

**NATALIA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**NATALIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

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CERTIFICATE OF BOARD

Natalia Independent School District                      Medina                      163903  
Name of School District                      County                      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, 2019 at a meeting of the Board of Trustees of such school district on the 11th of November, 2019.

Gordon Gentry  
Signature of Board Secretary

Eric Smith  
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

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### 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, 2019, 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, 2019, 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 45-51 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 20, 2019, 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.

*Colman Stewart & Company, LLP*

Uvalde, Texas  
September 20, 2019

## 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, 2019. 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 \$4,194,078 at June 30, 2019, a decrease of \$1,326,729.

\* During the year, the District's revenue was \$13,745,464 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Taxes	\$ 2,770,606	\$ 2,621,945	\$ 148,661
b) State aid	8,584,364	6,202,262	2,382,102
c) Federal aid	2,011,917	1,448,744	563,173
d) Investment earnings	144,795	28,191	116,604
e) Other	233,782	178,240	55,542
Total Revenues	<u>\$ 13,745,464</u>	<u>\$ 10,479,382</u>	<u>\$ 3,266,082</u>

\* During the year the District's expenses were \$15,072,193 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Instruction and instructional related	\$ 7,262,370	\$ 4,350,353	\$ 2,912,017
b) Instruction leadership/school administration	989,674	499,887	489,787
c) Guidance, social work, health, transportation	961,648	553,569	408,079
d) Food services	833,196	920,123	(86,927)
e) Extracurricular activities	596,776	330,118	266,658
f) General administration	695,678	492,215	203,463
g) Plant maintenance and security	1,521,074	1,145,227	375,847
h) Data processing services	426,530	187,752	238,778
i) Community services	70,125	37,481	32,644
j) Debt service	257,812	42,586	215,226
k) Payments to fiscal agent/member districts - shared service	1,457,310	5,830	1,451,480
Total Expenses	<u>\$ 15,072,193</u>	<u>\$ 8,565,141</u>	<u>\$ 6,507,052</u>

- \* The general fund reported a fund balance of \$5,722,321, an increase of \$623,531.
- \* The debt service fund reported a fund balance of \$776,052, an increase of \$38,666.
- \* The capital projects fund reported a fund balance of \$11,610,784, an increase of \$10,835,974.
- \* The District's combined net position was \$4,194,078 at June 30, 2019, as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Current and other assets	\$ 19,992,949	\$ 8,672,445	\$ 11,320,504
Capital and non-current assets	8,812,945	8,750,703	62,242
<b>Total Assets</b>	<b>\$ 28,805,894</b>	<b>\$ 17,423,148</b>	<b>\$ 11,382,746</b>
Deferred resource outflow	\$ 2,672,710	\$ 1,178,461	\$ 1,494,249
Current Liabilities	\$ 1,435,622	\$ 1,759,354	\$ (323,732)
Long term liabilities	22,997,100	8,820,571	14,176,529
<b>Total Liabilities</b>	<b>\$ 24,432,722</b>	<b>\$ 10,579,925</b>	<b>\$ 13,852,797</b>
Deferred resource inflow	\$ 2,851,804	\$ 2,500,877	\$ 350,927
Net position:			
Net investment in capital assets	\$ 6,543,177	\$ 7,562,579	\$ (1,019,402)
Restricted	939,163	756,121	183,042
Unrestricted	(3,288,262)	(2,797,893)	(490,369)
<b>Total Net Position</b>	<b>\$ 4,194,078</b>	<b>\$ 5,520,807</b>	<b>\$ (1,326,729)</b>

- \* Property tax rates decreased by 2.0¢ for the past year. The tax base increased during the past year by \$15,771,439. The tax levy increased by \$161,172.
- \* State aid decreased for the year by \$2,382,102.
- \* Federal aid increased for the year by \$563,173.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Capital assets for the District at the end of the fiscal year June 30, 2019 amounted to \$8,812,945. 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**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Land	\$ 145,668	\$ 145,668	\$ -
Buildings and improvements	15,146,819	15,146,819	-
Equipment	3,653,975	3,653,975	-
Property under capital lease	260,483	-	260,483
Construction in progress	397,700	-	397,700
Totals at historical cost	19,604,645	18,946,462	658,183
Total accumulated depreciation	(10,791,700)	(10,195,759)	(595,941)
Net capital assets	<u>\$ 8,812,945</u>	<u>\$ 8,750,703</u>	<u>\$ 62,242</u>

### **Long-term Liabilities**

- \* The District had scheduled bond retirements during the year of \$331,000.
- \* New bonds were issued for \$10,380,000.
- \* Maintenance tax notes were issued for \$1,900,000.
- \* Capital lease proceeds were \$260,483.

## District's Long-Term Liabilities

	Governmental Activities		
	Current Year	Prior Year	Change
Bonds payable	\$ 11,194,000	\$ 1,145,000	\$ 10,049,000
Maintenance Tax Notes	1,900,000	-	1,900,000
Capital lease	215,067	-	215,067
Unamortized bond premium/discount	571,485	43,124	528,361
Totals	<u>\$ 13,880,552</u>	<u>\$ 1,188,124</u>	<u>\$ 12,692,428</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 \$276,432 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Additionally, resources available were \$248,903 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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 18,492,293
1220 Property Taxes - Delinquent	472,151
1230 Allowance for Uncollectible Taxes	(47,215)
1240 Due from Other Governments	1,069,064
1290 Other Receivables, Net	6,656
Capital Assets:	
1510 Land	145,668
1520 Buildings, Net	7,469,154
1530 Furniture and Equipment, Net	592,037
1550 Leased Property Under Capital Leases, Net	208,386
1580 Construction in Progress	397,700
1000 Total Assets	28,805,894
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	2,273,046
1706 Deferred Outflow Related to TRS OPEB	399,664
1700 Total Deferred Outflows of Resources	2,672,710
<b>LIABILITIES</b>	
2110 Accounts Payable	346,258
2150 Payroll Deductions and Withholdings	71,909
2160 Accrued Wages Payable	881,757
2200 Accrued Expenses	134,989
2300 Unearned Revenue	709
Noncurrent Liabilities:	
2501 Due Within One Year	657,535
2502 Due in More Than One Year	13,223,017
2540 Net Pension Liability (District's Share)	4,108,019
2545 Net OPEB Liability (District's Share)	5,008,529
2000 Total Liabilities	24,432,722
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	431,125
2606 Deferred Inflow Related to TRS OPEB	2,420,679
2600 Total Deferred Inflows of Resources	2,851,804
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	6,543,177
3820 Restricted for Federal and State Programs	163,111
3850 Restricted for Debt Service	776,052
3900 Unrestricted	(3,288,262)
3000 Total Net Position	\$ 4,194,078

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, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 6,905,922	\$ 9,546	\$ 727,402	\$ (6,168,974)
12 Instructional Resources and Media Services	178,496	-	27,345	(151,151)
13 Curriculum and Instructional Staff Development	177,952	-	53,364	(124,588)
21 Instructional Leadership	253,978	-	63,349	(190,629)
23 School Leadership	735,696	-	-	(735,696)
31 Guidance, Counseling and Evaluation Services	390,793	-	77,731	(313,062)
32 Social Work Services	751	-	-	(751)
33 Health Services	119,272	-	-	(119,272)
34 Student (Pupil) Transportation	450,832	-	4	(450,828)
35 Food Services	833,196	33,376	868,353	68,533
36 Extracurricular Activities	596,776	35,174	-	(561,602)
41 General Administration	695,678	-	19,403	(676,275)
51 Facilities Maintenance and Operations	1,463,755	2,710	-	(1,461,045)
52 Security and Monitoring Services	57,319	-	618	(56,701)
53 Data Processing Services	426,530	-	78,275	(348,255)
61 Community Services	70,125	-	30,457	(39,668)
72 Debt Service - Interest on Long-Term Debt	82,786	-	-	(82,786)
73 Debt Service - Bond Issuance Cost and Fees	175,026	-	-	(175,026)
81 Capital Outlay	1,457,310	-	-	(1,457,310)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 15,072,193	\$ 80,806	\$ 1,946,301	\$ (13,045,086)

Data  
Control  
Codes

General Revenues:

Taxes:		
MT	Property Taxes, Levied for General Purposes	2,533,345
DT	Property Taxes, Levied for Debt Service	237,261
SF	State Aid - Formula Grants	7,567,577
GC	Grants and Contributions not Restricted	1,082,403
IE	Investment Earnings	144,795
MI	Miscellaneous Local and Intermediate Revenue	152,976
TR	Total General Revenues	11,718,357
CN	Change in Net Position	(1,326,729)
NB	Net Position - Beginning	5,520,807
NE	Net Position--Ending	\$ 4,194,078

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



NATALIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 5,684,733	\$ 11,853,537	\$ 954,023	\$ 18,492,293
1220 Property Taxes - Delinquent	426,091	-	46,060	472,151
1230 Allowance for Uncollectible Taxes	(42,609)	-	(4,606)	(47,215)
1240 Due from Other Governments	804,837	-	264,227	1,069,064
1260 Due from Other Funds	256,609	-	-	256,609
1290 Other Receivables	500	-	6,156	6,656
1000 Total Assets	<u>\$ 7,130,161</u>	<u>\$ 11,853,537</u>	<u>\$ 1,265,860</u>	<u>\$ 20,249,558</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 87,995	\$ 242,753	\$ 15,510	\$ 346,258
2150 Payroll Deductions and Withholdings Payable	71,909	-	-	71,909
2160 Accrued Wages Payable	783,925	-	97,832	881,757
2170 Due to Other Funds	87,166	-	169,443	256,609
2200 Accrued Expenditures	59,417	-	8,236	67,653
2300 Unearned Revenue	-	-	709	709
2000 Total Liabilities	<u>1,090,412</u>	<u>242,753</u>	<u>291,730</u>	<u>1,624,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	317,428	-	34,967	352,395
2600 Total Deferred Inflows of Resources	<u>317,428</u>	<u>-</u>	<u>34,967</u>	<u>352,395</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal Funds Restriction	-	-	163,111	163,111
3470 Capital Acquisition and Construction	-	11,610,784	-	11,610,784
3480 Retirement of Long-Term Debt	-	-	776,052	776,052
Committed Fund Balance:				
3510 Construction	1,000,000	-	-	1,000,000
3600 Unassigned Fund Balance	4,722,321	-	-	4,722,321
3000 Total Fund Balances	<u>5,722,321</u>	<u>11,610,784</u>	<u>939,163</u>	<u>18,272,268</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,130,161</u>	<u>\$ 11,853,537</u>	<u>\$ 1,265,860</u>	<u>\$ 20,249,558</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, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	18,272,268
<b>1</b> 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 \$18,946,462 and the accumulated depreciation was \$(10,195,759). In addition, long-term liabilities, including bonds payable of \$(1,145,000), 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 increase net position.		7,605,703
<b>2</b> 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 2019 capital outlays of \$658,183, and debt principal payments of \$376,416, is to increase net position.		1,034,599
<b>3</b> 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 \$(4,108,019), a deferred resource inflow in the amount of \$(431,125) and a deferred resource outflow in the amount of \$2,273,046. The net effect of these recognitions is to decrease net position.		(2,266,098)
<b>4</b> 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 \$(5,008,529), a deferred resource inflow in the amount of \$(2,420,679), and a deferred resource outflow in the amount of \$399,664. The net effect of these recognitions is to decrease net position.		(7,029,544)
<b>5</b> The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(595,941)
<b>6</b> 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 \$352,395 as revenue, bond and debt premiums of \$(571,485), and recognizing the liabilities associated with maturing long-term debt interest of \$(67,336). Also, recognizing bonds issued of \$(10,380,000), maintenance tax notes issued of \$(1,900,000), and capital lease proceeds of \$(260,483). The net effect of these reclassifications and recognitions is to decrease net position.		(12,826,909)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>4,194,078</u>

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

NATALIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,767,824	\$ 38,607	\$ 285,993	\$ 3,092,424
5800 State Program Revenues	8,031,730	-	279,292	8,311,022
5900 Federal Program Revenues	198,345	-	1,813,572	2,011,917
5020 Total Revenues	<u>10,997,899</u>	<u>38,607</u>	<u>2,378,857</u>	<u>13,415,363</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	5,708,150	-	727,402	6,435,552
0012 Instructional Resources and Media Services	131,586	-	27,345	158,931
0013 Curriculum and Instructional Staff Development	120,138	-	53,364	173,502
0021 Instructional Leadership	166,653	-	63,349	230,002
0023 School Leadership	662,036	-	-	662,036
0031 Guidance, Counseling and Evaluation Services	277,246	-	77,731	354,977
0033 Health Services	112,909	-	-	112,909
0034 Student (Pupil) Transportation	409,516	-	4	409,520
0035 Food Services	-	-	757,705	757,705
0036 Extracurricular Activities	572,896	-	-	572,896
0041 General Administration	626,327	874	19,403	646,604
0051 Facilities Maintenance and Operations	1,366,084	-	-	1,366,084
0052 Security and Monitoring Services	56,701	-	618	57,319
0053 Data Processing Services	324,229	-	78,275	402,504
0061 Community Services	36,494	-	30,457	66,951
Debt Service:				
0071 Principal on Long-Term Debt	45,416	-	331,000	376,416
0072 Interest on Long-Term Debt	18,470	-	28,712	47,182
0073 Bond Issuance Cost and Fees	-	174,576	450	175,026
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,855,010	-	1,855,010
6030 Total Expenditures	<u>10,634,851</u>	<u>2,030,460</u>	<u>2,195,815</u>	<u>14,861,126</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>363,048</u>	<u>(1,991,853)</u>	<u>183,042</u>	<u>(1,445,763)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	10,380,000	-	10,380,000
7913 Capital Leases	260,483	-	-	260,483
7914 Non-Current Loans	-	1,900,000	-	1,900,000
7916 Premium or Discount on Issuance of Bonds	-	547,827	-	547,827
7080 Total Other Financing Sources (Uses)	<u>260,483</u>	<u>12,827,827</u>	<u>-</u>	<u>13,088,310</u>
1200 Net Change in Fund Balances	623,531	10,835,974	183,042	11,642,547
0100 Fund Balance - July 1 (Beginning)	<u>5,098,790</u>	<u>774,810</u>	<u>756,121</u>	<u>6,629,721</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 5,722,321</u>	<u>\$ 11,610,784</u>	<u>\$ 939,163</u>	<u>\$ 18,272,268</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, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	11,642,547
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 2019 capital outlays of \$658,183, and debt principal payments of \$376,416, is to increase net position.		1,034,599
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.		(595,941)
The reporting of GASB 68 for the current year resulted in an increase in the net pension liability of \$(1,501,029), an increase in deferred resource inflows of \$(32,406), and an increase in deferred resource outflows of \$1,153,877. The effect of these items is to decrease net position.		(379,558)
The reporting of GASB 75 for the current year resulted in a decrease in the net OPEB liability of \$16,928, an increase in deferred resource inflows of \$(318,521), and an increase in deferred resource outflows of \$340,372. The net effect of these items is to increase net position.		38,779
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 \$56,759, recognizing the change in liabilities associated with maturing long-term debt interest of \$(55,070), and bond premium change of \$(528,361). Also, recognizing bonds issued of \$(10,380,000), maintenance tax notes issued of \$(1,900,000), and capital lease proceeds of \$(260,483). The net effect of these reclassifications and recognitions is to decrease net position.		(13,067,155)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(1,326,729)</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, 2019

	Agency Fund
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 72,452
Total Assets	<u>\$ 72,452</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 1,009
Due to Student Groups	71,443
Total Liabilities	<u>\$ 72,452</u>

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

NATALIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**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, 2019, 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.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

## 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. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency 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	\$	160,245
Summer Feeding		2,866
Debt service		776,052
Capital Projects		<u>11,610,784</u>
Total Restricted		12,549,947
Committed construction		1,000,000
Unassigned		<u>4,722,321</u>
Total Fund Balances	\$	<u>18,272,268</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 in certificates of deposit 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 (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), differences between projected and actual investment earnings (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, 2019
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service and Summer Feeding Special Revenue Fund	\$ 163,111
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u>\$ 163,111</u>

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

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

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.

The District had funds on deposit at year-end of \$891,268 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of June 30, 2019, the following are the District’s cash and cash equivalents with respective maturities and credit rating:

<b>Type of Deposit</b>	<b>Fair Value</b>	<b>Maturity in Less than 1 Year</b>	<b>Maturity in 1-10 Years</b>	<b>Maturity in Over 10 Years</b>	<b>Credit Rating</b>
Cash	\$ 1,010,252	\$ 1,010,252	\$ -	\$ -	N/A
TexPool	17,554,493	17,554,493	-	-	N/A
Total Cash and Cash Equivalents	<u>\$ 18,564,745</u>	<u>\$ 18,564,745</u>	<u>\$ -</u>	<u>\$ -</u>	

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 sated 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.

Additional polices 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, 2019, 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.

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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of June 30, 2019, Natalia Independent School District has no investments measured at fair value or Net Asset Value (NAV) per Share (or its equivalent).

## **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, 2019 consisted of the following amounts:

<b>Due to General Fund From:</b>	
Intrafund	\$ 87,166
Special Revenue Fund	<u>169,443</u>
Total Due to General Fund	<u>\$ 256,609</u>

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

Transfers were to refund previous year transfers.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2019, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 426,091	\$ 804,837	\$ 256,609	\$ 500	\$ 1,488,037
Nonmajor Governmental Funds	<u>46,060</u>	<u>264,227</u>		\$ 6,156	<u>316,443</u>
Total Governmental Activities	<u>\$ 472,151</u>	<u>\$ 1,069,064</u>	<u>\$ 256,609</u>	<u>\$ 6,156</u>	<u>\$ 1,804,480</u>
Amount not scheduled for collection during the subsequent year	<u>\$ 47,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,215</u>

Payables at June 30, 2019, were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$ 87,995	\$ 915,251	\$ 87,166	\$ 1,090,412
Capital Projects Fund	242,753	-	-	242,753
Nonmajor Governmental Funds	<u>15,510</u>	<u>106,068</u>	<u>169,443</u>	<u>291,021</u>
Total Governmental Activities	<u>\$ 346,258</u>	<u>\$ 1,021,319</u>	<u>\$ 256,609</u>	<u>\$ 1,624,186</u>
Amount not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 145,668	\$ -	\$ -	\$ 145,668
Buildings and improvements	15,146,819	-	-	15,146,819
Equipment	3,653,975	-	-	3,653,975
Property under capital lease	-	260,483	-	260,483
Construction in progress	-	<u>397,700</u>	-	<u>397,700</u>
Total at historical cost	<u>18,946,462</u>	<u>658,183</u>	<u>-</u>	<u>19,604,645</u>
Less accumulated depreciation				
Buildings and improvements	(7,331,638)	(346,027)	-	(7,677,665)
Equipment	(2,864,121)	(197,817)	-	(3,061,938)
Property under capital lease	-	<u>(52,097)</u>	-	<u>(52,097)</u>
Total accumulated depreciation	<u>(10,195,759)</u>	<u>(595,941)</u>	<u>-</u>	<u>(10,791,700)</u>
Governmental activities capital assets, net	<u>\$ 8,750,703</u>	<u>\$ 62,242</u>	<u>\$ -</u>	<u>\$ 8,812,945</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 345,646
Instructional Resources & Media Services	11,919
Instructional Leadership	11,919
School Leadership	35,756
Guidance and Counseling	17,878
Student (Pupil) Transportation	29,797
Food Services	47,675
General Administration	23,838
Plant Maintenance and Operations	65,554
Data Processing	<u>5,959</u>
Total depreciation expense	<u>\$ 595,941</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, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2018	Issued	Retired/ Refunded	Amounts Outstanding 6/30/2019	Amounts due within one year
Unlimited Tax Refunding Bonds Series 2013	3.25%	\$ 654,000	\$ 5,622	\$ 228,000	\$ -	\$ 110,000	\$ 118,000	\$ 118,000
Unlimited Tax Refunding Bonds Series 2016	2.00% - 3.00%	1,145,000	23,090	917,000	-	221,000	696,000	226,000
Unlimited Tax School Building Series 2019	3.00% - 5.00%	10,380,000	-	-	10,380,000	-	10,380,000	240,000
Totals			\$ 28,712	\$ 1,145,000	\$ 10,380,000	\$ 331,000	\$ 11,194,000	\$ 584,000



Debt service requirements are as follows:

Year Ending June 30,	General Obligations		Total Requirements
	Principal	Interest	
2020	\$ 584,000	\$ 278,983	\$ 862,983
2021	484,000	370,965	854,965
2023	506,000	351,165	857,165
2023	280,000	334,300	614,300
2024	295,000	320,300	615,300
2025-2029	1,710,000	1,365,000	3,075,000
2030-2034	2,095,000	978,300	3,073,300
2035-2039	2,430,000	644,400	3,074,400
2040-2044	2,810,000	257,550	3,067,550
Total	<u>\$ 11,194,000</u>	<u>\$ 4,900,963</u>	<u>\$ 16,094,963</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, 2019.

## 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 Payable From	Interest Rate	Loan Amount	Current Year Interest	Amounts Outstanding 7/1/2018	Issued Current Year	Retired Current Year	Amounts Outstanding 6/30/2019	Amounts due within one year
12/18		General Fund	3.00% -							
11/23	45.108	Fund	5.00%	\$ 1,900,000	\$ -	\$ -	\$ 1,900,000	\$ -	\$ 1,900,000	\$ 25,000
					<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ 25,000</u>

Debt service requirements for loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 25,000	\$ 91,708	\$ 116,708
2021	40,000	78,338	118,338
2023	45,000	77,063	122,063
2023	55,000	75,013	130,013
2024	60,000	72,138	132,138
2025-2029	425,000	305,063	730,063
2030-2034	610,000	189,335	799,335
2035-2038	640,000	51,050	691,050
<b>Total</b>	<b>\$ 1,900,000</b>	<b>\$ 939,708</b>	<b>\$ 2,839,708</b>

**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, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2018	Issued	Retired/ Refunded	Amounts Outstanding 6/30/2019	Amounts due within one year
Copiers	6.60%	\$ 260,483	\$ 18,470	\$ -	\$ 260,483	\$ 45,416	\$ 215,067	\$ 48,535
<b>Totals</b>			<b>\$ 18,470</b>	<b>\$ -</b>	<b>\$ 260,483</b>	<b>\$ 45,416</b>	<b>\$ 215,067</b>	<b>\$ 48,535</b>

Annual payments are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 48,535	\$ 12,859	\$ 61,394
2021	51,868	9,526	61,394
2022	55,429	5,965	61,394
2023	59,235	2,159	61,394
<b>Total</b>	<b>\$ 215,067</b>	<b>\$ 30,509</b>	<b>\$ 245,576</b>

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

Long-term activity for the for the year ended June 30, 2019 was as follows:

	Balance 7/1/2018	Additions	Retired/ Refunded	Balance 6/30/2019	Due Within One Year
Governmental Activities:					
Bonds	\$ 1,145,000	\$ 10,380,000	\$ 331,000	\$ 11,194,000	\$ 584,000
Net Issuance Premium	43,124	471,855	19,467	495,512	-
Total Bonds Payable	<u>1,188,124</u>	<u>10,851,855</u>	<u>350,467</u>	<u>11,689,512</u>	<u>584,000</u>
Loans Payable	-	1,900,000	-	1,900,000	25,000
Net Issuance Premium	-	75,973	-	75,973	-
Total Loans Payable	<u>-</u>	<u>1,975,973</u>	<u>-</u>	<u>1,975,973</u>	<u>25,000</u>
Capital Lease	-	260,483	45,416	215,067	48,535
Total	<u>\$ 1,188,124</u>	<u>\$ 13,088,311</u>	<u>\$ 395,883</u>	<u>\$ 13,880,552</u>	<u>\$ 657,535</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.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**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.

**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 members annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

<b>Contributions Rates</b>		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 FY Employer Contributions		\$ 229,823
District's 2019 FY Member Contributions		\$ 574,656
Measurement Year NECE On-Behalf Contributions		\$ 335,455

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 1, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.90%
Long-term expected Investment Rate of Return	7.25%
	3.39% - 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."
Municipal Bond Rate as of August 2018	
Last Year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

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

<b>Global Equity</b>			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Hedge Funds (Stable Value)	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag***			-0.8%
<b>Total</b>	<b>100%</b>		<b>7.25%</b>

\* Target allocations are based on the FY 2016 policy model.

\*\* Capital market assumptions come from Aon Hewitt (2017 Q4)

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

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$6,199,986	\$4,108,019	\$2,414,448

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2019, Natalia Independent School District reported a liability of \$4,108,019 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	\$ 4,108,019
State's proportionate share that is associated with the District	<u>5,484,457</u>
	<u>\$ 9,592,476</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0074633684% which was a decrease of 0.0006899440% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended June 30, 2019, Natalia Independent School District recognized pension expense of \$542,815 and revenue of \$542,815 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2019, 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	\$ 25,606	\$ 100,795
Changes in actuarial assumptions	1,481,139	46,286
Net difference between projected and actual investment earnings		77,947
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	574,146	206,097
Contributions paid to TRS subsequent to the measurement date	192,155	
Total	\$ 2,273,046	\$ 431,125

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
2020	\$ 465,902
2021	301,870
2022	255,849
2023	274,847
2024	212,689
Thereafter	138,609

#### 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, 2018 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$ 50,729,490,103
Less: Plan fiduciary net position	798,574,633
Net OPEB liability	\$ 49,930,915,470
Net position as a percentage of total OPEB liability	1.57%



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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

**TRS-Care Monthly Premium Rates**  
Effective January 1, 2018 - December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% 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**

	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions		\$ 60,101
District's 2019 FY Member Contributions		\$ 48,503
Measurement Year NECE On-Behalf Contributions		\$ 84,877

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 \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislature, House Bill 30 provided an additional \$212 million in one-time supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial 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, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017 Rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
	3.69% Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Single Discount Rate	Based on Plan Specific Experience
Aging Factors	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expenses	
Projected Salary Increases	3.05% - 9.05%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

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

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

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

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was 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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$5,961,871	\$5,008,529	\$4,254,375

**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:	\$4,159,665	\$5,008,529	\$6,126,502

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2019, Natalia Independent School District reported a liability of \$5,008,529 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	\$ 5,008,529
State's proportionate share that is associated with the District	<u>6,152,057</u>
Total	<u>\$ 11,160,586</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0100309185% compared to 0.0115564283% as of August 31, 2017.

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

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

*Changes in Benefit Terms:* The 85<sup>th</sup> Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

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

For the year ended June 30, 2019, Natalia Independent School District recognized OPEB expense of \$223,775 and revenue of \$223,775 for support provided by the State.

At June 30, 2019, 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	\$ 265,784	\$ 79,042
Changes in actuarial assumptions	83,579	1,504,776
Net difference between projected and actual investment earnings	876	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	18	836,861
Contributions paid to TRS subsequent to the measurement date	49,407	-
<b>Total</b>	<b>\$ 399,664</b>	<b>\$ 2,420,679</b>

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (301,225)
2021	(301,225)
2022	(301,225)
2023	(301,391)
2024	(301,487)
Thereafter	(563,869)

**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 2017, 2018 and 2019 were \$21,558, \$22,721 and \$23,651 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, 2019 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, 2019, the District has contractual commitments of \$706,137, which will be provided for during the 2019-2020 year.

**P. UNEARNED REVENUE**

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Entitlements	\$ -	\$ 709	\$ -	\$ 709
Federal Grants	-	-	-	-
Total Unearned Revenue	<u>\$ -</u>	<u>\$ 709</u>	<u>\$ -</u>	<u>\$ 709</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, 2019, 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	\$ 777,077	\$ -	\$ 27,760	\$ 804,837
Special Revenue Fund	34,147	220,747	-	254,894
Debt Service Fund	9,333	-	-	9,333
Total	\$ 820,557	\$ 220,747	\$ 27,760	\$ 1,069,064

**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	\$ 2,480,369	\$ -	\$ 233,478	\$ -	\$ 2,713,847
Penalties, Interest and Other Tax-related income	51,045	-	4,432	-	55,477
Investment Income	95,868	-	9,968	38,607	144,443
Food Sales	-	33,728	-	-	33,728
Co-curricular Student Activities	35,174	-	-	-	35,174
Other	105,368	-	4,387	-	109,755
Total	\$ 2,767,824	\$ 33,728	\$ 252,265	\$ 38,607	\$ 3,092,424

**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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,521,335	\$ 2,521,335	\$ 2,767,824	\$ 246,489
5800 State Program Revenues	8,152,661	8,152,661	8,031,730	(120,931)
5900 Federal Program Revenues	75,000	75,000	198,345	123,345
5020 Total Revenues	10,748,996	10,748,996	10,997,899	248,903
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	5,792,802	5,739,522	5,708,150	31,372
0012 Instructional Resources and Media Services	116,423	137,148	131,586	5,562
0013 Curriculum and Instructional Staff Development	175,030	130,995	120,138	10,857
0021 Instructional Leadership	169,791	170,376	166,653	3,723
0023 School Leadership	624,686	674,686	662,036	12,650
0031 Guidance, Counseling and Evaluation Services	382,744	282,744	277,246	5,498
0032 Social Work Services	5,456	-	-	-
0033 Health Services	124,290	124,290	112,909	11,381
0034 Student (Pupil) Transportation	325,996	416,055	409,516	6,539
0036 Extracurricular Activities	585,811	591,913	572,896	19,017
0041 General Administration	724,268	675,608	626,327	49,281
0051 Facilities Maintenance and Operations	1,449,931	1,463,728	1,366,084	97,644
0052 Security and Monitoring Services	38,799	67,307	56,701	10,606
0053 Data Processing Services	195,807	328,749	324,229	4,520
0061 Community Services	31,162	38,162	36,494	1,668
Debt Service:				
0071 Principal on Long-Term Debt	-	49,650	45,416	4,234
0072 Interest on Long-Term Debt	-	20,350	18,470	1,880
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	6,000	-	-	-
6030 Total Expenditures	10,748,996	10,911,283	10,634,851	276,432
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(162,287)	363,048	525,335
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Capital Leases	-	-	260,483	260,483
1200 Net Change in Fund Balances	-	(162,287)	623,531	785,818
0100 Fund Balance - July 1 (Beginning)	5,098,790	5,098,790	5,098,790	-
3000 Fund Balance - June 30 (Ending)	\$ 5,098,790	\$ 4,936,503	\$ 5,722,321	\$ 785,818



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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.007463368%	0.008153312%	0.0080612%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,108,019	\$ 2,606,990	\$ 3,046,199
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,484,457	3,118,178	3,500,374
Total	<u>\$ 9,592,476</u>	<u>\$ 5,725,168</u>	<u>\$ 6,546,573</u>
District's Covered Payroll	\$ 7,380,686	\$ 7,262,587	\$ 6,754,138
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	55.66%	35.90%	45.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 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, 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 2015.

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0070268%		0.0044058%
\$	2,483,880	\$	1,176,851
	4,079,661		3,439,131
<u>\$ 6,563,541</u>		<u>\$ 4,615,982</u>	
\$	6,855,025	\$	6,383,347
	36.23%		18.44%
	78.43%		83.25%

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 229,823	\$ 213,753	\$ 267,416
Contribution in Relation to the Contractually Required Contribution	(229,823)	(213,753)	(267,416)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,463,043	\$ 6,116,308	\$ 7,262,587
Contributions as a Percentage of Covered Payroll	3.08%	3.49%	3.68%

Note: GASB 68, Paragraph 81 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 years.

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

<hr/>	
2016	2015
<hr/>	<hr/>
\$ 256,035	\$ 242,400
(256,035)	(242,400)
<hr/>	<hr/>
\$ -	\$ -
<hr/> <hr/>	<hr/> <hr/>
\$ 6,754,138	\$ 6,855,025
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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.010030918%	0.011556428%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,008,529	\$ 5,025,457
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	6,152,057	5,411,747
Total	<u>\$ 11,160,586</u>	<u>\$ 10,437,204</u>
District's Covered Payroll	\$ 7,380,686	\$ 7,262,587
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	67.86%	69.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 2019 are for the measurement date August 31, 2018 and 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 2019

	2019	2018
Contractually Required Contribution	\$ 60,101	\$ 58,507
Contribution in Relation to the Contractually Required Contribution	(60,101)	(58,507)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 7,463,043	\$ 6,116,308
Contributions as a Percentage of Covered Payroll	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, 2019

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

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

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

*Changes in Assumptions.*

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- 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.



## **COMBINING AND OTHER STATEMENTS**

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

Data Control Codes	205  Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 1,477
1220 Property Taxes - Delinquent	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-
1240 Due from Other Governments	-	85,060	71,942
1290 Other Receivables	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 85,060</u>	<u>\$ 73,419</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ 3,563	\$ 2,001
2160 Accrued Wages Payable	-	25,844	31,857
2170 Due to Other Funds	-	53,628	36,375
2200 Accrued Expenditures	-	2,025	3,186
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>-</u>	<u>85,060</u>	<u>73,419</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal Funds Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 85,060</u>	<u>\$ 73,419</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income
\$ -	\$ -	\$ 192,314	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,718	-	-	17,762	3,068	24,105	1,436	5,538
-	-	5,888	268	-	-	-	-
<u>\$ 3,718</u>	<u>\$ -</u>	<u>\$ 198,202</u>	<u>\$ 18,030</u>	<u>\$ 3,068</u>	<u>\$ 24,105</u>	<u>\$ 1,436</u>	<u>\$ 5,538</u>
\$ -	\$ -	\$ 61	\$ -	\$ -	\$ 8,449	\$ 1,436	\$ -
-	-	34,845	4,930	-	-	-	-
3,718	-	134	10,126	3,068	15,656	-	5,538
-	-	2,917	108	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,718</u>	<u>-</u>	<u>37,957</u>	<u>15,164</u>	<u>3,068</u>	<u>24,105</u>	<u>1,436</u>	<u>5,538</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	160,245	2,866	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>160,245</u>	<u>2,866</u>	-	-	-	-
<u>\$ 3,718</u>	<u>\$ -</u>	<u>\$ 198,202</u>	<u>\$ 18,030</u>	<u>\$ 3,068</u>	<u>\$ 24,105</u>	<u>\$ 1,436</u>	<u>\$ 5,538</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

Data Control Codes	289 ESEA Title IV Part A	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 193,791
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	8,118	34,147	-	254,894
1290 Other Receivables	-	-	-	6,156
1000 Total Assets	<u>\$ 8,118</u>	<u>\$ 34,147</u>	<u>\$ -</u>	<u>\$ 454,841</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 15,510
2160 Accrued Wages Payable	-	356	-	97,832
2170 Due to Other Funds	8,118	33,082	-	169,443
2200 Accrued Expenditures	-	-	-	8,236
2300 Unearned Revenue	-	709	-	709
2000 Total Liabilities	<u>8,118</u>	<u>34,147</u>	<u>-</u>	<u>291,730</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal Funds Restriction	-	-	-	163,111
3480 Retirement of Long-Term Debt	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,111</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,118</u>	<u>\$ 34,147</u>	<u>\$ -</u>	<u>\$ 454,841</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 760,232	\$ 954,023
46,060	46,060
(4,606)	(4,606)
9,333	264,227
-	6,156
<u>\$ 811,019</u>	<u>\$ 1,265,860</u>
\$ -	\$ 15,510
-	97,832
-	169,443
-	8,236
-	709
<u>-</u>	<u>291,730</u>
34,967	34,967
<u>34,967</u>	<u>34,967</u>
-	163,111
<u>776,052</u>	<u>776,052</u>
<u>776,052</u>	<u>939,163</u>
<u>\$ 811,019</u>	<u>\$ 1,265,860</u>

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	205  Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	116,850	377,789	379,090
5020 Total Revenues	<u>116,850</u>	<u>377,789</u>	<u>379,090</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	108,043	252,201	298,307
0012 Instructional Resources and Media Services	-	27,345	-
0013 Curriculum and Instructional Staff Development	-	-	130
0021 Instructional Leadership	-	61,911	660
0031 Guidance, Counseling and Evaluation Services	-	-	67,731
0034 Student (Pupil) Transportation	4	-	-
0035 Food Services	8,803	-	-
0041 General Administration	-	5,875	12,262
0052 Security and Monitoring Services	-	-	-
0053 Data Processing Services	-	-	-
0061 Community Services	-	30,457	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	-
0072 Interest on Long-Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
6030 Total Expenditures	<u>116,850</u>	<u>377,789</u>	<u>379,090</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income
\$ -	\$ -	\$ 32,024	\$ 1,704	\$ -	\$ -	\$ -	\$ -
-	-	3,994	-	-	-	-	-
8,593	10,000	836,940	18,616	3,068	43,554	1,436	5,538
8,593	10,000	872,958	20,320	3,068	43,554	1,436	5,538
8,593	-	-	-	3,068	69	1,436	5,538
-	-	-	-	-	-	-	-
-	-	-	-	-	41,837	-	-
-	-	-	-	-	778	-	-
-	10,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	731,448	17,454	-	-	-	-
-	-	-	-	-	870	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,593	10,000	731,448	17,454	3,068	43,554	1,436	5,538
-	-	141,510	2,866	-	-	-	-
-	-	18,735	-	-	-	-	-
\$ -	\$ -	\$ 160,245	\$ 2,866	\$ -	\$ -	\$ -	\$ -

NATALIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	289 ESEA Title IV Part A	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 33,728
5800 State Program Revenues	-	128,385	350	132,729
5900 Federal Program Revenues	12,098	-	-	1,813,572
5020 Total Revenues	<u>12,098</u>	<u>128,385</u>	<u>350</u>	<u>1,980,029</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	37	50,110	-	727,402
0012 Instructional Resources and Media Services	-	-	-	27,345
0013 Curriculum and Instructional Staff Development	11,047	-	350	53,364
0021 Instructional Leadership	-	-	-	63,349
0031 Guidance, Counseling and Evaluation Services	-	-	-	77,731
0034 Student (Pupil) Transportation	-	-	-	4
0035 Food Services	-	-	-	757,705
0041 General Administration	396	-	-	19,403
0052 Security and Monitoring Services	618	-	-	618
0053 Data Processing Services	-	78,275	-	78,275
0061 Community Services	-	-	-	30,457
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>12,098</u>	<u>128,385</u>	<u>350</u>	<u>1,835,653</u>
1200 Net Change in Fund Balance	-	-	-	144,376
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,735</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,111</u>



599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 252,265	\$ 285,993
146,563	279,292
-	1,813,572
398,828	2,378,857
-	727,402
-	27,345
-	53,364
-	63,349
-	77,731
-	4
-	757,705
-	19,403
-	618
-	78,275
-	30,457
331,000	331,000
28,712	28,712
450	450
360,162	2,195,815
38,666	183,042
737,386	756,121
\$ 776,052	\$ 939,163

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

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 138,541,060
2011	1.170000	0.234758	144,818,759
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 (School year under audit)	1.170000	0.109100	218,575,720
1000 TOTALS			

(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$ 92,168	\$ -	\$ 1,728	\$ 170	\$ (1,349)	\$ 88,921
6,893	-	117	25	-	6,751
6,173	-	255	41	(199)	5,678
6,780	-	474	74	(197)	6,035
11,301	-	2,233	334	(1)	8,733
20,951	-	3,262	525	(639)	16,525
33,124	-	9,620	1,155	(414)	21,935
63,973	-	18,469	1,781	(5,093)	38,630
184,553	-	88,566	9,772	(8,295)	77,920
-	2,795,802	2,355,645	219,601	(19,533)	201,023
<u>\$ 425,916</u>	<u>\$ 2,795,802</u>	<u>\$ 2,480,369</u>	<u>\$ 233,478</u>	<u>\$ (35,720)</u>	<u>\$ 472,151</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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 64,205	\$ 29,031	\$ 32,024	\$ 2,993
5800 State Program Revenues	4,000	3,994	3,994	-
5900 Federal Program Revenues	715,000	836,141	836,940	799
5020 Total Revenues	<u>783,205</u>	<u>869,166</u>	<u>872,958</u>	<u>3,792</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	768,376	778,376	731,448	46,928
0051 Facilities Maintenance and Operations	14,829	14,829	-	14,829
6030 Total Expenditures	<u>783,205</u>	<u>793,205</u>	<u>731,448</u>	<u>61,757</u>
1200 Net Change in Fund Balances	-	75,961	141,510	65,549
0100 Fund Balance - July 1 (Beginning)	<u>18,735</u>	<u>18,735</u>	<u>18,735</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 18,735</u>	<u>\$ 94,696</u>	<u>\$ 160,245</u>	<u>\$ 65,549</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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 251,769	\$ 251,769	\$ 252,265	\$ 496
5800 State Program Revenues	140,000	140,000	146,563	6,563
5020 Total Revenues	391,769	391,769	398,828	7,059
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	347,355	331,000	331,000	-
0072 Interest on Long-Term Debt	12,357	28,713	28,712	1
0073 Bond Issuance Cost and Fees	25,001	450	450	-
6030 Total Expenditures	384,713	360,163	360,162	1
1200 Net Change in Fund Balances	7,056	31,606	38,666	7,060
0100 Fund Balance - July 1 (Beginning)	737,386	737,386	737,386	-
3000 Fund Balance - June 30 (Ending)	\$ 744,442	\$ 768,992	\$ 776,052	\$ 7,060

## **FEDERAL SECTION**

# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

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### **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, 2019, 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 20, 2019.

#### **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 Hardin & Company, LLP*

Uvalde, Texas  
September 20, 2019

# COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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## 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, 2019. 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, 2019.

## 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 Hundt Company, LLP*

Uvalde, Texas  
September 20, 2019

NATALIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2019

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

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Control deficiency(ies) identified?      Yes   X   No

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

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified?      Yes   X   No

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?   X   Yes      No

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

**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, 2019

**Finding/Recommendation**

**2018-1**

Bank reconciliations were not performed in a timely manner.

**Current Status**

Bank reconciliations were performed in a timely manner.

NATALIA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2019

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

NATALIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101163903	\$ 55,331
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101163903	322,458
Total CFDA Number 84.010A			377,789
*IDEA - Part B, Formula	84.027	186600011639036600	236,856
*IDEA - Part B, Formula	84.027	196600011639036600	142,234
*IDEA - Part B, Discretionary	84.027	19660077163903	10,000
Total CFDA Number 84.027			389,090
*IDEA - Part B, Preschool	84.173	186610011639036610	4,875
*IDEA - Part B, Preschool	84.173	196610011639036610	3,718
Total CFDA Number 84.173			8,593
Total Special Education Cluster (IDEA)			397,683
Career and Technical - Basic Grant	84.048	19420006163903	3,068
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19696001163903	5,538
Title III, Part A - English Language Acquisition	84.365A	350442903	1,436
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501163903	43,554
ESEA, Title IV, Part A	84.424A	19680101163903	12,098
Total Passed Through State Department of Education			841,166
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			841,166
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	205457907	116,850
Total Passed Through State Department of Education			116,850
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			116,850
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	309,681
*National School Lunch Program - Cash Assistance	10.555	71301901	469,700
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	57,559
Total CFDA Number 10.555			527,259
*Summer Feeding Program - Cash Assistance	10.559		18,616
Total Child Nutrition Cluster			855,556
Total Passed Through the State Department of Agriculture			855,556
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			855,556
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,813,572

\*Clustered Programs

The above amounts do not include SHARS receipts of \$198,345, 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, 2019

- 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.