

NATALIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2020

**NATALIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

| <u>Exhibit</u> | | <u>Page</u> |
|-----------------------|--|--------------------|
| | CERTIFICATE OF BOARD | 3 |
| | Independent Auditor's Report | 4-6 |
| | Management's Discussion and Analysis | 7-12 |
| | <u>Basic Financial Statements</u> | |
| | Government Wide Statements: | |
| A-1 | Statement of Net Position | 13 |
| B-1 | Statement of Activities | 14 |
| | Governmental Fund Financial Statements: | |
| C-1 | Balance Sheet | 15 |
| C-2 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 16 |
| C-3 | Statement of Revenues, Expenditures, and Changes in Fund Balance | 17 |
| C-4 | Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 18 |
| | Fiduciary Fund Financial Statements: | |
| E-1 | Statement of Fiduciary Net Position | 19 |
| E-2 | Statement of Changes in Fiduciary Net Position | 20 |
| | Notes to the Financial Statements | 21-46 |
| | <u>Required Supplementary Information</u> | |
| G-1 | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 47 |
| G-2 | Schedule of the District's Proportionate Share of the Net Pension Liability | 48-49 |
| G-3 | Schedule of District's Contributions for Pensions | 50-51 |
| G-4 | Schedule of the District's Proportionate Share of the Net OPEB Liability | 52 |
| G-5 | Schedule of the District's Contributions for Other Post-Employment Benefits | 53 |
| | Notes to Required Supplementary Information | 54 |
| | <u>Combining and Other Statements</u> | |
| | Nonmajor Governmental Funds: | |
| H-1 | Combining Balance Sheet | 55-57 |
| H-2 | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 58-60 |
| | <u>T.E.A. Required Schedules</u> | |
| J-1 | Schedule of Delinquent Taxes Receivable | 61-62 |
| J-2 | Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program | 63 |
| J-3 | Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund | 64 |

TABLE OF CONTENTS (CONTINUED)

| <u>Exhibit</u> | | <u>Page</u> |
|-----------------------|---|--------------------|
| | <u>Federal Section</u> | |
| | 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 <i>Government Auditing Standards</i> | 65-66 |
| | Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 67-68 |
| | Schedule of Findings and Questioned Costs | 69-70 |
| | Summary Schedule of Prior Audit Findings | 71 |
| | Corrective Action Plan | 72 |
| K-1 | Schedule of Expenditures of Federal Awards | 73 |
| | Notes on Accounting Policies for Federal Awards | 74 |
| L-1 | School's First Questionnaire | |

CERTIFICATE OF BOARD

Natalia Independent School District
Name of School District

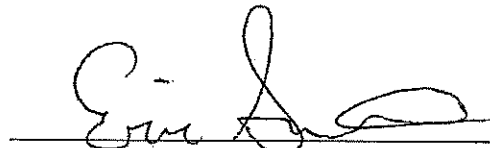
Medina
County

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, 2020 at a meeting of the Board of Trustees of such school district on the 12th of October, 2020.



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, 2020, 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, 2020, 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 47-53 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-3. 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 18, 2020, 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 18, 2020

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, 2020. 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 solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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 trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. 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 \$5,046,663 at June 30, 2020, an increase of \$838,400 from current year operations and an increase of \$14,185 from implementation of GASB 84 for a total increase of \$852,585.

* During the year, the District's revenue was \$15,440,697 as reflected below:

| | Governmental Activities | | |
|------------------------|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| a) Taxes | \$ 3,250,993 | \$ 2,770,606 | \$ 480,387 |
| b) State aid | 10,143,267 | 8,584,364 | 1,558,903 |
| c) Federal aid | 1,508,334 | 2,011,917 | (503,583) |
| d) Investment earnings | 293,766 | 144,795 | 148,971 |
| e) Other | 244,337 | 233,782 | 10,555 |
| Total Revenues | <u>\$ 15,440,697</u> | <u>\$ 13,745,464</u> | <u>\$ 1,695,233</u> |

* During the year the District's expenses were \$14,602,297 as reflected below:

| | Governmental Activities | | |
|--|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| a) Instruction and instructional related | \$ 7,859,185 | \$ 7,262,370 | \$ 596,815 |
| b) Instruction leadership/school administration | 1,001,329 | 989,674 | 11,655 |
| c) Guidance, social work, health, transportation | 890,457 | 961,648 | (71,191) |
| d) Food services | 818,154 | 833,196 | (15,042) |
| e) Extracurricular activities | 645,168 | 596,776 | 48,392 |
| f) General administration | 748,914 | 695,678 | 53,236 |
| g) Plant maintenance and security | 1,692,151 | 1,521,074 | 171,077 |
| h) Data processing services | 409,181 | 426,530 | (17,349) |
| i) Community services | 68,263 | 70,125 | (1,862) |
| j) Debt service | 469,495 | 257,812 | 211,683 |
| k) Capital outlay | - | 1,457,310 | (1,457,310) |
| Total Expenses | <u>\$ 14,602,297</u> | <u>\$ 15,072,193</u> | <u>\$ (469,896)</u> |

- * The general fund reported a fund balance of \$6,516,514, an increase of \$794,193.
- * The debt service fund reported a fund balance of \$856,250, an increase of \$80,198.
- * The capital projects fund reported a fund balance of \$10,974,602, a decrease of \$636,182.
- * The District's combined net position was \$5,046,663 at June 30, 2020, as reflected below:

| | Governmental Activities | | |
|----------------------------------|--------------------------------|-----------------------------|------------------------------|
| | Current Year | Prior Year | Change |
| Current and other assets | \$ 20,562,677 | \$ 19,992,949 | \$ 569,728 |
| Capital and non-current assets | 9,163,330 | 8,812,945 | 350,385 |
| Total Assets | <u>\$ 29,726,007</u> | <u>\$ 28,805,894</u> | <u>\$ 920,113</u> |
| Deferred resource outflow | <u>\$ 2,475,817</u> | <u>\$ 2,672,710</u> | <u>\$ (196,893)</u> |
| Current Liabilities | \$ 1,732,247 | \$ 1,435,622 | \$ 296,625 |
| Long term liabilities | 21,613,215 | 22,997,100 | (1,383,885) |
| Total Liabilities | <u>\$ 23,345,462</u> | <u>\$ 24,432,722</u> | <u>\$ (1,087,260)</u> |
| Deferred resource inflow | <u>\$ 3,809,699</u> | <u>\$ 2,851,804</u> | <u>\$ 957,895</u> |
| Net position: | | | |
| Net investment in capital assets | \$ 6,932,922 | \$ 6,543,177 | \$ 389,745 |
| Restricted | 1,090,885 | 939,163 | 151,722 |
| Unrestricted | <u>(2,977,144)</u> | <u>(3,288,262)</u> | <u>311,118</u> |
| Total Net Position | <u>\$ 5,046,663</u> | <u>\$ 4,194,078</u> | <u>\$ 852,585</u> |

- * Property tax rates increased by 14.20¢ for the past year. The tax base increased during the past year by \$14,335,613. The tax levy increased by \$514,101.
- * State aid increased for the year by \$1,558,903.
- * Federal aid decreased for the year by \$503,583.

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District at the end of the fiscal year June 30, 2020 amounted to \$9,163,330. 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 as reflected below:

District's Capital Assets

| | Governmental Activities | | |
|--------------------------------|--------------------------------|-----------------------|-------------------|
| | Current Year | Prior Year | Change |
| Land | \$ 145,668 | \$ 145,668 | \$ - |
| Buildings and improvements | 15,146,819 | 15,146,819 | - |
| Equipment | 3,783,967 | 3,653,975 | 129,992 |
| Property under capital lease | 260,483 | 260,483 | - |
| Construction in progress | <u>1,213,410</u> | <u>397,700</u> | <u>815,710</u> |
| Totals at historical cost | 20,550,347 | 19,604,645 | 945,702 |
| Total accumulated depreciation | <u>(11,387,017)</u> | <u>(10,791,700)</u> | <u>(595,317)</u> |
| Net capital assets | <u>\$ 9,163,330</u> | <u>\$ 8,812,945</u> | <u>\$ 350,385</u> |

Long-term Liabilities

- * The District had scheduled bond retirements during the year of \$584,000.
- * Maintenance tax notes were retired for \$25,000.
- * Capital lease debt was reduced by \$48,000.

District's Long Term Debt

| | Governmental Activities | | |
|-----------------------------------|-------------------------|----------------------|---------------------|
| | Current Year | Prior Year | Change |
| Bonds payable | \$ 10,610,000 | \$ 11,194,000 | \$ (584,000) |
| Maintenance Tax Notes | 1,875,000 | 1,900,000 | (25,000) |
| Capital lease | 174,847 | 222,847 | (48,000) |
| Unamortized bond premium/discount | 545,163 | 571,485 | (26,322) |
| Totals | <u>\$ 13,205,010</u> | <u>\$ 13,888,332</u> | <u>\$ (683,322)</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 \$593,136 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Additionally, resources available were \$23,444 above the final budgeted amount.

- * Local revenue sources were greater than expected.
- * State revenue earned was less 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, 2020

EXHIBIT A-1

| Data Control Codes | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 3,072,291 |
| 1120 Current Investments | 15,905,296 |
| 1220 Property Taxes - Delinquent | 486,895 |
| 1230 Allowance for Uncollectible Taxes | (48,689) |
| 1240 Due from Other Governments | 1,146,884 |
| Capital Assets: | |
| 1510 Land | 145,668 |
| 1520 Buildings, Net | 7,123,129 |
| 1530 Furniture and Equipment, Net | 524,834 |
| 1550 Leased Property Under Capital Leases, Net | 156,289 |
| 1580 Construction in Progress | 1,213,410 |
| 1000 Total Assets | 29,726,007 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 Deferred Outflow Related to TRS Pension | 1,950,644 |
| 1706 Deferred Outflow Related to TRS OPEB | 525,173 |
| 1700 Total Deferred Outflows of Resources | 2,475,817 |
| LIABILITIES | |
| 2110 Accounts Payable | 325,267 |
| 2160 Accrued Wages Payable | 810,433 |
| 2180 Due to Other Governments | 331,656 |
| 2200 Accrued Expenses | 249,892 |
| 2300 Unearned Revenue | 14,999 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 575,297 |
| 2502 Due in More Than One Year | 12,629,713 |
| 2540 Net Pension Liability (District's Share) | 3,950,968 |
| 2545 Net OPEB Liability (District's Share) | 4,457,237 |
| 2000 Total Liabilities | 23,345,462 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 813,355 |
| 2606 Deferred Inflow Related to TRS OPEB | 2,996,344 |
| 2600 Total Deferred Inflows of Resources | 3,809,699 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 6,932,922 |
| 3820 Restricted for Federal and State Programs | 234,635 |
| 3850 Restricted for Debt Service | 856,250 |
| 3900 Unrestricted | (2,977,144) |
| 3000 Total Net Position | \$ 5,046,663 |

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, 2020

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | 6 |
|--------------------------|----------|------------------------------|---|---|
| Codes | Expenses | 3 Charges for Services | 4 Operating Grants and Contributions | 6 Primary Gov. Governmental Activities |

Primary Government:

GOVERNMENTAL ACTIVITIES:

| | | | | |
|---|---------------|------------|--------------|----------------|
| 11 Instruction | \$ 7,309,654 | \$ 47,016 | \$ 591,593 | \$ (6,671,045) |
| 12 Instructional Resources and Media Services | 339,627 | - | 29,279 | (310,348) |
| 13 Curriculum and Instructional Staff Development | 209,904 | - | 34,000 | (175,904) |
| 21 Instructional Leadership | 217,986 | - | 9,418 | (208,568) |
| 23 School Leadership | 783,343 | - | 215 | (783,128) |
| 31 Guidance, Counseling and Evaluation Services | 346,823 | - | 76,980 | (269,843) |
| 33 Health Services | 106,844 | - | - | (106,844) |
| 34 Student (Pupil) Transportation | 436,790 | - | - | (436,790) |
| 35 Food Services | 818,154 | 22,604 | 770,060 | (25,490) |
| 36 Extracurricular Activities | 645,168 | 76,815 | - | (568,353) |
| 41 General Administration | 748,914 | - | 2,000 | (746,914) |
| 51 Facilities Maintenance and Operations | 1,587,531 | 3,615 | 14,755 | (1,569,161) |
| 52 Security and Monitoring Services | 104,620 | - | 21,248 | (83,372) |
| 53 Data Processing Services | 409,181 | - | 88,158 | (321,023) |
| 61 Community Services | 68,263 | - | 6,623 | (61,640) |
| 72 Debt Service - Interest on Long-Term Debt | 468,695 | - | - | (468,695) |
| 73 Debt Service - Bond Issuance Cost and Fees | 800 | - | - | (800) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 14,602,297 | \$ 150,050 | \$ 1,644,329 | (12,807,918) |

Data
Control
Codes

General Revenues:

Taxes:

| | | |
|----|--|--------------|
| MT | Property Taxes, Levied for General Purposes | 2,444,109 |
| DT | Property Taxes, Levied for Debt Service | 806,884 |
| SF | State Aid - Formula Grants | 8,735,445 |
| GC | Grants and Contributions not Restricted | 1,271,827 |
| IE | Investment Earnings | 293,766 |
| MI | Miscellaneous Local and Intermediate Revenue | 94,287 |
| TR | Total General Revenues | 13,646,318 |
| CN | Change in Net Position | 838,400 |
| NB | Net Position - Beginning | 4,194,078 |
| PA | Prior Period Adjustment | 14,185 |
| NE | Net Position - Ending | \$ 5,046,663 |

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

NATALIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| Data Control Codes | 10 General Fund | 60 Capital Projects | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ 2,222,865 | \$ 6,362 | \$ 843,064 | \$ 3,072,291 |
| 1120 Investments - Current | 4,550,249 | 11,015,196 | 339,851 | 15,905,296 |
| 1220 Property Taxes - Delinquent | 407,350 | - | 79,545 | 486,895 |
| 1230 Allowance for Uncollectible Taxes | (40,735) | - | (7,954) | (48,689) |
| 1240 Due from Other Governments | 920,906 | - | 225,978 | 1,146,884 |
| 1260 Due from Other Funds | 242,383 | - | - | 242,383 |
| 1000 Total Assets | <u>\$ 8,303,018</u> | <u>\$ 11,021,558</u> | <u>\$ 1,480,484</u> | <u>\$ 20,805,060</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ 263,049 | \$ 46,956 | \$ 15,262 | \$ 325,267 |
| 2160 Accrued Wages Payable | 736,276 | - | 74,157 | 810,433 |
| 2170 Due to Other Funds | 77,645 | - | 164,738 | 242,383 |
| 2180 Due to Other Governments | 326,255 | - | 5,401 | 331,656 |
| 2200 Accrued Expenditures | 68,500 | - | 10,905 | 79,405 |
| 2300 Unearned Revenue | - | - | 14,999 | 14,999 |
| 2000 Total Liabilities | <u>1,471,725</u> | <u>46,956</u> | <u>285,462</u> | <u>1,804,143</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | 314,779 | - | 62,098 | 376,877 |
| 2600 Total Deferred Inflows of Resources | <u>314,779</u> | <u>-</u> | <u>62,098</u> | <u>376,877</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | 234,635 | 234,635 |
| 3470 Capital Acquisition and Contractual Obligation | - | 10,974,602 | - | 10,974,602 |
| 3480 Retirement of Long-Term Debt | - | - | 856,250 | 856,250 |
| Committed Fund Balance: | | | | |
| 3510 Construction | 1,000,000 | - | - | 1,000,000 |
| 3545 Other Committed Fund Balance | - | - | 42,039 | 42,039 |
| 3600 Unassigned Fund Balance | 5,516,514 | - | - | 5,516,514 |
| 3000 Total Fund Balances | <u>6,516,514</u> | <u>10,974,602</u> | <u>1,132,924</u> | <u>18,624,040</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 8,303,018</u> | <u>\$ 11,021,558</u> | <u>\$ 1,480,484</u> | <u>\$ 20,805,060</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, 2020

EXHIBIT C-2

| | | |
|---|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 18,624,040 |
| 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 \$19,604,645 and the accumulated depreciation was \$(10,791,700). In addition, long-term debt liabilities of \$(13,316,847), 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. | | (4,503,902) |
| 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 2020 capital outlays of \$945,702, and debt principal payments of \$657,000, is to increase net position. | | 1,602,702 |
| 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 \$(3,950,968), a deferred resource inflow in the amount of \$(813,355) and a deferred resource outflow in the amount of \$1,950,644. The net effect of these recognitions is to decrease net position. | | (2,813,679) |
| 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 \$(4,457,237), a deferred resource inflow in the amount of \$(2,996,344), and a deferred resource outflow in the amount of \$525,173. The net effect of these recognitions is to decrease net position. | | (6,928,408) |
| 5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (595,317) |
| 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 \$376,877 as revenue, bond and debt premiums of \$(545,163), and recognizing the liabilities associated with maturing long-term debt interest of \$(170,487). The net effect of these reclassifications and recognitions is to decrease net position. | | (338,773) |
| 19 Net Position of Governmental Activities | \$ | 5,046,663 |

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, 2020

| Data Control Codes | 10 General Fund | 60 Capital Projects | Other Funds | Total Governmental Funds |
|---|-----------------------|---------------------------|---------------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 2,679,239 | \$ 179,527 | \$ 905,848 | \$ 3,764,614 |
| 5800 State Program Revenues | 9,270,749 | - | 405,678 | 9,676,427 |
| 5900 Federal Program Revenues | 131,113 | - | 1,377,221 | 1,508,334 |
| 5020 Total Revenues | <u>12,081,101</u> | <u>179,527</u> | <u>2,688,747</u> | <u>14,949,375</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 5,855,764 | - | 591,593 | 6,447,357 |
| 0012 Instructional Resources and Media Services | 284,391 | - | 29,279 | 313,670 |
| 0013 Curriculum and Instructional Staff Development | 164,645 | - | 34,000 | 198,645 |
| 0021 Instructional Leadership | 186,463 | - | 9,418 | 195,881 |
| 0023 School Leadership | 679,271 | - | 215 | 679,486 |
| 0031 Guidance, Counseling, and Evaluation Services | 219,556 | - | 76,980 | 296,536 |
| 0033 Health Services | 98,479 | - | - | 98,479 |
| 0034 Student (Pupil) Transportation | 480,254 | - | - | 480,254 |
| 0035 Food Services | 107 | - | 723,247 | 723,354 |
| 0036 Extracurricular Activities | 562,297 | - | 48,672 | 610,969 |
| 0041 General Administration | 675,901 | - | 2,000 | 677,901 |
| 0051 Facilities Maintenance and Operations | 1,476,876 | - | 14,755 | 1,491,631 |
| 0052 Security and Monitoring Services | 83,372 | - | 21,248 | 104,620 |
| 0053 Data Processing Services | 284,630 | - | 88,158 | 372,788 |
| 0061 Community Services | 55,999 | - | 6,623 | 62,622 |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 73,000 | - | 584,000 | 657,000 |
| 0072 Interest on Long-Term Debt | 105,103 | - | 278,983 | 384,086 |
| 0073 Bond Issuance Cost and Fees | 800 | - | - | 800 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | 815,709 | - | 815,709 |
| 6030 Total Expenditures | <u>11,286,908</u> | <u>815,709</u> | <u>2,509,171</u> | <u>14,611,788</u> |
| 1200 Net Change in Fund Balances | 794,193 | (636,182) | 179,576 | 337,587 |
| 0100 Fund Balance - July 1 (Beginning) | 5,722,321 | 11,610,784 | 939,163 | 18,272,268 |
| 1300 Prior Period Adjustment | - | - | 14,185 | 14,185 |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ 6,516,514</u> | <u>\$ 10,974,602</u> | <u>\$ 1,132,924</u> | <u>\$ 18,624,040</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, 2020

EXHIBIT C-4

| | |
|--|------------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 337,587 |
| 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 2020 capital outlays of \$945,702, and debt principal payments of \$657,000, is to increase net position. | 1,602,702 |
| 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. | (595,317) |
| The reporting of GASB 68 for the current year recognized revenue of \$425,672 and expenses of \$(973,253). The result of these items is to decrease net position. | (547,581) |
| The reporting of GASB 75 for the current year recognized revenue of \$41,167 and expenses of \$59,969. The result of these items is to increase net position. | 101,136 |
| 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 \$24,482, recognizing the change in liabilities associated with maturing long-term debt interest of \$(110,931), and bond premium change of \$26,322. The net effect of these reclassifications and recognitions is to decrease net position. | (60,127) |
| Change in Net Position of Governmental Activities | <u><u>\$ 838,400</u></u> |

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, 2020

| | Custodial Fund |
|-------------------------------|-------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 8,328 |
| Investments - Current | 42,384 |
| Total Assets | 50,712 |
| LIABILITIES | |
| Accounts Payable | 403 |
| Total Liabilities | 403 |
| NET POSITION | |
| Restricted for Other Purposes | 50,309 |
| Total Net Position | \$ 50,309 |

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, 2020

| | Custodial Fund |
|---|-------------------|
| ADDITIONS: | |
| Student Group Fundraising Activities | \$ 65,441 |
| Earnings from Temporary Deposits | 1,114 |
| Total Additions | 66,555 |
| DEDUCTIONS: | |
| Supplies and Materials | 59,843 |
| Total Deductions | 59,843 |
| Change in Fiduciary Net Position | 6,712 |
| Total Net Position - July 1 (Beginning) | - |
| Prior Period Adjustment | 43,597 |
| Total Net Position - June 30 (Ending) | \$ 50,309 |

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, 2020

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. As of June 30, 2020, Natalia Independent School District retrospectively/prospectively 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 | \$ 213,753 |
| Summer Feeding | 20,882 |
| Debt service | 856,250 |
| Capital Projects | <u>10,974,602</u> |
| Total Restricted | 12,065,487 |
| Committed | 1,042,039 |
| Unassigned | <u>5,516,514</u> |
| Total Fund Balances | <u>\$ 18,624,040</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, 2020 | |
| | <u>Fund Balance</u> | |
| Appropriated Budget Funds - Food Service and Summer Feeding Special Revenue Fund | | \$ 234,635 |
| Nonappropriated Budget Funds | | <u>42,039</u> |
| All Special Revenue Funds | | <u>\$ 276,674</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, 2020, the District had funds on deposit of \$2,794,735 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, 2020, 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 | AAAm | N/A | \$ 15,947,680 |
| Total Investments | | | <u>\$ 15,947,680</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, 2020, 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 | \$ 15,947,680 | \$ - | \$ 15,947,680 | \$ - |
| Total Investments, at Fair Value | <u>\$ 15,947,680</u> | <u>\$ -</u> | <u>\$ 15,947,680</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

Interfund balances at June 30, 2020 consisted of the following amounts:

Due to General Fund From:

| | |
|---------------------------|-------------------|
| Intrafund | \$ 77,645 |
| Special Revenue Fund | <u>164,738</u> |
| Total Due to General Fund | <u>\$ 242,383</u> |

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2020, were as follows:

| | <u>Property Taxes</u> | <u>Other Governments</u> | <u>Due From Other Funds</u> | <u>Other</u> | <u>Total Receivables</u> |
|--|---------------------------|------------------------------|---------------------------------|--------------|------------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 407,350 | \$ 920,906 | \$ 242,383 | \$ - | \$ 1,570,639 |
| Nonmajor Governmental Funds | <u>79,545</u> | <u>225,978</u> | <u>-</u> | <u>-</u> | <u>305,523</u> |
| Total Governmental Activities | <u>\$ 486,895</u> | <u>\$ 1,146,884</u> | <u>\$ 242,383</u> | <u>\$ -</u> | <u>\$ 1,876,162</u> |
| Amount not scheduled for collection during the subsequent year | <u>\$ 48,689</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 48,689</u> |

Payables at June 30, 2020, were as follows:

| | <u>Accounts Payable</u> | <u>Salaries and Benefits</u> | <u>Due to Other Funds</u> | <u>Due to Other Governments</u> | <u>Total Payables</u> |
|--|-----------------------------|--------------------------------------|-----------------------------------|---|---------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 263,049 | \$ 804,776 | \$ 77,645 | \$ 326,255 | \$ 1,471,725 |
| Capital Projects Fund | 46,956 | - | - | - | 46,956 |
| Nonmajor Governmental Funds | <u>15,262</u> | <u>85,062</u> | <u>164,738</u> | <u>5,401</u> | <u>270,463</u> |
| Total Governmental Activities | <u>\$ 325,267</u> | <u>\$ 889,838</u> | <u>\$ 242,383</u> | <u>\$ 331,656</u> | <u>\$ 1,789,144</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, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Land | \$ 145,668 | \$ - | \$ - | \$ 145,668 |
| Buildings and improvements | 15,146,819 | - | - | 15,146,819 |
| Equipment | 3,653,975 | 129,992 | - | 3,783,967 |
| Property under capital lease | 260,483 | - | - | 260,483 |
| Construction in progress | <u>397,700</u> | <u>815,710</u> | <u>-</u> | <u>1,213,410</u> |
| Total at historical cost | <u>19,604,645</u> | <u>945,702</u> | <u>-</u> | <u>20,550,347</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (7,677,665) | (346,025) | - | (8,023,690) |
| Equipment | (3,061,938) | (197,195) | - | (3,259,133) |
| Property under capital lease | <u>(52,097)</u> | <u>(52,097)</u> | <u>-</u> | <u>(104,194)</u> |
| Total accumulated depreciation | <u>(10,791,700)</u> | <u>(595,317)</u> | <u>-</u> | <u>(11,387,017)</u> |
| Governmental activities capital assets, net | <u>\$ 8,812,945</u> | <u>\$ 350,385</u> | <u>\$ -</u> | <u>\$ 9,163,330</u> |

Depreciation expense was charged to the governmental activities as follows:

| | |
|--|-------------------|
| Instruction | \$ 345,284 |
| Instructional Resources & Media Services | 11,906 |
| Instructional Leadership | 11,906 |
| School Leadership | 35,719 |
| Guidance and Counseling | 17,860 |
| Student (Pupil) Transportation | 29,766 |
| Food Services | 47,625 |
| General Administration | 23,813 |
| Plant Maintenance and Operations | 65,485 |
| Data Processing | <u>5,953</u> |
| Total depreciation expense | <u>\$ 595,317</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, 2020 is as follows:

| Description | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Amounts Outstanding 9/1/2019 | Issued | Retired/ Refunded | Amounts Outstanding 6/30/2020 | Amounts due within one year |
|---|-----------------------|------------------------|-----------------------|------------------------------|--------|-------------------|-------------------------------|-----------------------------|
| Unlimited Tax Refunding Bonds Series 2013 | 3.25% | \$ 654,000 | \$ 1,918 | \$ 118,000 | \$ - | \$ 118,000 | \$ - | \$ - |
| Unlimited Tax Refunding Bonds Series 2016 | 2.00% - 3.00% | 1,145,000 | 17,490 | 696,000 | - | 226,000 | 470,000 | 229,000 |
| Unlimited Tax School Building Series 2019 | 3.00% - 5.00% | 10,380,000 | 259,576 | 10,380,000 | - | 240,000 | 10,140,000 | 255,000 |
| Totals | | | \$ 278,984 | \$ 11,194,000 | \$ - | \$ 584,000 | \$ 10,610,000 | \$ 484,000 |

Debt service requirements are as follows:

| Year Ending June 30, | General Obligations | | Total Requirements |
|-------------------------|----------------------|---------------------|-----------------------|
| | Principal | Interest | |
| 2021 | \$ 484,000 | \$ 370,965 | \$ 854,965 |
| 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 |
| 2026-2030 | 1,795,000 | 1,279,500 | 3,074,500 |
| 2031-2035 | 2,160,000 | 915,450 | 3,075,450 |
| 2036-2040 | 2,500,000 | 571,500 | 3,071,500 |
| 2041-2044 | 2,280,000 | 173,250 | 2,453,250 |
| Total | <u>\$ 10,610,000</u> | <u>\$ 4,621,980</u> | <u>\$ 15,231,980</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, 2020.

H. LONG-TERM DEBT - LOANS PAYABLE

The District accounts for loans for maintenance purposes through the General Fund. Loans include notes made in accordance with the provisions of the Texas Education Code Section 45.108.

| Date of Issue | Purpose and Lawful Authority | Fund | Interest Rate | Loan Amount | Current Year Interest | Amounts Outstanding 7/1/2019 | Issued Current Year | Retired Current Year | Amounts Outstanding 6/30/2020 | Amounts due within one year |
|---------------|------------------------------|---------|---------------|--------------|-----------------------|------------------------------|---------------------|----------------------|-------------------------------|-----------------------------|
| 12/18 | | General | 3.00% - | | | | | | | |
| 11/23 | 45.108 | Fund | 5.00% | \$ 1,900,000 | \$ 91,708 | \$ 1,900,000 | \$ - | \$ 25,000 | \$ 1,875,000 | \$ 40,000 |
| | | | | | <u>\$ 91,708</u> | <u>\$ 1,900,000</u> | <u>\$ -</u> | <u>\$ 25,000</u> | <u>\$ 1,875,000</u> | <u>\$ 40,000</u> |

Debt service requirements for loans payable are as follows:

| Year Ending June 30, | Principal | Interest | Total Requirements |
|-------------------------|---------------------|-------------------|-----------------------|
| 2021 | \$ 40,000 | \$ 78,338 | \$ 118,338 |
| 2022 | 45,000 | 77,063 | 122,063 |
| 2023 | 55,000 | 75,013 | 130,013 |
| 2024 | 60,000 | 72,138 | 132,138 |
| 2025 | 65,000 | 69,013 | 134,013 |
| 2026-2030 | 465,000 | 283,338 | 748,338 |
| 2031-2035 | 655,000 | 164,037 | 819,037 |
| 2036-2038 | 490,000 | 29,060 | 519,060 |
| Total | \$ 1,875,000 | \$ 848,000 | \$ 2,723,000 |

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, 2020 is as follows:

| Description | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Amounts Outstanding 7/1/2019 | Issued | Retired/ Refunded | Amounts Outstanding 6/30/2020 | Amounts due within one year |
|---------------|-----------------------------|------------------------------|-----------------------------|------------------------------------|-------------|----------------------|-------------------------------------|-----------------------------------|
| Copiers | 6.60% | \$ 260,483 | \$ 13,394 | \$ 222,847 | \$ - | \$ 48,000 | \$ 174,847 | \$ 51,297 |
| Totals | | | \$ 13,394 | \$ 222,847 | \$ - | \$ 48,000 | \$ 174,847 | \$ 51,297 |

Annual payments are as follows:

| Year Ending June 30, | Principal | Interest | Total Requirements |
|-------------------------|-------------------|------------------|-----------------------|
| 2021 | \$ 51,297 | \$ 10,098 | \$ 61,395 |
| 2022 | 54,819 | 6,575 | 61,394 |
| 2023 | 58,584 | 2,811 | 61,395 |
| 2024 | 10,147 | 85 | 10,232 |
| Total | \$ 174,847 | \$ 19,569 | \$ 194,416 |

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the for the year ended June 30, 2020 was as follows:

| | Balance 7/1/2019 | Additions | Retired/ Refunded | Balance 6/30/2020 | Due Within One Year |
|--------------------------|----------------------|-------------|----------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds | \$ 11,194,000 | \$ - | \$ 584,000 | \$ 10,610,000 | \$ 484,000 |
| Net Issuance Premium | 495,512 | - | 22,323 | 473,189 | - |
| Total Bonds Payable | <u>11,689,512</u> | <u>-</u> | <u>606,323</u> | <u>11,083,189</u> | <u>484,000</u> |
| Loans Payable | 1,900,000 | - | 25,000 | 1,875,000 | 40,000 |
| Net Issuance Premium | 75,973 | - | 3,999 | 71,974 | - |
| Total Loans Payable | <u>1,975,973</u> | <u>-</u> | <u>28,999</u> | <u>1,946,974</u> | <u>40,000</u> |
| Capital Lease | <u>222,847</u> | <u>-</u> | <u>48,000</u> | <u>174,847</u> | <u>51,297</u> |
| Total | <u>\$ 13,888,332</u> | <u>\$ -</u> | <u>\$ 683,322</u> | <u>\$ 13,205,010</u> | <u>\$ 575,297</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 an additional five 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. Natalia Independent School 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

In May, 2019, the 86th 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 13th 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% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

| Contributions Rates | | |
|---|------|------------|
| | 2019 | 2020 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.7% |
| District's 2020 FY Employer Contributions | | \$ 287,315 |
| District's 2020 FY Member Contributions | | \$ 579,087 |
| Measurement Year NECE On-Behalf Contributions | | \$ 325,739 |

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.
- * When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate, called the Public Education Employer Contribution, will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- * When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- * When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions.

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

| | |
|--|---|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| 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 2019 | 2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." |
| Last year ending August 31 in Projection | |
| Period (100 years) | 2116 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad Hoc 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, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. A single discount rate of 7.25% 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%. 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% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired 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%. 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, 2019 are summarized below:

| Asset Class | FY 2019 Target Allocation* % | New Target Allocation** % | Long-Term Expected Geometric Real Rate of Return*** |
|--|---------------------------------------|---------------------------------|---|
| Global Equity | | | |
| USA | 18.00% | 18.00% | 6.40% |
| Non-U.S. Developed | 13.00% | 13.00% | 6.30% |
| Emerging Markets | 9.00% | 9.00% | 7.30% |
| Directional Hedge Funds | 4.00% | 0.00% | 0.00% |
| Private Equity | 13.00% | 14.00% | 8.40% |
| Stable Value | | | |
| U.S. Treasuries**** | 11.00% | 16.00% | 3.10% |
| Stable Value Hedge Funds | 4.00% | 5.00% | 4.50% |
| Absolute Return (Including Credit Sensitive Investments) | 0.00% | 0.00% | 0.00% |
| Real Return | | | |
| Global Inflation Linked Bonds**** | 3.00% | 0.00% | 0.00% |
| Real Estate | 14.00% | 15.00% | 8.50% |
| Energy, Natural Resources and Infrastructure | 5.00% | 6.00% | 7.30% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 5.00% | 8.00% | 5.8%-6.5%***** |
| Asset Allocation Leverage | | | |
| Cash | 1.00% | 2.00% | 2.50% |
| Asset Allocation Leverage | 0.00% | -6.00% | 2.70% |
| Total | 100% | 100% | 7.23% |

* FY 2019 Target Allocation based on the Strategic Asset Allocations dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

| | 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: | \$6,073,211 | \$3,950,968 | \$2,231,541 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, Natalia Independent School District reported a liability of \$3,950,968 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Natalia Independent School District. The amount recognized by Natalia Independent School 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 Natalia Independent School District were as follows:

| | |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 3,950,968 |
| State's proportionate share that is associated with the District | <u>4,838,021</u> |
| | <u>\$ 8,788,989</u> |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0076004811% which was an increase of 0.0001371127% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The total pension liability as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year for 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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

For the year ended June 30, 2020, Natalia Independent School District recognized pension expense of \$759,985 and revenue of \$759,985 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2020, Natalia Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (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 | \$ 16,598 | \$ 137,184 |
| Changes in actuarial assumptions | 1,225,784 | 506,552 |
| Net difference between projected and actual investment earnings | 39,672 | - |
| Changes in proportion and differences between the employer's contributions and the proportionate share of contributions | 443,561 | 169,619 |
| Contributions paid to TRS subsequent to the measurement date | 225,029 | - |
| Total | \$ 1,950,644 | \$ 813,355 |

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:

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2021 | \$ 264,027 |
| 2022 | 217,341 |
| 2023 | 238,655 |
| 2024 | 176,348 |
| 2025 | 49,318 |
| Thereafter | (33,429) |

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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

| | |
|--|-------------------|
| Net OPEB Liability | Total |
| Total OPEB Liability | \$ 48,583,247,239 |
| Less: Plan fiduciary net position | 1,292,022,349 |
| Net OPEB liability | \$ 47,291,224,890 |
| Net position as a percentage of total OPEB liability | 2.66% |

Benefits Provided. TRSTRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible 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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for 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 .75 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. 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

| | 2019 | 2020 |
|---|-------|-----------|
| 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 2020 FY Employer Contributions | | \$ 73,666 |
| District's 2020 FY Member Contributions | | \$ 48,883 |
| Measurement Year NECE On-Behalf Contributions | | \$ 88,879 |

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 \$73.6 million in fiscal year 2019.

Actuarial Assumptions.

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. 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 identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Aging Factors | Based on plan specific experience |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% 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 |

Other Information: The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (1.63%) | Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|---|-----------------------|---|
| District's proportionate share of the Net OPEB Liability: | \$5,381,315 | \$4,457,237 | \$3,734,330 |

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|--|-------------|---------------------------------------|-------------|
| District's proportionate share of the Net OPEB Liability: | \$3,636,058 | \$4,457,237 | \$5,557,241 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2020, Natalia Independent School District reported a liability of \$4,457,237 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 Natalia Independent School District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the collective net OPEB liability | \$ 4,457,237 |
| State's proportionate share that is associated with the District | <u>5,922,671</u> |
| Total | <u>\$ 10,379,908</u> |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0094250830% compared to 0.0100309185% as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

1. The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
2. The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
3. The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
4. The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
5. Change 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, 2020, Natalia Independent School District recognized OPEB expense of \$156,097 and revenue of \$156,097 for support provided by the State.

At June 30, 2020, Natalia Independent School 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 | \$ 218,665 | \$ 729,380 |
| Changes in actuarial assumptions | 247,565 | 1,198,887 |
| Net difference between projected and actual investment earnings | 481 | - |
| Changes in proportion and differences between the employer's contributions and the proportionate share of contributions | 14 | 1,068,077 |
| Contributions paid to TRS subsequent to the measurement date | 58,448 | - |
| Total | \$ 525,173 | \$ 2,996,344 |

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 |
|-----------------------|---------------------|
| 2021 | \$ (391,769) |
| 2022 | (391,769) |
| 2023 | (391,925) |
| 2024 | (392,016) |
| 2025 | (391,993) |
| Thereafter | (570,147) |

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 2018, 2019 and 2020 were \$22,721, \$23,651 and \$33,161 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, 2020 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, 2020, the District has contractual commitments of \$9,047,230, which will be provided for during the 2020-2021 year.

P. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

| | General Fund | Special Revenue Fund | Debt Service Fund | Total |
|------------------------|-----------------|----------------------------|-------------------------|------------------|
| State Entitlements | \$ - | \$ 14,999 | \$ - | \$ 14,999 |
| Federal Grants | - | - | - | - |
| Total Unearned Revenue | <u>\$ -</u> | <u>\$ 14,999</u> | <u>\$ -</u> | <u>\$ 14,999</u> |

Q. 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, 2020, 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 | \$ 920,906 | \$ - | \$ - | \$ 920,906 |
| Special Revenue Fund | 120,669 | 93,323 | - | 213,992 |
| Debt Service Fund | 11,986 | - | - | 11,986 |
| Total | <u>\$ 1,053,561</u> | <u>\$ 93,323</u> | <u>\$ -</u> | <u>\$ 1,146,884</u> |

R. 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 | \$ 2,446,758 | \$ - | \$ 779,753 | \$ - | \$ 3,226,511 |
| Penalties, Interest and | | | | | |
| Other Tax-related income | 70,497 | - | 13,240 | - | 83,737 |
| Investment Income | 102,870 | 2,108 | 9,261 | 179,527 | 293,766 |
| Food Sales | - | 22,604 | - | - | 22,604 |
| Co-curricular Student Activities | 459 | 76,525 | - | - | 76,984 |
| Other | 58,655 | - | 2,357 | - | 61,012 |
| Total | \$ 2,679,239 | \$ 101,237 | \$ 804,611 | \$ 179,527 | \$ 3,764,614 |

S. PRIOR PERIOD ADJUSTMENT

During fiscal year 2020, the District adopted GASB Statement No. 84 for Accounting and Reporting for Fiduciary Activities. With GASB 84, the District was required to reclassify some of the funds that they were treating as a fiduciary fund type into a special revenue fund type. All funds were evaluated to determine if the District has administrative control. The funds where the District does not have administrative control continue to be reported as a fiduciary “custodial” fund. Adoption of GASB 84 required a prior period adjustment to report the effect of GASB 84 retroactively. The amount of the prior adjustment in the special revenue funds is \$14,185. The restated beginning net position is \$4,208,263 and the restated beginning fund balance is \$953,348. The amount of the prior period adjustment in the fiduciary funds is \$43,597. The restated beginning net position is \$43,597.

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, 2020

| 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 | \$ 2,448,840 | \$ 2,459,220 | \$ 2,679,239 | \$ 220,019 |
| 5800 State Program Revenues | 9,302,663 | 9,508,322 | 9,270,749 | (237,573) |
| 5900 Federal Program Revenues | 90,115 | 90,115 | 131,113 | 40,998 |
| 5020 Total Revenues | 11,841,618 | 12,057,657 | 12,081,101 | 23,444 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 6,143,784 | 6,087,652 | 5,855,764 | 231,888 |
| 0012 Instructional Resources and Media Services | 257,618 | 287,223 | 284,391 | 2,832 |
| 0013 Curriculum and Instructional Staff Development | 124,701 | 175,028 | 164,645 | 10,383 |
| 0021 Instructional Leadership | 264,629 | 244,962 | 186,463 | 58,499 |
| 0023 School Leadership | 696,015 | 689,187 | 679,271 | 9,916 |
| 0031 Guidance, Counseling, and Evaluation Services | 235,864 | 236,761 | 219,556 | 17,205 |
| 0032 Social Work Services | 500 | 500 | - | 500 |
| 0033 Health Services | 95,576 | 106,036 | 98,479 | 7,557 |
| 0034 Student (Pupil) Transportation | 448,534 | 499,901 | 480,254 | 19,647 |
| 0035 Food Services | - | 500 | 107 | 393 |
| 0036 Extracurricular Activities | 639,276 | 625,571 | 562,297 | 63,274 |
| 0041 General Administration | 777,031 | 748,791 | 675,901 | 72,890 |
| 0051 Facilities Maintenance and Operations | 1,440,103 | 1,527,284 | 1,476,876 | 50,408 |
| 0052 Security and Monitoring Services | 64,885 | 90,427 | 83,372 | 7,055 |
| 0053 Data Processing Services | 326,567 | 312,138 | 284,630 | 27,508 |
| 0061 Community Services | 42,431 | 62,711 | 55,999 | 6,712 |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 73,000 | 73,316 | 73,000 | 316 |
| 0072 Interest on Long-Term Debt | 204,304 | 105,256 | 105,103 | 153 |
| 0073 Bond Issuance Cost and Fees | 800 | 800 | 800 | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 6,000 | 6,000 | - | 6,000 |
| 6030 Total Expenditures | 11,841,618 | 11,880,044 | 11,286,908 | 593,136 |
| 1200 Net Change in Fund Balances | - | 177,613 | 794,193 | 616,580 |
| 0100 Fund Balance - July 1 (Beginning) | 5,722,321 | 5,722,321 | 5,722,321 | - |
| 3000 Fund Balance - June 30 (Ending) | \$ 5,722,321 | \$ 5,899,934 | \$ 6,516,514 | \$ 616,580 |

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, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.007600481% | 0.007463368% | 0.008153312% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 3,950,968 | \$ 4,108,019 | \$ 2,606,990 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 4,838,021 | 5,484,457 | 3,118,178 |
| Total | <u>\$ 8,788,989</u> | <u>\$ 9,592,476</u> | <u>\$ 5,725,168</u> |
| District's Covered Payroll | \$ 7,445,194 | \$ 7,380,686 | \$ 7,262,587 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 53.07% | 55.66% | 35.90% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

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.

| <u>FY 2017</u> <u>Plan Year 2016</u> | <u>FY 2016</u> <u>Plan Year 2015</u> | <u>FY 2015</u> <u>Plan Year 2014</u> |
|---|---|---|
| 0.0080612% | 0.0070268% | 0.0044058% |
| \$ 3,046,199 | \$ 2,483,880 | \$ 1,176,851 |
| 3,500,374 | 4,079,661 | 3,439,131 |
| <u>\$ 6,546,573</u> | <u>\$ 6,563,541</u> | <u>\$ 4,615,982</u> |
| \$ 6,754,138 | \$ 6,855,025 | \$ 6,383,347 |
| 45.10% | 36.23% | 18.44% |
| 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 2020

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 287,315 | \$ 229,823 | \$ 213,753 |
| Contribution in Relation to the Contractually Required Contribution | (287,315) | (229,823) | (213,753) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 7,520,604 | \$ 7,463,043 | \$ 6,116,308 |
| Contributions as a Percentage of Covered Payroll | 3.82% | 3.08% | 3.49% |

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.

| | 2017 | 2016 | 2015 |
|----|-----------|--------------|--------------|
| \$ | 267,416 | \$ 256,035 | \$ 242,400 |
| | (267,416) | (256,035) | (242,400) |
| \$ | - | \$ - | \$ - |
| \$ | 7,262,587 | \$ 6,754,138 | \$ 6,855,025 |
| | 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, 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 | 0.009425083% | 0.010030918% | 0.011556428% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 4,457,237 | \$ 5,008,529 | \$ 5,025,457 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 5,922,671 | 6,152,057 | 5,411,747 |
| Total | <u>\$ 10,379,908</u> | <u>\$ 11,160,586</u> | <u>\$ 10,437,204</u> |
| District's Covered Payroll | \$ 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 | 59.87% | 67.86% | 69.20% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 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 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 2020

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 73,666 | \$ 60,101 | \$ 58,507 |
| Contribution in Relation to the Contractually Required Contribution | (73,666) | (60,101) | (58,507) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 7,520,604 | \$ 7,463,043 | \$ 6,116,308 |
| Contributions as a Percentage of Covered Payroll | 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, 2020

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

There were no changes of benefit terms that affected the measurement of the Total Pension liability during the measurement period.

Changes of Assumptions.

There were no changes in the actuarial assumptions used in the determination of the Total Pension liability during the measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

There were no changes of benefit terms during the measurement period that affected the Total OPEB liability.

Changes in Assumptions.

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:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

COMBINING AND OTHER STATEMENTS

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|--|-------------------|--|---------------------------------|-----------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ 15,496 | \$ 16,781 | \$ - |
| 1120 Investments - Current | - | - | - | - |
| 1220 Property Taxes - Delinquent | - | - | - | - |
| 1230 Allowance for Uncollectible Taxes | - | - | - | - |
| 1240 Due from Other Governments | 59,264 | 8,142 | 3,671 | - |
| 1000 Total Assets | <u>\$ 59,264</u> | <u>\$ 23,638</u> | <u>\$ 20,452</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ - | \$ 5,311 | \$ - | \$ - |
| 2160 Accrued Wages Payable | 7,292 | 16,516 | 18,107 | - |
| 2170 Due to Other Funds | 50,212 | - | - | - |
| 2180 Due to Other Governments | - | - | - | - |
| 2200 Accrued Expenditures | 1,760 | 1,811 | 2,345 | - |
| 2300 Unearned Revenue | - | - | - | - |
| 2000 Total Liabilities | <u>59,264</u> | <u>23,638</u> | <u>20,452</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| 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>\$ 59,264</u> | <u>\$ 23,638</u> | <u>\$ 20,452</u> | <u>\$ -</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 | 270 ESEA VI, Pt B Rural & Low Income | 289 ESEA Title IV Part A | 410 State Instructional Materials | 429 Other State Special Revenue Funds |
|---|-------------------------------------|--|---|---|-----------------------------------|--|--|
| \$ 251,676 | \$ 1,278 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 14,999 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 22,096 | - | - | - | 150 | 100,482 | 20,187 |
| <u>\$ 251,676</u> | <u>\$ 23,374</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 150</u> | <u>\$ 100,482</u> | <u>\$ 35,186</u> |
| \$ 692 | \$ 2,492 | \$ - | \$ - | \$ - | \$ 150 | \$ - | \$ 6,143 |
| 32,242 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 100,482 | 14,044 |
| - | - | - | - | - | - | - | - |
| 4,989 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 14,999 |
| <u>37,923</u> | <u>2,492</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>150</u> | <u>100,482</u> | <u>35,186</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 213,753 | 20,882 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>213,753</u> | <u>20,882</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 251,676</u> | <u>\$ 23,374</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 150</u> | <u>\$ 100,482</u> | <u>\$ 35,186</u> |

NATALIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

| Data Control Codes | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | Total Nonmajor Governmental Funds | |
|--------------------------------------|---|---|--------------------------------|--|---------------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 33,590 | \$ 333,820 | \$ 509,244 | \$ 843,064 |
| 1120 | Investments - Current | 8,923 | 8,923 | 330,928 | 339,851 |
| 1220 | Property Taxes - Delinquent | - | - | 79,545 | 79,545 |
| 1230 | Allowance for Uncollectible Taxes | - | - | (7,954) | (7,954) |
| 1240 | Due from Other Governments | - | 213,992 | 11,986 | 225,978 |
| 1000 | Total Assets | <u>\$ 42,513</u> | <u>\$ 556,735</u> | <u>\$ 923,749</u> | <u>\$ 1,480,484</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ 474 | \$ 15,262 | \$ - | \$ 15,262 |
| 2160 | Accrued Wages Payable | - | 74,157 | - | 74,157 |
| 2170 | Due to Other Funds | - | 164,738 | - | 164,738 |
| 2180 | Due to Other Governments | - | - | 5,401 | 5,401 |
| 2200 | Accrued Expenditures | - | 10,905 | - | 10,905 |
| 2300 | Unearned Revenue | - | 14,999 | - | 14,999 |
| 2000 | Total Liabilities | <u>474</u> | <u>280,061</u> | <u>5,401</u> | <u>285,462</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | 62,098 | 62,098 |
| 2600 | Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>62,098</u> | <u>62,098</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | 234,635 | - | 234,635 |
| 3480 | Retirement of Long-Term Debt | - | - | 856,250 | 856,250 |
| Committed Fund Balance: | | | | | |
| 3545 | Other Committed Fund Balance | 42,039 | 42,039 | - | 42,039 |
| 3000 | Total Fund Balances | <u>42,039</u> | <u>276,674</u> | <u>856,250</u> | <u>1,132,924</u> |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 42,513</u> | <u>\$ 556,735</u> | <u>\$ 923,749</u> | <u>\$ 1,480,484</u> |

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|---|-------------------|--|---------------------------------|-----------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | - | - | - |
| 5900 Federal Program Revenues | 111,251 | 203,246 | 202,250 | 3,907 |
| 5020 Total Revenues | 111,251 | 203,246 | 202,250 | 3,907 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 111,251 | 149,147 | 123,420 | 3,907 |
| 0012 Instructional Resources and Media Services | - | 28,277 | - | - |
| 0013 Curriculum and Instructional Staff Development | - | 9,781 | - | - |
| 0021 Instructional Leadership | - | 9,418 | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 76,830 | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | - | - | 2,000 | - |
| 0051 Facilities Maintenance and Operations | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0053 Data Processing Services | - | - | - | - |
| 0061 Community Services | - | 6,623 | - | - |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | - | - |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| 6030 Total Expenditures | 111,251 | 203,246 | 202,250 | 3,907 |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - July 1 (Beginning) | - | - | - | - |
| 1300 Prior Period Adjustment | - | - | - | - |
| 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 | 270 ESEA VI, Pt B Rural & Low Income | 289 ESEA Title IV Part A | 410 State Instructional Materials | 429 Other State Special Revenue Funds |
|---|-------------------------------------|--|---|---|-----------------------------------|--|--|
| \$ 24,571 | \$ 140 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3,857 | - | - | - | - | - | 208,063 | 55,188 |
| 759,002 | 21,956 | 28,840 | - | 30,810 | 15,959 | - | - |
| 787,430 | 22,096 | 28,840 | - | 30,810 | 15,959 | 208,063 | 55,188 |
| - | - | 6,617 | - | 30,595 | 11,750 | 119,905 | 35,001 |
| - | - | 1,002 | - | - | - | - | - |
| - | - | 21,221 | - | - | 2,998 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 215 | - | - | - |
| - | - | - | - | - | 150 | - | - |
| 719,167 | 4,080 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 14,755 | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,061 | - | 20,187 |
| - | - | - | - | - | - | 88,158 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 733,922 | 4,080 | 28,840 | - | 30,810 | 15,959 | 208,063 | 55,188 |
| 53,508 | 18,016 | - | - | - | - | - | - |
| 160,245 | 2,866 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ 213,753 | \$ 20,882 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|---|------------------------------------|---|--------------------------------|--|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 76,526 | \$ 101,237 | \$ 804,611 | \$ 905,848 |
| 5800 State Program Revenues | - | 267,108 | 138,570 | 405,678 |
| 5900 Federal Program Revenues | - | 1,377,221 | - | 1,377,221 |
| 5020 Total Revenues | <u>76,526</u> | <u>1,745,566</u> | <u>943,181</u> | <u>2,688,747</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | 591,593 | - | 591,593 |
| 0012 Instructional Resources and Media Services | - | 29,279 | - | 29,279 |
| 0013 Curriculum and Instructional Staff Development | - | 34,000 | - | 34,000 |
| 0021 Instructional Leadership | - | 9,418 | - | 9,418 |
| 0023 School Leadership | - | 215 | - | 215 |
| 0031 Guidance, Counseling, and Evaluation Services | - | 76,980 | - | 76,980 |
| 0035 Food Services | - | 723,247 | - | 723,247 |
| 0036 Extracurricular Activities | 48,672 | 48,672 | - | 48,672 |
| 0041 General Administration | - | 2,000 | - | 2,000 |
| 0051 Facilities Maintenance and Operations | - | 14,755 | - | 14,755 |
| 0052 Security and Monitoring Services | - | 21,248 | - | 21,248 |
| 0053 Data Processing Services | - | 88,158 | - | 88,158 |
| 0061 Community Services | - | 6,623 | - | 6,623 |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | 584,000 | 584,000 |
| 0072 Interest on Long-Term Debt | - | - | 278,983 | 278,983 |
| 6030 Total Expenditures | <u>48,672</u> | <u>1,646,188</u> | <u>862,983</u> | <u>2,509,171</u> |
| 1200 Net Change in Fund Balance | 27,854 | 99,378 | 80,198 | 179,576 |
| 0100 Fund Balance - July 1 (Beginning) | - | 163,111 | 776,052 | 939,163 |
| 1300 Prior Period Adjustment | 14,185 | 14,185 | - | 14,185 |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ 42,039</u> | <u>\$ 276,674</u> | <u>\$ 856,250</u> | <u>\$ 1,132,924</u> |

T.E.A. REQUIRED SCHEDULES

NATALIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2020

| Last 10 Years | (1) | (2) | (3) |
|--------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.170000 | 0.186200 | 148,504,793 |
| 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 (School year under audit) | 1.068300 | 0.352800 | 232,911,333 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 7/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 6/30/2020 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 95,672 | \$ - | \$ 1,279 | \$ 112 | \$ (24,169) | \$ 70,112 |
| 5,678 | - | 606 | 96 | - | 4,976 |
| 6,035 | - | 1,052 | 164 | 1 | 4,820 |
| 8,733 | - | 1,446 | 216 | - | 7,071 |
| 16,525 | - | 3,631 | 584 | 2,956 | 15,266 |
| 21,935 | - | 5,605 | 673 | 2,614 | 18,271 |
| 38,630 | - | 8,767 | 847 | 2,215 | 31,231 |
| 77,920 | - | 25,968 | 2,865 | 439 | 49,526 |
| 201,023 | - | 106,027 | 9,879 | (3,545) | 81,572 |
| - | 3,309,903 | 2,306,596 | 761,311 | (37,946) | 204,050 |
| <u>\$ 472,151</u> | <u>\$ 3,309,903</u> | <u>\$ 2,460,977</u> | <u>\$ 776,747</u> | <u>\$ (57,435)</u> | <u>\$ 486,895</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, 2020

| 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 | \$ 28,300 | \$ 28,300 | \$ 24,571 | \$ (3,729) |
| 5800 State Program Revenues | 4,000 | 4,000 | 3,857 | (143) |
| 5900 Federal Program Revenues | 774,481 | 774,481 | 759,002 | (15,479) |
| 5020 Total Revenues | <u>806,781</u> | <u>806,781</u> | <u>787,430</u> | <u>(19,351)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 788,781 | 788,781 | 719,167 | 69,614 |
| 0051 Facilities Maintenance and Operations | 18,000 | 18,000 | 14,755 | 3,245 |
| 6030 Total Expenditures | <u>806,781</u> | <u>806,781</u> | <u>733,922</u> | <u>72,859</u> |
| 1200 Net Change in Fund Balances | - | - | 53,508 | 53,508 |
| 0100 Fund Balance - July 1 (Beginning) | <u>160,245</u> | <u>160,245</u> | <u>160,245</u> | <u>-</u> |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ 160,245</u> | <u>\$ 160,245</u> | <u>\$ 213,753</u> | <u>\$ 53,508</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, 2020

| 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 | \$ 711,041 | \$ 711,041 | \$ 804,611 | \$ 93,570 |
| 5800 State Program Revenues | 128,309 | 128,309 | 138,570 | 10,261 |
| 5020 Total Revenues | 839,350 | 839,350 | 943,181 | 103,831 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 584,000 | 584,000 | 584,000 | - |
| 0072 Interest on Long-Term Debt | 278,984 | 278,984 | 278,983 | 1 |
| 6030 Total Expenditures | 862,984 | 862,984 | 862,983 | 1 |
| 1200 Net Change in Fund Balances | (23,634) | (23,634) | 80,198 | 103,832 |
| 0100 Fund Balance - July 1 (Beginning) | 776,052 | 776,052 | 776,052 | - |
| 3000 Fund Balance - June 30 (Ending) | \$ 752,418 | \$ 752,418 | \$ 856,250 | \$ 103,832 |

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, 2020, 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 18, 2020.

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 18, 2020

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, 2020. 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, 2020.

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 18, 2020

NATALIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2020

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? Yes No

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| CFDA #84.010A | ESEA, Title 1, Part A - Improving Basic Programs |
| CFDA #93.600 | Head Start |

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

Auditee qualified as low-risk auditee? Yes No

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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

NATALIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

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

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 19610101163903 | \$ 23,973 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 20610101163903 | 179,273 |
| Total CFDA Number 84.010A | | | 203,246 |
| *IDEA - Part B, Formula | 84.027 | 196600011639036600 | 34,588 |
| *IDEA - Part B, Formula | 84.027 | 206600011639036600 | 167,662 |
| Total CFDA Number 84.027 | | | 202,250 |
| *IDEA - Part B, Preschool | 84.173 | 206610011639036610 | 3,907 |
| Total Special Education Cluster (IDEA) | | | 206,157 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 19696001163903 | 5,346 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 20696001163903 | 25,465 |
| Total CFDA Number 84.358B | | | 30,811 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 19694501163903 | 10,818 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 20694501163903 | 18,023 |
| Total CFDA Number 84.367A | | | 28,841 |
| ESEA, Title IV, Part A | 84.424A | 19680101163903 | 2,896 |
| ESEA, Title IV, Part A | 84.424A | 20680101163903 | 13,063 |
| Total CFDA Number 84.424A | | | 15,959 |
| Total Passed Through State Department of Education | | | 485,014 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 485,014 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through State Department of Education</u> | | | |
| Head Start | 93.600 | 205457007 | 111,251 |
| Total Passed Through State Department of Education | | | 111,251 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 111,251 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71402001 | 278,621 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71302001 | 428,109 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | | 52,270 |
| Total CFDA Number 10.555 | | | 480,379 |
| *Summer Feeding Program - Cash Assistance | 10.559 | | 21,956 |
| Total Child Nutrition Cluster | | | 780,956 |
| Total Passed Through the State Department of Agriculture | | | 780,956 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 780,956 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,377,221 |

*Clustered Programs

The above amounts do not include SHARS receipts of \$131,113, which is included as federal revenue in the general fund.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

NATALIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

- 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 2020

| | | |
|-----|--|-----|
| 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- |