan Amount	Current Year Interest	Amounts Outstanding 7/1/2020	Issued Current Year	Retired Current Year	Amounts Outstanding 6/30/2021	Amounts due within one year
12/18		General		3.00% -							
11/23	45.108	Fund		5.00%	\$ 1,900,000	\$ 78,338	\$ 1,875,000	\$ -	\$ 40,000	\$ 1,835,000	\$ 45,000
4/21		General									
6/35	45.108	Fund		2.49%	1,000,000	2,836	-	1,000,000	-	1,000,000	61,000
		Total				<u>\$ 81,174</u>	<u>\$ 1,875,000</u>	<u>\$ 1,000,000</u>	<u>\$ 40,000</u>	<u>\$ 2,835,000</u>	<u>\$ 106,000</u>

Debt service requirements for loans and time warrants are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 106,000	\$ 101,963	\$ 207,963
2023	117,000	98,394	215,394
2024	124,000	93,975	217,975
2025	130,000	89,256	219,256
2026	142,000	84,138	226,138
2027-2031	866,000	327,967	1,193,967
2032-2036	1,015,000	157,303	1,172,303
2037-2039	335,000	13,078	348,078
Total	<u>\$ 2,835,000</u>	<u>\$ 966,073</u>	<u>\$ 3,801,073</u>

## I. CAPITAL LEASE

Capital leases of the District are reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the General Fund.

A summary of changes in capital leases for the for the year ended June 30, 2021, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2020	Issued	Retired	Amounts Outstanding 6/30/2021	Amounts due within one year
Copiers	6.60%	\$ 260,483	\$ 10,097	\$ 174,847	\$ -	\$ 51,296	\$ 123,551	\$ 54,819
Totals			<u>\$ 10,097</u>	<u>\$ 174,847</u>	<u>\$ -</u>	<u>\$ 51,296</u>	<u>\$ 123,551</u>	<u>\$ 54,819</u>

Annual payments are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 54,819	\$ 6,575	\$ 61,394
2023	58,584	2,811	61,395
2024	10,148	85	10,233
Thereafter	-	-	-
Total	<u>\$ 123,551</u>	<u>\$ 9,471</u>	<u>\$ 133,022</u>

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the for the year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Additions	Retired/ Refunded	Balance 6/30/2021	Due Within One Year
Governmental Activities:					
Bonds	\$ 10,610,000	\$ -	\$ 484,000	\$ 10,126,000	\$ 506,000
Net Issuance Premium	473,189	-	23,499	449,690	-
Total Bonds Payable	<u>11,083,189</u>	<u>-</u>	<u>507,499</u>	<u>10,575,690</u>	<u>506,000</u>
Loans Payable	1,875,000	1,000,000	40,000	2,835,000	106,000
Net Issuance Premium	71,974	-	3,999	67,975	-
Total Loans Payable	<u>1,946,974</u>	<u>1,000,000</u>	<u>43,999</u>	<u>2,902,975</u>	<u>106,000</u>
Capital Lease	<u>174,847</u>	<u>-</u>	<u>51,296</u>	<u>123,551</u>	<u>54,819</u>
Total	<u>\$ 13,205,010</u>	<u>\$ 1,000,000</u>	<u>\$ 602,794</u>	<u>\$ 13,602,216</u>	<u>\$ 666,819</u>

**K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each district’s local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Natalia Independent School District provides up to an additional seven days leave with substitute reimbursement above the state granted five days per year. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

**L. DEFINED BENEFIT PENSION PLAN**

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

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

**Pension Plan Fiduciary Net Position.** Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRSDocuments/cafr\\_2020.pdf](https://www.trs.texas.gov/TRSDocuments/cafr_2020.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

In May, 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

<b>Contributions Rates</b>		
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.7%	7.7%
District's 2021 FY Employer Contributions		\$ 310,637
District's 2021 FY Member Contributions		\$ 606,400
Measurement Year NECE On-Behalf Contributions		\$ 406,476

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, 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 including public 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 or a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- \* All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- \* 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.

***Actuarial Assumptions.***

The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability assumptions are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and retired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020, are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
<b>Total</b>	<b>100%</b>		<b>7.33%</b>

\* Target allocations are based on the FY2020 policy model.

\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$5,423,380	\$3,517,148	\$1,968,377

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, the District reported a liability of \$3,517,148 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,517,148
State's proportionate share that is associated with the District	<u>5,276,280</u>
	<u>\$ 8,793,428</u>

The net pension liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0065669948% which was a decrease of 0.0010334863% from its proportion measured as of August 31, 2019.

#### **Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2021, the School District recognized pension expense of \$634,619 and revenue of \$634,619 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2021, 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 shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 6,422	\$ 98,154
Changes in actuarial assumptions	816,104	347,002
Net difference between projected and actual investment earnings	71,202	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	261,019	511,976
Contributions paid to TRS subsequent to the measurement date	265,626	-
<b>Total</b>	<b>\$ 1,420,373</b>	<b>\$ 957,132</b>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended August 31:	Pension Expense Amount
2021	\$ 135,426
2022	139,277
2023	78,102
2024	(30,415)
2025	(102,695)
Thereafter	(22,080)

#### **M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and reasonably necessary to administer the program, including minimum benefits and financing standards.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRSDocuments/cafr\\_2020.pdf](https://www.trs.texas.gov/TRSDocuments/cafr_2020.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public and 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates

	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

**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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. 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.

Contributions Rates

	2020		2021
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 2021 FY Employer Contributions		\$	72,580
District's 2021 FY Member Contributions		\$	51,190
Measurement Year NECE On-Behalf Contributions		\$	93,174

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

***Actuarial Assumptions.***

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for 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 and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019, TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate.** A single discount rate of 2.33 percent was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020, using the fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB Liability:	\$4,161,539	\$3,467,955	\$2,920,124

**Healthcare Cost Trend Rates Sensitivity Analysis** – The following schedule shows the impact of the OPEB liability if healthcare trend rate that 1 percentage point less than and 1 percentage point greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$2,832,875	\$3,467,955	\$4,313,793

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2021, the District reported a liability of \$3,467,956 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,467,955
State's proportionate share that is associated with the District	<u>4,660,101</u>
Total	<u>\$ 8,128,056</u>

The Net OPEB Liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective Net OPEB Liability was 0.0091227139% compared to 0.0094250830% as of August 31, 2019.

*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 (TOL) since the prior measurement period:

1. The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. The change increased tot Total OPEB Liability.
2. The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
3. The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress’ repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

*Changes of Benefit Terms Since the Prior Measurement Date* – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2021, the District recognized OPEB expense of \$32,358 and revenue of \$32,358 for support provided by the State.

At June 30, 2021, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 181,581	\$ 1,587,114
Changes in actuarial assumptions	213,901	952,319
Net difference between projected and actual investment earnings	1,127	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	10	1,091,322
Contributions paid to TRS subsequent to the measurement date	61,697	-
Total	\$ 458,316	\$ 3,630,755

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2022	\$ (523,802)	\$ (2,710,334)
2023	(523,952)	(2,186,382)
2024	(524,041)	(1,662,341)
2025	(524,019)	(1,138,322)
2026	(431,387)	(706,935)
Thereafter	(706,935)	-

**N. MEDICARE PART D - ON BEHALF PAYMENTS**

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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Natalia Independent School District for fiscal years 2019, 2020 and 2021 were \$23,651, \$33,161 and \$38,746 respectively.

**O. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Natalia Independent School District is occasionally involved in litigation issues in the normal course of business. No provision has been made in these financial statements regarding legal matters.

As of June 30, 2021, the District has contractual commitments of \$3,452,537, which will be provided for during the 2021-2022 year.

**P. RECEIVABLES 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 June 30, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 832,063	\$ -	\$ 27,123	\$ 859,186
Special Revenue Fund	-	403,168	-	403,168
Debt Service Fund	-	-	8,214	8,214
<b>Total</b>	<b>\$ 832,063</b>	<b>\$ 403,168</b>	<b>\$ 35,337</b>	<b>\$ 1,270,568</b>

**Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 2,593,071	\$ -	\$ 837,833	\$ -	\$ 3,430,904
Penalties, Interest and					
Other Tax-related income	76,677	-	18,737	-	95,414
Investment Income	25,636	4,802	4,534	17,346	52,318
Food Sales	-	4,491	-	-	4,491
Co-curricular Student Activities	31,907	4,697	-	-	36,604
Other	107,774	-	-	-	107,774
<b>Total</b>	<b>\$ 2,835,065</b>	<b>\$ 13,990</b>	<b>\$ 861,104</b>	<b>\$ 17,346</b>	<b>\$ 3,727,505</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,596,129	\$ 2,667,540	\$ 2,835,065	\$ 167,525
5800 State Program Revenues	9,492,299	9,492,299	9,672,526	180,227
5900 Federal Program Revenues	105,000	136,052	146,306	10,254
5020 Total Revenues	12,193,428	12,295,891	12,653,897	358,006
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	6,330,806	6,387,890	6,344,828	43,062
0012 Instructional Resources and Media Services	204,765	224,328	201,948	22,380
0013 Curriculum and Instructional Staff Development	194,630	166,646	126,398	40,248
0021 Instructional Leadership	215,287	215,791	200,478	15,313
0023 School Leadership	703,192	703,144	694,868	8,276
0031 Guidance, Counseling, and Evaluation Services	321,665	323,681	314,253	9,428
0032 Social Work Services	500	-	-	-
0033 Health Services	102,615	108,119	92,423	15,696
0034 Student (Pupil) Transportation	518,225	616,266	609,592	6,674
0035 Food Services	7,484	15,334	14,945	389
0036 Extracurricular Activities	633,236	701,736	686,979	14,757
0041 General Administration	786,949	673,973	651,710	22,263
0051 Facilities Maintenance and Operations	1,417,762	1,536,714	1,519,605	17,109
0052 Security and Monitoring Services	80,550	93,823	86,317	7,506
0053 Data Processing Services	421,578	429,102	407,849	21,253
0061 Community Services	64,783	65,287	62,754	2,533
Debt Service:				
0071 Principal on Long-Term Debt	92,000	92,116	91,296	820
0072 Interest on Long-Term Debt	89,000	92,885	91,271	1,614
0073 Bond Issuance Cost and Fees	2,401	2,400	400	2,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	14,564	14,564	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	6,000	11,000	9,832	1,168
6030 Total Expenditures	12,193,428	12,474,799	12,222,310	252,489
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(178,908)	431,587	610,495
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	10,536	10,536	-
8911 Transfers Out (Use)	-	(44,322)	(44,322)	-
7080 Total Other Financing Sources (Uses)	-	(33,786)	(33,786)	-
1200 Net Change in Fund Balances	-	(212,694)	397,801	610,495
0100 Fund Balance - July 1 (Beginning)	6,516,514	6,516,514	6,516,514	-
3000 Fund Balance - June 30 (Ending)	\$ 6,516,514	\$ 6,303,820	\$ 6,914,315	\$ 610,495

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.006566995%	0.007600481%	0.007463368%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,517,148	\$ 3,950,968	\$ 4,108,019
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,276,280	4,838,021	5,484,457
Total	<u>\$ 8,793,428</u>	<u>\$ 8,788,989</u>	<u>\$ 9,592,476</u>
District's Covered Payroll	\$ 7,508,442	\$ 7,445,194	\$ 7,380,686
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.84%	53.07%	55.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.008153312%	0.0080612%	0.0070268%	0.0044058%
\$ 2,606,990	\$ 3,046,199	\$ 2,483,880	\$ 1,176,851
3,118,178	3,500,374	4,079,661	3,439,131
<u>\$ 5,725,168</u>	<u>\$ 6,546,573</u>	<u>\$ 6,563,541</u>	<u>\$ 4,615,982</u>
\$ 7,262,587	\$ 6,754,138	\$ 6,855,025	\$ 6,383,347
35.90%	45.10%	36.23%	18.44%
82.17%	78.00%	78.43%	83.25%

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 310,637	\$ 287,315	\$ 229,823
Contribution in Relation to the Contractually Required Contribution	(310,637)	(287,315)	(229,823)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,869,075	\$ 7,520,604	\$ 7,463,043
Contributions as a Percentage of Covered Payroll	3.95%	3.82%	3.08%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	213,753	\$ 267,416	\$ 256,035	\$ 242,400
	(213,753)	(267,416)	(256,035)	(242,400)
\$	-	\$ -	\$ -	\$ -
\$	6,116,308	\$ 7,262,587	\$ 6,754,138	\$ 6,855,025
	3.49%	3.68%	3.79%	3.54%

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.009122714%	0.009425083%	0.010030918%	\$ 0.011556428%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,467,955	\$ 4,457,238	\$ 5,008,529	\$ 5,025,457
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,660,101	5,922,671	6,152,057	\$ 5,411,747
Total	<u>\$ 8,128,056</u>	<u>\$ 10,379,909</u>	<u>\$ 11,160,586</u>	<u>\$ 10,437,204</u>
District's Covered Payroll	\$ 7,508,442	\$ 7,445,194	\$ 7,380,686	\$ 7,262,587
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	46.19%	59.87%	67.86%	\$ 69.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 72,580	\$ 73,666	\$ 60,101	\$ 58,507
Contribution in Relation to the Contractually Required Contribution	(72,580)	(73,666)	(60,101)	(58,507)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,869,075	\$ 7,520,604	\$ 7,463,043	\$ 6,116,308
Contributions as a Percentage of Covered Payroll	0.92%	0.98%	0.81%	0.96%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

NATALIA INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

In May 2019, the 86<sup>th</sup> Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the legislature approved funding for a 13<sup>th</sup> check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

*Changes of Assumptions.*

There were no changes in assumptions since the prior measurement date.

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

There were no changes in benefit terms since the prior measurement date.

*Changes in Assumptions.*

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate changed from 2.64 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

## **COMBINING AND OTHER STATEMENTS**

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ 13,010	\$ 4,225	\$ -
1120 Investments - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	63,480	67,851	133,882	4,028
1000 Total Assets	<u>\$ 63,480</u>	<u>\$ 80,861</u>	<u>\$ 138,107</u>	<u>\$ 4,028</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	2,774	36,464	31,222	-
2170 Due to Other Funds	58,934	39,324	99,227	4,028
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	1,772	5,073	7,658	-
2000 Total Liabilities	<u>63,480</u>	<u>80,861</u>	<u>138,107</u>	<u>4,028</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 63,480</u>	<u>\$ 80,861</u>	<u>\$ 138,107</u>	<u>\$ 4,028</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	281 Prior Purchase Reimbursement	289 ESEA Title IV Part A
\$ 301,506	\$ 21,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	22,184	195	-	503	15,207	91,886	3,952
<u>\$ 301,506</u>	<u>\$ 43,925</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 503</u>	<u>\$ 15,207</u>	<u>\$ 91,886</u>	<u>\$ 3,952</u>
\$ 2,626	\$ -	\$ 195	\$ -	\$ -	\$ -	\$ -	\$ -
26,455	6,686	-	-	-	-	-	-
-	-	-	-	503	15,207	91,886	3,952
-	-	-	-	-	-	-	-
9,582	709	-	-	-	-	-	-
<u>38,663</u>	<u>7,395</u>	<u>195</u>	<u>-</u>	<u>503</u>	<u>15,207</u>	<u>91,886</u>	<u>3,952</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
262,843	36,530	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>262,843</u>	<u>36,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 301,506</u>	<u>\$ 43,925</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 503</u>	<u>\$ 15,207</u>	<u>\$ 91,886</u>	<u>\$ 3,952</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

Data Control Codes	410 State Instructional Materials	429 School Safety and Security	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 9,622	\$ 350,104
1120	Investments - Current	-	-	8,998	8,998
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	-	-	-	403,168
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,620</u>	<u>\$ 762,270</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 212	\$ 3,033
2160	Accrued Wages Payable	-	-	-	103,601
2170	Due to Other Funds	-	-	-	313,061
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	-	24,794
2000	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>212</u>	<u>444,489</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	299,373
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	18,408	18,408
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>18,408</u>	<u>317,781</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,620</u>	<u>\$ 762,270</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 656,260	\$ 1,006,364
327,893	336,891
72,557	72,557
(7,256)	(7,256)
8,214	411,382
<u>\$ 1,057,668</u>	<u>\$ 1,819,938</u>
\$ -	\$ 3,033
-	103,601
-	313,061
35,230	35,230
-	24,794
<u>35,230</u>	<u>479,719</u>
54,274	54,274
<u>54,274</u>	<u>54,274</u>
-	299,373
968,164	968,164
-	18,408
<u>968,164</u>	<u>1,285,945</u>
<u>\$ 1,057,668</u>	<u>\$ 1,819,938</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	132,738	283,574	246,189	4,028
5020 Total Revenues	132,738	283,574	246,189	4,028
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	132,738	283,522	239,202	4,028
0012 Instructional Resources and Media Services	-	52	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	6,987	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	132,738	283,574	246,189	4,028
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	281 Prior Purchase Reimbursement	289 ESEA Title IV Part A
\$ 9,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,736	-	-	-	-	-	-	-
662,256	52,430	34,267	-	222,604	19,577	91,886	15,407
675,285	52,430	34,267	-	222,604	19,577	91,886	15,407
-	-	-	-	118,835	19,402	57,441	10,446
-	-	-	-	-	-	-	-
-	-	34,267	-	-	-	-	-
-	-	-	-	38	175	-	-
-	-	-	-	-	-	-	1,425
659,240	36,782	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,277	-	-	-	103,731	-	34,445	-
-	-	-	-	-	-	-	3,536
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
670,517	36,782	34,267	-	222,604	19,577	91,886	15,407
4,768	15,648	-	-	-	-	-	-
44,322	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44,322	-	-	-	-	-	-	-
49,090	15,648	-	-	-	-	-	-
213,753	20,882	-	-	-	-	-	-
\$ 262,843	\$ 36,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	410 State Instructional Materials	429 School Safety and Security	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 4,697	\$ 13,990
5800 State Program Revenues	20,557	19,812	-	44,105
5900 Federal Program Revenues	-	-	-	1,764,956
5020 Total Revenues	<u>20,557</u>	<u>19,812</u>	<u>4,697</u>	<u>1,823,051</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	20,557	14,999	-	901,170
0012 Instructional Resources and Media Services	-	-	-	52
0013 Curriculum and Instructional Staff Development	-	-	-	34,267
0023 School Leadership	-	-	-	213
0031 Guidance, Counseling, and Evaluation Services	-	-	-	8,412
0035 Food Services	-	-	-	696,022
0036 Extracurricular Activities	-	-	17,792	17,792
0051 Facilities Maintenance and Operations	-	-	-	149,453
0052 Security and Monitoring Services	-	4,813	-	8,349
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	<u>20,557</u>	<u>19,812</u>	<u>17,792</u>	<u>1,815,730</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(13,095)</u>	<u>7,321</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	44,322
8911 Transfers Out (Use)	-	-	(10,536)	(10,536)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,536)</u>	<u>33,786</u>
1200 Net Change in Fund Balance	-	-	(23,631)	41,107
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>42,039</u>	<u>276,674</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,408</u>	<u>\$ 317,781</u>

	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$	861,104	\$ 875,094
	105,775	149,880
	-	1,764,956
	966,879	2,789,930
	-	901,170
	-	52
	-	34,267
	-	213
	-	8,412
	-	696,022
	-	17,792
	-	149,453
	-	8,349
	484,000	484,000
	370,965	370,965
	854,965	2,670,695
	111,914	119,235
	-	44,322
	-	(10,536)
	-	33,786
	111,914	153,021
	856,250	1,132,924
\$	968,164	\$ 1,285,945

## **T.E.A. REQUIRED SCHEDULES**

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.170000	0.182300	153,799,360
2014	1.170000	0.175200	162,063,585
2015	1.170000	0.188200	174,282,718
2016	1.170000	0.140500	173,078,353
2017	1.170000	0.114100	186,212,367
2018	1.170000	0.129100	202,804,281
2019	1.170000	0.109100	218,575,720
2020	1.068300	0.352800	232,911,333
2021 (School year under audit)	1.003700	0.329500	255,993,063
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 75,088	\$ -	\$ 1,257	\$ 222	\$ (14,849)	\$ 58,760
4,820	-	221	35	(309)	4,255
7,071	-	840	126	(307)	5,798
15,266	-	2,924	470	(2,232)	9,640
18,271	-	6,616	795	(1,418)	9,442
31,231	-	14,481	1,399	(1,500)	13,851
49,526	-	21,741	2,399	(4)	25,382
81,572	-	28,452	2,650	(9,925)	40,545
204,050	-	84,835	27,999	(22,757)	68,459
-	3,412,900	2,438,980	800,205	(20,999)	152,716
<u>\$ 486,895</u>	<u>\$ 3,412,900</u>	<u>\$ 2,600,347</u>	<u>\$ 836,300</u>	<u>\$ (74,300)</u>	<u>\$ 388,848</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 23,000	\$ 23,000	\$ 9,293	\$ (13,707)
5800 State Program Revenues	4,000	4,000	3,736	(264)
5900 Federal Program Revenues	801,106	801,106	662,256	(138,850)
5020 Total Revenues	<u>828,106</u>	<u>828,106</u>	<u>675,285</u>	<u>(152,821)</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	814,306	814,306	659,240	155,066
0051 Facilities Maintenance and Operations	13,800	13,800	11,277	2,523
6030 Total Expenditures	<u>828,106</u>	<u>828,106</u>	<u>670,517</u>	<u>157,589</u>
1100 Excess of Revenues Over Expenditures	-	-	4,768	4,768
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	44,322	44,322	-
1200 Net Change in Fund Balances	-	44,322	49,090	4,768
0100 Fund Balance - July 1 (Beginning)	<u>213,753</u>	<u>213,753</u>	<u>213,753</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 213,753</u>	<u>\$ 258,075</u>	<u>\$ 262,843</u>	<u>\$ 4,768</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 846,764	\$ 846,764	\$ 861,104	\$ 14,340
5800 State Program Revenues	92,547	92,547	105,775	13,228
5020 Total Revenues	939,311	939,311	966,879	27,568
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	484,000	484,000	484,000	-
0072 Interest on Long-Term Debt	370,965	370,965	370,965	-
6030 Total Expenditures	854,965	854,965	854,965	-
1200 Net Change in Fund Balances	84,346	84,346	111,914	27,568
0100 Fund Balance - July 1 (Beginning)	856,250	856,250	856,250	-
3000 Fund Balance - June 30 (Ending)	\$ 940,596	\$ 940,596	\$ 968,164	\$ 27,568

## STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

Natalia Independent School District

Fiscal Year 2021

**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,113,728
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$1,000,504

**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$41,156
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$51,136

## **FEDERAL SECTION**

# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305  
www.colemanhortoncpa.com

DEBORAH V. McDONALD, CPA  
DEREK L. WALKER, CPA  
DUSTY R. ROUTH, CPA  
MELINDA D. KORCZYNSKI, CPA  
TREVOR T. MYRES, CPA

TEL (830) 278-6276  
FAX (830) 278-6868  
chc@colemanhortoncpa.com

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Natalia Independent School District  
Natalia, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natalia Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Natalia Independent School District's basic financial statements and have issued our report thereon dated September 17, 2021.

#### **Internal Control over Financial Reporting**

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

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 17, 2021

# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305  
www.colemanhortoncpa.com

DEBORAH V. McDONALD, CPA  
DEREK L. WALKER, CPA  
DUSTY R. ROUTH, CPA  
MELINDA D. KORCZYNSKI, CPA  
TREVOR T. MYRES, CPA

TEL (830) 278-6276  
FAX (830) 278-6868  
chc@colemanhortoncpa.com

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

To the Board of Trustees  
Natalia Independent School District  
Natalia, Texas

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

We have audited the Natalia 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 Natalia Independent School District's major federal programs for the year ended June 30, 2021. The Natalia 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 the Natalia 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 Natalia 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 Natalia Independent School District's compliance.

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

In our opinion, the Natalia 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 June 30, 2021.

## Report on Internal Control over Compliance

Management of the Natalia 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 Natalia 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 Natalia 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 17, 2021

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2021

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Control deficiency(ies) identified?      Yes   X   No

Control deficiency(ies) identified that are not considered to be material weakness?      Yes   X   No

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified?      Yes   X   No

Control deficiency(ies) identified that are not considered to be material weakness?      Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.56 of the Uniform Guidance?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program
CFDA #10.559	Summer Feeding Program

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

Auditee qualified as low-risk auditee?   X   Yes      No

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

**B. Financial Statement Findings:**

-----None noted-----

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

-----None noted-----

NATALIA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

-----Not Applicable-----

NATALIA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2021

-----Not applicable-----

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101163903	\$ 209,760
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101163903	67,211
ESEA, Title I, School Improvement	84.010A	21610141163903	6,603
Total CFDA Number 84.010A			283,574
*IDEA - Part B, Formula	84.027	206600011639036600	130,496
*IDEA - Part B, Formula	84.027	216600011639036600	115,693
Total CFDA Number 84.027			246,189
*IDEA - Part B, Preschool	84.173	216610011639036610	4,028
Total Special Education Cluster (IDEA)			250,217
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001163903	4,369
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001163903	15,208
Total CFDA Number 84.358B			19,577
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501163903	34,072
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501163903	195
Total CFDA Number 84.367A			34,267
COVID-19 ESSER I	84.425D	20521001163903	222,604
COVID-19 ESSER II	84.425D	52102135	91,886
Total CFDA Number 84.425D			314,490
ESEA, Title IV, Part A	84.424A	20680101163903	11,455
ESEA, Title IV, Part A	84.424A	21680101163903	3,952
Total CFDA Number 84.424A			15,407
Total Passed Through State Department of Education			917,532
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>917,532</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	205457007	15,888
Head Start	93.600	205457107	116,850
Total CFDA Number 93.600			132,738
Total Passed Through State Department of Education			132,738
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>132,738</b>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	229,866
*National School Lunch Program - Cash Assistance	10.555	71302101	370,258
*National School Lunch Prog. - Non-Cash Assistance	10.555		62,132
Total CFDA Number 10.555			432,390
*Summer Feeding Program - Cash Assistance	10.559		52,430
Total Child Nutrition Cluster			714,686
Total Passed Through the State Department of Agriculture			714,686
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			714,686

**TOTAL EXPENDITURES OF FEDERAL AWARDS**\$ 1,764,956

\*Clustered Programs

\*\*The above amounts do not include SHARS receipts of \$115,254, and TDEM reimbursement of \$31,052, which is included as federal revenue in the general fund.

NATALIA INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.

## SCHOOLS FIRST QUESTIONNAIRE

Natalia Independent School District

Fiscal Year 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	-0-