

NATALIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2023

**NATALIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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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, 2023 at a meeting of the Board of Trustees of such school district on the _____ of _____, 2023.

Signature of Board Secretary

Signature of Board President

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

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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 Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Natalia Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Natalia Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- * Exercise professional judgement and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit 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 Natalia Independent School District's internal controls. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Natalia Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of the District Contributions for Other Post-Employment Benefits on pages 7-12 and 48-56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB) 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 regulations of the State of Texas. This information is in exhibits identified in the Table of Contents as J-1, J-2, J-3, and J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of the Natalia Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Natalia Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Natalia Independent School District's internal control over financial reporting and compliance.

Coleman, Horton and Company, LLP

Uvalde, Texas
September 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the 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 the 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, 2023. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- * The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- * *Fiduciary fund* statements provide information about the financial relationships in which the District acts as a *custodian* for the benefit of others to whom the resources in question belong.

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- * *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- * *Fiduciary funds* - The District is the custodian, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Highlights

* The District’s combined net position was \$8,879,818 at June 30, 2023, an increase of \$920,159.

* During the year, the District's revenue was \$18,595,511 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Taxes	\$ 4,610,782	\$ 3,818,220	\$ 792,562
b) State aid	9,982,321	10,456,553	(474,232)
c) Federal aid	3,426,442	3,394,372	32,070
d) Investment earnings	181,770	17,398	164,372
e) Other	394,196	416,103	(21,907)
Total Revenues	<u>\$ 18,595,511</u>	<u>\$ 18,102,646</u>	<u>\$ 492,865</u>

* During the year the District's expenses were \$17,675,352 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Instruction and instructional related	\$ 8,577,071	\$ 7,849,424	\$ 727,647
b) Instruction leadership/school administration	1,083,000	982,027	100,973
c) Guidance, social work, health, transportation	1,211,798	1,126,317	85,481
d) Food services	1,006,775	920,693	86,082
e) Extracurricular activities	1,060,119	973,641	86,478
f) General administration	805,153	619,521	185,632
g) Plant maintenance and security	2,839,179	2,330,464	508,715
h) Data processing services	596,268	476,417	119,851
i) Community services	65,984	59,656	6,328
j) Debt service	422,477	449,204	(26,727)
k) Capital outlay	-	65,387	(65,387)
l) Shared service	7,528	6,051	1,477
Total Expenses	<u>\$ 17,675,352</u>	<u>\$ 15,858,802</u>	<u>\$ 1,816,550</u>

- * The General Fund reported a fund balance of \$5,500,270, a decrease of \$1,533,743.
- * The Debt Service Fund reported a fund balance of \$892,616, a decrease of \$128,795.
- * The District's combined net position was \$8,879,818 at June 30, 2023, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 9,221,345	\$ 10,861,416	\$ (1,640,071)
Capital and non-current assets	21,743,721	20,583,590	1,160,131
Total Assets	<u>\$ 30,965,066</u>	<u>\$ 31,445,006</u>	<u>\$ (479,940)</u>
Deferred resource outflow	<u>\$ 3,240,516</u>	<u>\$ 2,132,116</u>	<u>\$ 1,108,400</u>
Current liabilities	\$ 1,755,837	\$ 1,639,413	\$ 116,424
Long-term liabilities	18,556,826	18,146,345	410,481
Total Liabilities	<u>\$ 20,312,663</u>	<u>\$ 19,785,758</u>	<u>\$ 526,905</u>
Deferred resource inflow	<u>\$ 5,013,101</u>	<u>\$ 5,831,705</u>	<u>\$ (818,604)</u>
Net position:			
Net investment in capital assets	\$ 10,277,838	\$ 8,303,410	\$ 1,974,428
Restricted	1,649,047	1,604,278	44,769
Unrestricted	<u>(3,047,067)</u>	<u>(1,948,029)</u>	<u>(1,099,038)</u>
Total Net Position	<u>\$ 8,879,818</u>	<u>\$ 7,959,659</u>	<u>\$ 920,159</u>

- * Property tax rates increased by 1.26¢ for the past year. The tax base increased during the past year by \$56,295,042. The tax levy increased by \$755,543.
- * State aid decreased for the year by \$474,232.
- * Federal aid increased for the year by \$32,070.
- * The Capital Projects Fund was closed out during the year and the remaining \$17,501 was transferred to the General Fund.

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District at the end of fiscal year June 30, 2023, amounted to \$21,743,721. 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, construction in progress, and right-to-use lease assets, as reflected below:

District's Capital Assets

	Governmental Activities		
	Current Year	Prior Year	Change
Land	\$ 205,668	\$ 205,668	\$ -
Buildings and improvements	30,052,252	27,798,560	2,253,692
Equipment	4,026,753	4,316,194	(289,441)
Construction in progress	-	458,927	(458,927)
Right-to-use lease asset - furniture and equipment	260,483	260,483	-
Totals at historical cost	34,545,156	33,039,832	1,505,324
Total accumulated depreciation	(12,801,435)	(12,456,242)	(345,193)
Net capital assets	<u>\$ 21,743,721</u>	<u>\$ 20,583,590</u>	<u>\$ 1,160,131</u>

Long-term Liabilities

- * The District had scheduled bond retirements during the year of \$1,000,000.
- * Maintenance tax notes were retired for \$55,000.
- * Time warrant notes were reduced by \$62,000.
- * Right-to-use lease liabilities were reduced by \$58,584.

District's Long Term Debt

	Governmental Activities		
	Current Year	Prior Year	Change
Bonds payable	\$ 8,360,000	\$ 9,360,000	\$ (1,000,000)
Maintenance tax notes	1,735,000	1,790,000	(55,000)
Time warrant notes	877,000	939,000	(62,000)
Right to use lease liabilities	10,148	68,732	(58,584)
Unamortized bond premium/discount	483,735	501,244	(17,509)
Totals	<u>\$ 11,465,883</u>	<u>\$ 12,658,976</u>	<u>\$ (1,193,093)</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 \$572,272 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Additionally, resources available were \$11,325 below 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, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,083,743
1120 Current Investments	4,197,722
1220 Property Taxes - Delinquent	511,921
1230 Allowance for Uncollectible Taxes	(51,192)
1240 Due from Other Governments	2,479,151
Capital Assets:	
1510 Land	205,668
1520 Buildings, Net	20,692,276
1530 Furniture and Equipment, Net	845,777
1000 Total Assets	30,965,066
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	2,246,135
1706 Deferred Outflow Related to TRS OPEB	994,381
1700 Total Deferred Outflows of Resources	3,240,516
LIABILITIES	
2110 Accounts Payable	167,782
2140 Interest Payable	137,962
2150 Payroll Deductions and Withholdings	60,676
2160 Accrued Wages Payable	1,108,507
2180 Due to Other Governments	128,290
2200 Accrued Expenses	117,910
2300 Unearned Revenue	34,710
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	429,148
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	11,036,735
2540 Net Pension Liability (District's Share)	4,710,013
2545 Net OPEB Liability (District's Share)	2,380,930
2000 Total Liabilities	20,312,663
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	617,519
2606 Deferred Inflow Related to TRS OPEB	4,395,582
2600 Total Deferred Inflows of Resources	5,013,101
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	10,277,838
Restricted:	
3820 Restricted for Federal and State Programs	756,431
3850 Restricted for Debt Service	892,616
3900 Unrestricted	(3,047,067)
3000 Total Net Position	\$ 8,879,818

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, 2023

Net (Expense)
Revenue and
Changes in Net
Position

Primary Gov.
Governmental
Activities

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 8,004,100	\$ 12,858	\$ 1,358,798	\$ (6,632,444)
12	Instructional Resources and Media Services	134,718	-	-	(134,718)
13	Curriculum and Instructional Staff Development	438,253	-	94,335	(343,918)
21	Instructional Leadership	173,889	-	-	(173,889)
23	School Leadership	909,111	-	24,724	(884,387)
31	Guidance, Counseling, and Evaluation Services	453,427	-	50,128	(403,299)
33	Health Services	169,772	-	32,742	(137,030)
34	Student (Pupil) Transportation	588,599	1,102	5,769	(581,728)
35	Food Services	1,006,775	44,362	1,103,089	140,676
36	Extracurricular Activities	1,060,119	202,249	144,759	(713,111)
41	General Administration	805,153	-	-	(805,153)
51	Facilities Maintenance and Operations	2,614,846	33,712	470,857	(2,110,277)
52	Security and Monitoring Services	224,333	-	60,263	(164,070)
53	Data Processing Services	596,268	367	83,350	(512,551)
61	Community Services	65,984	-	7,500	(58,484)
72	Debt Service - Interest on Long-Term Debt	408,548	-	-	(408,548)
73	Debt Service - Bond Issuance Cost and Fees	13,929	-	-	(13,929)
93	Payments Related to Shared Services Arrangements	7,528	-	-	(7,528)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 17,675,352	\$ 294,650	\$ 3,436,314	(13,944,388)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	3,416,228
DT	Property Taxes, Levied for Debt Service	1,194,554
SF	State Aid - Formula Grants	9,558,339
GC	Grants and Contributions not Restricted	414,110
IE	Investment Earnings	181,770
MI	Miscellaneous Local and Intermediate Revenue	99,546
TR	Total General Revenues	14,864,547
CN	Change in Net Position	920,159
NB	Net Position - Beginning	7,959,659
NE	Net Position - Ending	\$ 8,879,818

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

NATALIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 808,712	\$ 361,294	\$ 913,737	\$ 2,083,743
1120 Investments - Current	3,560,663	626,713	10,346	4,197,722
1220 Property Taxes - Delinquent	397,541	114,380	-	511,921
1230 Allowance for Uncollectible Taxes	(39,754)	(11,438)	-	(51,192)
1240 Due from Other Governments	1,622,128	14,043	842,980	2,479,151
1260 Due from Other Funds	662,004	-	-	662,004
1000 Total Assets	<u>\$ 7,011,294</u>	<u>\$ 1,104,992</u>	<u>\$ 1,767,063</u>	<u>\$ 9,883,349</u>
LIABILITIES				
2110 Accounts Payable	\$ 137,585	\$ -	\$ 30,197	\$ 167,782
2150 Payroll Deductions and Withholdings Payable	60,676	-	-	60,676
2160 Accrued Wages Payable	815,836	-	292,671	1,108,507
2170 Due to Other Funds	122,380	-	539,624	662,004
2180 Due to Other Governments	-	128,290	-	128,290
2200 Accrued Expenditures	73,532	-	44,378	117,910
2300 Unearned Revenue	-	-	34,710	34,710
2000 Total Liabilities	<u>1,210,009</u>	<u>128,290</u>	<u>941,580</u>	<u>2,279,879</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	301,015	84,086	-	385,101
2600 Total Deferred Inflows of Resources	<u>301,015</u>	<u>84,086</u>	<u>-</u>	<u>385,101</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	756,431	756,431
3480 Retirement of Long-Term Debt	-	892,616	-	892,616
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	69,052	69,052
3600 Unassigned Fund Balance	5,500,270	-	-	5,500,270
3000 Total Fund Balances	<u>5,500,270</u>	<u>892,616</u>	<u>825,483</u>	<u>7,218,369</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,011,294</u>	<u>\$ 1,104,992</u>	<u>\$ 1,767,063</u>	<u>\$ 9,883,349</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, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,218,369
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,039,832 and the accumulated depreciation was \$(12,456,242). In addition, long-term debt liabilities of \$(12,157,732), 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.		8,425,858
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays of \$2,079,223 and debt principal payments of \$1,175,584, is to increase net position.		3,254,807
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$(4,710,013), a deferred resource inflow in the amount of \$(617,519) and a deferred resource outflow in the amount of \$2,246,135. The net effect of these recognitions is to decrease net position.		(3,081,397)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(2,380,930), a deferred resource inflow in the amount of \$(4,395,582), and a deferred resource outflow in the amount of \$994,381. The net effect of these recognitions is to decrease net position.		(5,782,131)
5 The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(915,715)
6 Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property tax receivable of \$385,101 as revenue, bond and debt premiums of \$(483,735), and recognizing the liabilities associated with maturing long-term debt interest of \$(137,962), and the remaining basis of capital assets removed of \$(3,377). The net effect of these reclassifications and recognitions is to decrease net position.		(239,973)
19 Net Position of Governmental Activities	\$	8,879,818

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, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,725,757	\$ 1,224,444	\$ 154,730	\$ 5,104,931
5800 State Program Revenues	10,188,768	(127)	190,265	10,378,906
5900 Federal Program Revenues	180,393	-	3,246,049	3,426,442
5020 Total Revenues	<u>14,094,918</u>	<u>1,224,317</u>	<u>3,591,044</u>	<u>18,910,279</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,489,676	-	1,358,798	7,848,474
0012 Instructional Resources and Media Services	123,403	-	-	123,403
0013 Curriculum and Instructional Staff Development	371,198	-	94,335	465,533
0021 Instructional Leadership	168,098	-	-	168,098
0023 School Leadership	897,173	-	24,724	921,897
0031 Guidance, Counseling, and Evaluation Services	407,147	-	50,128	457,275
0033 Health Services	145,780	-	32,742	178,522
0034 Student (Pupil) Transportation	574,668	-	5,769	580,437
0035 Food Services	7,795	-	975,668	983,463
0036 Extracurricular Activities	1,062,629	-	235,287	1,297,916
0041 General Administration	788,123	-	-	788,123
0051 Facilities Maintenance and Operations	2,290,388	-	470,857	2,761,245
0052 Security and Monitoring Services	178,306	-	60,263	238,569
0053 Data Processing Services	605,183	-	83,350	688,533
0061 Community Services	63,851	-	7,500	71,351
Debt Service:				
0071 Principal on Long-Term Liabilities	175,584	280,000	-	455,584
0072 Interest on Long-Term Liabilities	101,145	326,500	-	427,645
0073 Bond Issuance Cost and Fees	400	13,529	-	13,929
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,188,087	-	367,944	1,556,031
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	7,528	-	-	7,528
6030 Total Expenditures	<u>15,646,162</u>	<u>620,029</u>	<u>3,767,365</u>	<u>20,033,556</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,551,244)</u>	<u>604,288</u>	<u>(176,321)</u>	<u>(1,123,277)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	17,501	-	-	17,501
8911 Transfers Out (Use)	-	-	(17,501)	(17,501)
8949 Other (Uses)	-	(733,083)	-	(733,083)
7080 Total Other Financing Sources (Uses)	<u>17,501</u>	<u>(733,083)</u>	<u>(17,501)</u>	<u>(733,083)</u>
1200 Net Change in Fund Balances	(1,533,743)	(128,795)	(193,822)	(1,856,360)
0100 Fund Balance - July 1 (Beginning)	<u>7,034,013</u>	<u>1,021,411</u>	<u>1,019,305</u>	<u>9,074,729</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 5,500,270</u>	<u>\$ 892,616</u>	<u>\$ 825,483</u>	<u>\$ 7,218,369</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, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,856,360)
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 2023 capital outlays of \$2,079,223 and debt principal payments of \$1,175,584, is to increase net position.	3,254,807
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.	(915,715)
The reporting of GASB 68 for the current year increased revenue by \$165,412 but also increased expense by \$(350,000). The result of these items is to decrease net position.	(184,588)
The reporting of GASB 75 for the current year reduced revenue by \$(561,997) and decreased expenses by \$1,070,015. The result of these items is to increase net position.	508,018
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 \$85,194, recognizing the change in liabilities associated with maturing long-term debt interest of \$14,671, bond premium amortization of \$17,509 and removing the basis of assets disposed of in the amount of (\$3,377). The net effect of these reclassifications and recognitions is to increase net position.	113,997
Change in Net Position of Governmental Activities	\$ 920,159

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, 2023

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 5,171
Investments - Current	<u>21,830</u>
Total Assets	<u>27,001</u>
LIABILITIES	
Accounts Payable	<u>2,139</u>
Total Liabilities	<u>2,139</u>
NET POSITION	
Restricted for Campus Activities	<u>24,862</u>
Total Net Position	<u><u>\$ 24,862</u></u>

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

NATALIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS:	
Enterprising Services Revenue	\$ 64,264
Total Additions	64,264
DEDUCTIONS:	
Professional and Contracted Services	500
Supplies and Materials	53,059
Other Deductions	16,546
Total Deductions	70,105
Change in Fiduciary Net Position	(5,841)
Total Net Position - July 1 (Beginning)	30,703
Total Net Position - June 30 (Ending)	\$ 24,862

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

NATALIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Fair Value. The District applies *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 is elected by the public and 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 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 District’s 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. One example includes 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 Net 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. This basis of accounting recognizes revenue in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Fiduciary funds include Custodial Funds. Data from fiduciary funds are not included in the government-wide statements.

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. **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 the Debt Service 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. **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 the Capital Projects Fund.

Fiduciary Funds:

5. **Custodial Funds** - The District accounts for resources held for others in a custodial capacity in Custodial Funds. These funds are used to account for assets held by the District as a custodian for student and other organizations. The District's Custodial Fund is the Student Activity Account.

E. FUND BALANCE POLICY

The 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 intact" 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. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board 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 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	\$	708,995
Summer Feeding		47,436
Debt Service		892,616
Capital Projects		<u>-</u>
Total Restricted		1,649,047
Committed		69,052
Unassigned		<u>5,500,270</u>
Total Fund Balances	\$	<u><u>7,218,369</u></u>

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

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments at fair value.
3. Unearned revenue accounted for on the balance sheet of the General Fund relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) 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 statement of net position. Bond premiums and discounts 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. The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time, in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize 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 resources 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. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

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, and right-to-use lease assets are reported in the applicable governmental columns 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.

Right-to-use lease assets are also reported in the applicable governmental column in the government-wide financial statements. Capitalization of right-to-use lease assets is determined by the significance of total future financial obligations for the lease when measured at inception of the lease term. The term of the lease must be the noncancelable period during which the District has the right to use the tangible asset(s) of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made.

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, and lease assets of the District are depreciated using the straight-line method over the following estimated useful lives or, for the lease asset, for the term of the lease if the estimated useful life is longer than the term of the lease, if there is an option to purchase, which is expected to be exercised:

<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 database 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 District’s deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension & OPEB), change in proportion and differences between employer’s contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).
12. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the Balance Sheet for governmental funds. They are not reported in this category on the government-wide Statement of Net Position. In the government-wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), and changes in proportion and differences between employer’s contributions and the proportionate share of contributions (pension & OPEB).

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board 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 Exhibits 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, 2023	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service and Summer Feeding Special Revenue Fund	\$ 756,431
Nonappropriated Budget Funds	<u>69,052</u>
All Special Revenue Funds	<u><u>\$ 825,483</u></u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

As of June 30, 2023, the District had funds on deposit of \$1,782,255 in excess of FDIC coverage, secured by pledged securities of the depository bank.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**, Government Code Chapter 2256, (the Act) 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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated no 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 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. The District is in substantial compliance with the requirements of the Act and with local policies.

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

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

As of June 30, 2023, the District had the following investments:

<u>Investment Type and Description</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Texpool Investment Pool			
Texpool Prime	AAAm	N/A	\$ 4,219,552
Total Investments			<u>\$ 4,219,552</u>

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

Texpool

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

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

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

Additional policies and contractual provisions governing deposits and investments of the 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, 2023, the District's investments were limited to investment pools.

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

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

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

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

Fair Value Measurements

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

<u>Investments at Fair Value</u>	<u>Fair Value</u>	<u>Fair Value Measurement Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Public Funds Investment Pool	\$ 4,219,552	\$ -	\$ 4,219,552	\$ -
Total Investments, at Fair Value	<u>\$ 4,219,552</u>	<u>\$ -</u>	<u>\$ 4,219,552</u>	<u>\$ -</u>

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 30 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES/TRANSFERS

Interfund balances at June 30, 2023, consisted of the following amounts:

Due to General Fund From:

Intrafund	\$ 122,380
Special Revenue Fund	<u>539,624</u>
Total Due to General Fund	<u><u>\$ 662,004</u></u>

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

Interfund transfers at June 30, 2023, consisted of the following amounts:

Transfer to General Fund From:

Capital Projects Fund	<u>\$ 17,501</u>
Total Transfer to General Fund	<u><u>\$ 17,501</u></u>

Capital projects transferred the residual fund balance to close the fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2023, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 397,541	\$ 1,622,128	\$ 662,004	\$ -	\$ 2,681,673
Debt Service Fund	114,380	14,043	-	-	128,423
Nonmajor Governmental Funds	<u>-</u>	<u>842,980</u>	<u>-</u>	<u>-</u>	<u>842,980</u>
Total Governmental Activities	<u>\$ 511,921</u>	<u>\$ 2,479,151</u>	<u>\$ 662,004</u>	<u>\$ -</u>	<u>\$ 3,653,076</u>
Amount not scheduled for collection during the subsequent year	<u>\$ 51,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,192</u>

Payables at June 30, 2023, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 137,585	\$ 950,044	\$ 122,380	\$ -	\$ 1,210,009
Debt Service Fund	-	-	-	128,290	128,290
Nonmajor Governmental Funds	<u>30,197</u>	<u>337,049</u>	<u>539,624</u>	<u>-</u>	<u>906,870</u>
Total Governmental Activities	<u>\$ 167,782</u>	<u>\$ 1,287,093</u>	<u>\$ 662,004</u>	<u>\$ 128,290</u>	<u>\$ 2,245,169</u>
Amount not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 205,668	\$ -	\$ -	\$ 205,668
Buildings and improvements	27,798,560	2,253,692	-	30,052,252
Equipment	4,316,194	284,457	(573,898)	4,026,753
Construction in progress	458,927	1,437,858	(1,896,785)	-
Right to use lease assets - furniture & equipment	260,483	-	-	260,483
Total at historical cost	<u>33,039,832</u>	<u>3,976,007</u>	<u>(2,470,683)</u>	<u>34,545,156</u>
Less accumulated depreciation				
Buildings and improvements	(8,700,662)	(659,315)	-	(9,359,977)
Equipment	(3,547,192)	(204,305)	570,522	(3,180,975)
Right to use lease assets - furniture & equipment	(208,388)	(52,095)	-	(260,483)
Total accumulated depreciation	<u>(12,456,242)</u>	<u>(915,715)</u>	<u>570,522</u>	<u>(12,801,435)</u>
Governmental activities capital assets, net	<u>\$ 20,583,590</u>	<u>\$ 3,060,292</u>	<u>\$ (1,900,161)</u>	<u>\$ 21,743,721</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 531,115
Instructional resources & media services	18,314
Instructional leadership	18,314
School leadership	54,943
Guidance and counseling	27,471
Student (pupil) transportation	45,786
Food services	73,257
General administration	36,629
Plant maintenance and operations	100,729
Data processing	<u>9,157</u>
Total depreciation expense	<u>\$ 915,715</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 3.00% to 5.00%.

A summary of changes in bonds payable for the year ended June 30, 2023, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2022	Issued	Retired/Refunded	Amounts Outstanding 6/30/2023	Amounts due within one year
Unlimited Tax School Building Series 2019	3.00% - 5.00%	10,380,000	\$ 326,500	\$ 9,360,000	\$ -	\$ 1,000,000	\$ 8,360,000	\$ 295,000
Totals			\$ 326,500	\$ 9,360,000	\$ -	\$ 1,000,000	\$ 8,360,000	\$ 295,000

On May 4, 2023, the District deposited \$746,613 of its existing resources with an escrow agent in trust for the defeasance of \$720,000 of bonds from its Unlimited Tax School Building Bonds, Series 2019 that mature on February 15, 2044. By placing the funds in trust with the escrow agent, the District looks to exercise the call date of February 15, 2028. Total debt service to maturity of the bonds amounts to \$1,161,900 and total debt service to the call date amounts to \$828,000, for a total cash flow savings to the District of \$415,288. As a result, those portions of the bonds refunded were considered defeased and the liability for those bonds has been removed from the District's long-term debt account group.

On May 5, 2022, the District deposited \$265,362 of its existing resources with an escrow agent in trust for the defeasance of \$260,000 of bonds from its Unlimited Tax School Building Bonds, Series 2019 that mature on February 15, 2044. By placing the funds in trust with the escrow agent, the District looks to exercise the call date of February 15, 2028. Total debt service to maturity of the bonds amounts to \$431,600 and total debt service to the call date amounts to \$306,800, for a total cash flow savings to the District of \$154,969. As a result, those portions of the bonds refunded were considered defeased and the liability for those bonds has been removed from the District's long-term debt account group.

Debt service requirements are as follows:

Year Ending June 30,	General Obligations		Total Requirements
	Principal	Interest	
2024	\$ 295,000	\$ 290,900	\$ 585,900
2025	310,000	276,150	586,150
2026	325,000	260,650	585,650
2027	340,000	244,400	584,400
2028	360,000	227,400	587,400
2029-2033	2,025,000	899,550	2,924,550
2034-2038	2,360,000	568,200	2,928,200
2039-2043	2,155,000	192,600	2,347,600
2044-2045	190,000	-	190,000
Total	\$ 8,360,000	\$ 2,959,850	\$ 11,319,850

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, 2023.

H. LONG-TERM DEBT – NOTES AND TIME WARRANTS

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

Date of Issue Maturity	Purpose and Lawful Authority	Fund Payable From	Interest Rate	Loan Amount	Current Year Interest	Amounts Outstanding 7/1/2022	Issued Current Year	Retired Current Year	Amounts Outstanding 6/30/2023	Amounts due within one year
12/18		General	3.00%	-						
11/23	45.108	Fund	5.00%	\$ 1,900,000	\$ 75,012	\$ 1,790,000	\$ -	\$ 55,000	\$ 1,735,000	\$ 60,000
4/21		General								
6/35	45.108	Fund	2.49%	1,000,000	23,381	939,000	-	62,000	877,000	64,000
		Total			\$ 98,393	\$ 2,729,000	\$ -	\$ 117,000	\$ 2,612,000	\$ 124,000

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

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 124,000	\$ 93,975	\$ 217,975
2025	130,000	89,256	219,256
2026	142,000	841,338	983,338
2027	154,000	78,469	232,469
2028	165,000	72,251	237,251
2029-2033	953,000	262,640	1,215,640
2034-2038	944,000	84,988	1,028,988
2039	-	-	-
Total	\$ 2,612,000	\$ 1,522,917	\$ 4,134,917

I. RIGHT-TO-USE LEASE LIABILITIES PAYABLE

The District leases photocopy machines with an agreement having a 5-year term. Payments of \$5,116 are made monthly which consist of principal and interest of 6.60%. No assets were pledged as collateral for this lease.

A summary of Right-to-Use Lease arrangements for the year ended June 30, 2023, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2022	Issued	Retired	Amounts Outstanding 6/30/2023	Amounts due within one year
Copier Lease	6.60%	\$ 260,483	\$ 2,811	\$ 68,732	\$ -	\$ 58,584	\$ 10,148	\$ 10,148
Totals			\$ 2,811	\$ 68,732	\$ -	\$ 58,584	\$ 10,148	\$ 10,148

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 10,148	\$ 85	\$ 10,233
2025	-	-	-
2026	-	-	-
Thereafter	-	-	-
Total	<u>\$ 10,148</u>	<u>\$ 85</u>	<u>\$ 10,233</u>

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Additions	Retired/ Refunded	Balance 6/30/2023	Due Within One Year
Governmental Activities:					
Bonds	\$ 9,360,000	\$ -	\$ 1,000,000	\$ 8,360,000	\$ 295,000
Net Issuance Premium	437,267	-	13,510	423,757	-
Total Bonds Payable	<u>9,797,267</u>	<u>-</u>	<u>1,013,510</u>	<u>8,783,757</u>	<u>295,000</u>
Loans Payable	2,729,000	-	117,000	2,612,000	124,000
Net Issuance Premium	63,977	-	3,998	59,979	-
Total Loans Payable	<u>2,792,977</u>	<u>-</u>	<u>120,998</u>	<u>2,671,979</u>	<u>124,000</u>
Right-to-use lease liabilities	68,732	-	58,584	10,148	10,148
Total	<u>\$ 12,658,976</u>	<u>\$ -</u>	<u>\$ 1,193,092</u>	<u>\$ 11,465,884</u>	<u>\$ 429,148</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. The Natalia Independent School District provides up to an additional seven days leave with substitute reimbursement above the state granted five days per year. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

L. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing, multiple-employer defined benefit pension plan 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 workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

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

Texas Government Code, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

Contributions Rates		
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
District's 2023 FY Employer Contributions		\$ 415,152
District's 2023 FY Member Contributions		\$ 737,872
Measurement Year NECE On-Behalf Contributions		\$ 446,470

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

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

- * On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- * During a new member's first 90 days of employment.
- * When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source, from non-educational and general, or local funds.

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

- * All public schools, charter schools, and regional educational service centers must contribute 1.75 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- * When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions.

Roll Forward. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91%. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad-Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability assumptions are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022, are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Expected Return	100%		8.19%

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

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

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$7,326,995	\$4,710,013	\$2,588,827

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$4,710,013 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 4,710,013
State's proportionate share that is associated with the District	<u>5,680,262</u>
	<u>\$ 10,390,275</u>

The net pension liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0079336656% which was an increase of 0.0005990955% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended June 30, 2023, the District recognized pension expense of \$542,969 and revenue of \$542,969 for support provided by the State in the Government-Wide Statement of Activities.

At June 30, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 68,295	\$ 102,687
Changes in actuarial assumptions	877,629	218,730
Net difference between projected and actual investment earnings	465,334	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	483,285	296,102
Contributions paid to TRS subsequent to the measurement date	351,592	-
Total	\$ 2,246,135	\$ 617,519

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

Measurement year ended August 31:	Pension Expense Amount
2023	\$ 298,646
2024	165,648
2025	74,442
2026	616,894
2027	121,394
Thereafter	-

M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board of Trustees may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

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

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

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

TRS-Care Monthly Premium Rates

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

*or surviving spouse

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contributions Rates

	<u>2022</u>	<u>2023</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 2023 FY Employer Contributions		\$ 78,330
District's 2023 FY Member Contributions		\$ 59,953
Measurement Year NECE On-Behalf Contributions		\$ 99,627

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 \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

Actuarial Assumptions.

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021, TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05% including inflation
Ad-Hoc Post-Employment Benefit Changes	None

Discount Rate. A single discount rate of 3.91 percent was used to measure the total OPEB liability. There was an increase of 1.96 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2022, using the fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	\$2,807,305	\$2,380,930	\$2,035,511

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$1,961,897	\$2,380,930	\$2,924,152

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the District reported a liability of \$2,380,930 for its proportionate share of the TRS Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the Net OPEB Liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,380,930
State's proportionate share that is associated with the District	2,904,360
Total	<u>\$ 5,285,290</u>

The Net OPEB Liability was measured as of August 31, 2021, and rolled forward to August 31, 2022, 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, 2021, thru August 31, 2022.

At August 31, 2022, the employer's proportion of the collective Net OPEB Liability was 0.0099437405% compared to 0.0093831869% as of August 31, 2021.

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

1. The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. The change decreased the Total OPEB Liability.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$412,152 and revenue of \$412,152 for support provided by the State.

At June 30, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 132,371	\$ 1,983,528
Changes in actuarial assumptions	362,663	1,654,128
Net difference between projected and actual investment earnings	7,092	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	422,169	757,926
Contributions paid to TRS subsequent to the measurement date	70,086	-
Total	\$ 994,381	\$ 4,395,582

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

Year ended August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2024	\$ (695,659)	\$ (2,775,628)
2025	(695,635)	(2,079,993)
2026	(594,666)	(1,485,327)
2027	(457,974)	(1,027,353)
2028	(400,326)	(627,027)
Thereafter	(627,027)	-

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 of the Natalia Independent School District for fiscal years 2021, 2022 and 2023 were \$38,746, \$27,101, and \$47,956, 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, 2023, 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.

The 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.

P. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2023, 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:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 1,581,583	\$ -	\$ 40,545	\$ 1,622,128
Debt Service Fund	-	-	14,043	14,043
Non-Major Funds	<u>63,296</u>	<u>779,684</u>	<u>-</u>	<u>842,980</u>
Total	<u>\$ 1,644,879</u>	<u>\$ 779,684</u>	<u>\$ 54,588</u>	<u>\$ 2,479,151</u>

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 3,349,706	\$ -	\$ 1,167,663	\$ -	\$ 4,517,369
Penalties, Interest and					
Other Tax-related income	63,672	-	19,941	-	83,613
Investment Income	134,980	3,302	36,840	6,649	181,771
Rent	36,737	-	-	-	36,737
Insurance Recovery	27,529	-	-	-	27,529
Food Sales	-	44,362	-	-	44,362
Co-curricular Student Activities	81,258	100,417	-	-	181,675
Other	31,875	-	-	-	31,875
 Total	 <u>\$ 3,725,757</u>	 <u>\$ 148,081</u>	 <u>\$ 1,224,444</u>	 <u>\$ 6,649</u>	 <u>\$ 5,104,931</u>

R. SUBSEQUENT EVENTS

On August 21, 2023, the District passed a resolution providing for the defeasance and calling for redemption of certain portions of currently outstanding bond obligations and other matters in connection therewith. The District will make a cash contribution in fiscal year 2023-2024 for the defeasance based on excess tax collections during the year, therefore the amount is undetermined as of the date of this report.

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, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,540,508	\$ 3,716,562	\$ 3,725,757	\$ 9,195
5800 State Program Revenues	9,868,539	10,224,681	10,188,768	(35,913)
5900 Federal Program Revenues	165,000	165,000	180,393	15,393
5020 Total Revenues	13,574,047	14,106,243	14,094,918	(11,325)
EXPENDITURES:				
Current:				
0011 Instruction	6,642,475	6,787,113	6,489,676	297,437
0012 Instructional Resources and Media Services	123,350	133,350	123,403	9,947
0013 Curriculum and Instructional Staff Development	312,692	387,192	371,198	15,994
0021 Instructional Leadership	222,615	177,615	168,098	9,517
0023 School Leadership	852,397	911,397	897,173	14,224
0031 Guidance, Counseling, and Evaluation Services	338,296	418,296	407,147	11,149
0033 Health Services	111,999	155,999	145,780	10,219
0034 Student (Pupil) Transportation	569,669	591,531	574,668	16,863
0035 Food Services	-	10,000	7,795	2,205
0036 Extracurricular Activities	897,791	1,106,693	1,062,629	44,064
0041 General Administration	651,879	827,119	788,123	38,996
0051 Facilities Maintenance and Operations	1,778,485	2,306,595	2,290,388	16,207
0052 Security and Monitoring Services	129,725	212,268	178,306	33,962
0053 Data Processing Services	588,648	615,348	605,183	10,165
0061 Community Services	62,131	71,131	63,851	7,280
Debt Service:				
0071 Principal on Long-Term Liabilities	167,000	180,000	175,584	4,416
0072 Interest on Long-Term Liabilities	113,395	113,395	101,145	12,250
0073 Bond Issuance Cost and Fees	500	500	400	100
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,201,892	1,188,087	13,805
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	11,000	11,000	7,528	3,472
6030 Total Expenditures	13,574,047	16,218,434	15,646,162	572,272
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,112,191)	(1,551,244)	560,947
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	17,501	17,501	-
1200 Net Change in Fund Balances	-	(2,094,690)	(1,533,743)	560,947
0100 Fund Balance - July 1 (Beginning)	7,034,013	7,034,013	7,034,013	-
3000 Fund Balance - June 30 (Ending)	\$ 7,034,013	\$ 4,939,323	\$ 5,500,270	\$ 560,947

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.007933666%	0.00733457%	0.006566995%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,710,013	\$ 1,867,855	\$ 3,517,148
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,680,262	2,504,451	5,276,280
Total	<u>\$ 10,390,275</u>	<u>\$ 4,372,306</u>	<u>\$ 8,793,428</u>
District's Covered Payroll	\$ 8,716,369	\$ 7,988,757	\$ 7,508,442
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	54.04%	23.38%	46.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.007600481%	0.007463368%	0.008153312%	0.0080612%	0.0070268%	0.0044058%
\$ 3,950,968	\$ 4,108,019	\$ 2,606,990	\$ 3,046,199	\$ 2,483,880	\$ 1,176,851
4,838,021	5,484,457	3,118,178	3,500,374	4,079,661	3,439,131
<u>\$ 8,788,989</u>	<u>\$ 9,592,476</u>	<u>\$ 5,725,168</u>	<u>\$ 6,546,573</u>	<u>\$ 6,563,541</u>	<u>\$ 4,615,982</u>
\$ 7,445,194	\$ 7,380,686	\$ 7,262,587	\$ 6,754,138	\$ 6,855,025	\$ 6,383,347
53.07%	55.66%	35.90%	45.10%	36.23%	18.44%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 370,446	\$ 354,489	\$ 310,637
Contribution in Relation to the Contractually Required Contribution	(370,446)	(354,489)	(310,637)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 9,223,399	\$ 8,591,103	\$ 7,869,075
Contributions as a Percentage of Covered Payroll	4.50%	4.13%	3.95%

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

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

	2020	2019	2018	2017	2016	2015
\$	287,315	\$ 229,823	\$ 213,753	\$ 267,416	\$ 256,035	\$ 242,400
	(287,315)	(229,823)	(213,753)	(267,416)	(256,035)	(242,400)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	7,520,604	\$ 7,463,043	\$ 6,116,308	\$ 7,262,587	\$ 6,754,138	\$ 6,855,025
	3.82%	3.08%	3.49%	3.68%	3.79%	3.54%

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.00994374%	0.009383187%	0.009122714%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,380,930	\$ 3,619,514	\$ 3,467,955
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	2,904,360	4,849,343	4,660,101
Total	<u>\$ 5,285,290</u>	<u>\$ 8,468,857</u>	<u>\$ 8,128,056</u>
District's Covered Payroll	\$ 8,716,369	\$ 7,988,757	\$ 7,508,442
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	27.32%	45.31%	46.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.009425083%	0.010030918%	0.011556428%
\$ 4,457,238	\$ 5,008,529	\$ 5,025,457
5,922,671	6,152,057	5,411,747
<u>\$ 10,379,909</u>	<u>\$ 11,160,586</u>	<u>\$ 10,437,204</u>
\$ 7,445,194	\$ 7,380,686	\$ 7,262,587
59.87%	67.86%	69.20%
2.66%	1.57%	0.91%

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 78,330	\$ 80,302	\$ 72,580
Contribution in Relation to the Contractually Required Contribution	(78,330)	(80,302)	(72,580)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 9,223,399	\$ 8,591,103	\$ 7,869,075
Contributions as a Percentage of Covered Payroll	0.85%	0.93%	0.92%

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.

	2020	2019	2018
\$	73,666	\$ 60,101	\$ 58,507
	(73,666)	(60,101)	(58,507)
\$	-	\$ -	\$ -
\$	7,520,604	\$ 7,463,043	\$ 6,116,308
	0.98%	0.81%	0.96%

NATALIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

- * The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

COMBINING AND OTHER STATEMENTS

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 21,473	\$ -
1120 Investments - Current	-	-	-	-
1240 Due from Other Governments	91,790	204,809	73,336	-
1000 Total Assets	<u>\$ 91,790</u>	<u>\$ 204,809</u>	<u>\$ 94,809</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	38,793	86,863	82,803	-
2170 Due to Other Funds	48,358	105,373	-	-
2200 Accrued Expenditures	4,639	12,573	12,006	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>91,790</u>	<u>204,809</u>	<u>94,809</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 91,790</u>	<u>\$ 204,809</u>	<u>\$ 94,809</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	289 Title IV Part A Subpart I
\$ 754,551	\$ 34,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,900
-	-	-	-	-	-	-	-
-	12,455	23,623	45,690	305,247	-	-	22,734
<u>\$ 754,551</u>	<u>\$ 47,436</u>	<u>\$ 23,623</u>	<u>\$ 45,690</u>	<u>\$ 305,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,634</u>
\$ 938	\$ -	\$ 190	\$ -	\$ 21,943	\$ -	\$ -	\$ -
35,433	-	-	-	46,763	-	-	2,016
-	-	23,433	45,690	230,740	-	-	22,734
9,185	-	-	-	5,801	-	-	174
-	-	-	-	-	-	-	34,710
<u>45,556</u>	<u>-</u>	<u>23,623</u>	<u>45,690</u>	<u>305,247</u>	<u>-</u>	<u>-</u>	<u>59,634</u>
708,995	47,436	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>708,995</u>	<u>47,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 754,551</u>	<u>\$ 47,436</u>	<u>\$ 23,623</u>	<u>\$ 45,690</u>	<u>\$ 305,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,634</u>

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	385 Visually Impaired SSVI	410 State Instructional Materials	429 School Safety Standards Grant	461 Campus Activity Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 65,832
1120 Investments - Current	-	-	-	10,346
1240 Due from Other Governments	-	20,435	42,861	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 20,435</u>	<u>\$ 42,861</u>	<u>\$ 76,178</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 7,126
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	20,435	42,861	-
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>20,435</u>	<u>42,861</u>	<u>7,126</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	69,052
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,052</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 20,435</u>	<u>\$ 42,861</u>	<u>\$ 76,178</u>

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 913,737	\$ -	\$ 913,737
10,346	-	10,346
842,980	-	842,980
<u>\$ 1,767,063</u>	<u>\$ -</u>	<u>\$ 1,767,063</u>
\$ 30,197	\$ -	\$ 30,197
292,671	-	292,671
539,624	-	539,624
44,378	-	44,378
34,710	-	34,710
<u>941,580</u>	<u>-</u>	<u>941,580</u>
756,431	-	756,431
69,052	-	69,052
<u>825,483</u>	<u>-</u>	<u>825,483</u>
<u>\$ 1,767,063</u>	<u>\$ -</u>	<u>\$ 1,767,063</u>

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	205	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	172,847	401,205	270,856	4,079
5020 Total Revenues	172,847	401,205	270,856	4,079
EXPENDITURES:				
Current:				
0011 Instruction	172,847	373,754	248,553	4,079
0013 Curriculum and Instructional Staff Development	-	24,119	-	-
0023 School Leadership	-	832	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	22,303	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	2,500	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	172,847	401,205	270,856	4,079
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	289 Title IV Part A Subpart I
\$ 46,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,974	-	-	-	-	-	-	-
1,091,617	27,216	64,946	299,922	775,858	38,304	3,333	95,866
1,141,734	27,216	64,946	299,922	775,858	38,304	3,333	95,866
-	-	-	57,440	416,079	38,304	3,333	22,534
-	-	48,262	-	-	-	-	21,954
-	-	16,684	-	-	-	-	7,208
-	-	-	-	26,439	-	-	1,386
-	-	-	-	2,739	-	-	30,003
-	-	-	5,769	-	-	-	-
967,767	7,901	-	-	-	-	-	-
-	-	-	144,759	-	-	-	-
19,718	-	-	91,954	242,251	-	-	11,575
-	-	-	-	-	-	-	1,206
-	-	-	-	83,350	-	-	-
-	-	-	-	5,000	-	-	-
-	-	-	-	-	-	-	-
987,485	7,901	64,946	299,922	775,858	38,304	3,333	95,866
154,249	19,315	-	-	-	-	-	-
-	-	-	-	-	-	-	-
154,249	19,315	-	-	-	-	-	-
554,746	28,121	-	-	-	-	-	-
\$ 708,995	\$ 47,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NATALIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	385 Visually Impaired SSVI	410 State Instructional Materials	429 School Safety Standards Grant	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 101,938
5800 State Program Revenues	1,440	20,435	164,416	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,440</u>	<u>20,435</u>	<u>164,416</u>	<u>101,938</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,440	20,435	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	90,528
0051 Facilities Maintenance and Operations	-	-	105,359	-
0052 Security and Monitoring Services	-	-	59,057	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>1,440</u>	<u>20,435</u>	<u>164,416</u>	<u>90,528</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	11,410
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	11,410
0100 Fund Balance - July 1 (Beginning)	-	-	-	57,642
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,052</u>

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 148,081	\$ 6,649	\$ 154,730
190,265	-	190,265
3,246,049	-	3,246,049
3,584,395	6,649	3,591,044
1,358,798	-	1,358,798
94,335	-	94,335
24,724	-	24,724
50,128	-	50,128
32,742	-	32,742
5,769	-	5,769
975,668	-	975,668
235,287	-	235,287
470,857	-	470,857
60,263	-	60,263
83,350	-	83,350
7,500	-	7,500
-	367,944	367,944
3,399,421	367,944	3,767,365
184,974	(361,295)	(176,321)
-	(17,501)	(17,501)
184,974	(378,796)	(193,822)
640,509	378,796	1,019,305
\$ 825,483	\$ -	\$ 825,483

T.E.A. REQUIRED SCHEDULES

NATALIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.170000	0.188200	174,282,718
2016	1.170000	0.140500	173,078,353
2017	1.170000	0.114100	186,212,367
2018	1.170000	0.129100	202,804,281
2019	1.170000	0.109100	218,575,720
2020	1.068300	0.352800	232,911,333
2021	1.003700	0.329500	255,993,063
2022	0.930300	0.329500	311,468,561
2023 (School year under audit)	0.942900	0.329500	367,763,603
1000 TOTALS			

(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
\$ 66,953	\$ -	\$ 1,062	\$ 143	\$ (1,097)	\$ 64,651
6,844	-	309	50	(109)	6,376
6,896	-	661	79	(608)	5,548
8,692	-	371	35	(273)	8,013
16,359	-	2,804	309	(252)	12,994
24,519	-	5,466	510	(256)	18,287
32,281	-	7,185	2,373	(363)	22,360
61,794	-	15,072	4,948	(10,476)	31,298
202,057	-	70,211	24,052	(27,204)	80,590
-	4,679,424	3,253,309	1,136,639	(27,672)	261,804
<u>\$ 426,395</u>	<u>\$ 4,679,424</u>	<u>\$ 3,356,450</u>	<u>\$ 1,169,138</u>	<u>\$ (68,310)</u>	<u>\$ 511,921</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, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,000	\$ 41,700	\$ 46,143	\$ 4,443
5800 State Program Revenues	-	-	3,974	3,974
5900 Federal Program Revenues	894,894	1,029,894	1,091,617	61,723
5020 Total Revenues	905,894	1,071,594	1,141,734	70,140
EXPENDITURES:				
Current:				
0035 Food Services	892,094	1,353,502	967,767	385,735
0051 Facilities Maintenance and Operations	13,800	81,800	19,718	62,082
6030 Total Expenditures	905,894	1,435,302	987,485	447,817
1200 Net Change in Fund Balances	-	(363,708)	154,249	517,957
0100 Fund Balance - July 1 (Beginning)	554,746	554,746	554,746	-
3000 Fund Balance - June 30 (Ending)	\$ 554,746	\$ 191,038	\$ 708,995	\$ 517,957

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, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,177,594	\$ 1,177,594	\$ 1,224,444	\$ 46,850
5800 State Program Revenues	61,707	61,707	(127)	(61,834)
5020 Total Revenues	1,239,301	1,239,301	1,224,317	(14,984)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	280,000	280,000	280,000	-
0072 Interest on Long-Term Liabilities	326,500	326,500	326,500	-
0073 Bond Issuance Cost and Fees	-	13,530	13,529	1
6030 Total Expenditures	606,500	620,030	620,029	1
1100 Excess of Revenues Over Expenditures	632,801	619,271	604,288	(14,983)
OTHER FINANCING SOURCES (USES):				
8949 Other (Uses)	-	(733,083)	(733,083)	-
1200 Net Change in Fund Balances	632,801	(113,812)	(128,795)	(14,983)
0100 Fund Balance - July 1 (Beginning)	1,021,411	1,021,411	1,021,411	-
3000 Fund Balance - June 30 (Ending)	\$ 1,654,212	\$ 907,599	\$ 892,616	\$ (14,983)

NATALIA INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,281,077
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$758,374
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$36,463
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$50,173
<hr/>		

FEDERAL SECTION

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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, 2023, 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 15, 2023.

Report on 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) as a basis for designing 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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 financial statements. 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 Natalia Independent School District'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 Natalia Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coleman, Horton and Company, LLP

Uvalde, Texas

September 15, 2023

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

Opinion on Each Major Federal Program

We have audited the Natalia Independent School District's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Natalia Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Natalia Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Natalia Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Natalia Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Natalia Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- * Exercise professional judgment and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Natalia Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- * Obtain an understanding of the Natalia Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Natalia Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Coleman, Horton and Company, LLP

Uvalde, Texas
September 15, 2023

NATALIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2023

A. Summary of the 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 200.516(a) 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 #84.425D	ESSER II Funds
CFDA #84.425U	ESSER III Funds (ARP ESSER)

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, 2023

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, 2023

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

NATALIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

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

NATALIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region XVIII Service Center</u>			
Early-Phase Grants	84.411 C	N/A	\$ 22,053
Total Passed Through Region XVIII Service Center			<u>22,053</u>
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	22-610101163903	58,889
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	23-610101163903	342,316
Total Assistance Listing Number 84.010			<u>401,205</u>
*IDEA - Part B, Formula	84.027 A	22-6600011639036600	12,877
*IDEA - Part B, Formula	84.027 A	23-6600011639036600	257,979
*COVID 19 - IDEA, Part B, Formula - (ARP)	84.027 X	22-5350021639035350	38,304
Total Assistance Listing Number 84.027			<u>309,160</u>
*IDEA - Part B, Preschool	84.173 A	23-6610011639036610	4,079
*COVID 19 - IDEA, Part B, Preschool- (ARP)	84.173 X	22-5360011639035360	3,333
Total Assistance Listing Number 84.173			<u>7,412</u>
Total Special Education Cluster (IDEA)			<u>316,572</u>
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	22-694501163903	31,412
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	23-694501163903	33,534
Total Assistance Listing Number 84.367			<u>64,946</u>
COVID 19 - ESSER II - School Emergency Relief	84.425 D	21-521001163903	299,922
COVID 19 - ESSER III - School Emergency Relief	84.425 U	21-528001163903	775,858
Total Assistance Listing Number 84.425			<u>1,075,780</u>
ESEA, Title IV, Part A	84.424 A	23-680101163903	32,235
Total Passed Through Texas Education Agency			<u>1,890,738</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,912,791</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Education Agency</u>			
COVID - 19 - School Health Support	93.323	22-3935027110078	11,575
COVID - 19 - Public Health Workforce Supplemental	93.354	HHS001101500001	30,003
Head Start	93.600	205457207	172,847
Total Passed Through Texas Education Agency			<u>214,425</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>214,425</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402301	317,974
*National School Lunch Program - Cash Assistance	10.555	71302301	696,830
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	64,540
*Commodity Storage Delivery Reimb	10.555	N/A	1,330
*Supply Chain Assistance (SCA)	10.555	22-6TX400N8903	5,000
Total Assistance Listing Number 10.555			<u>767,700</u>
*Summer Feeding Program - Cash Assistance	10.559	N/A	27,216
Total Child Nutrition Cluster			<u>1,112,890</u>

NATALIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
*Child & Adult Care Food Program - Cash Assistance	10.558	N/A	2,808
*P-EBT Admin Cost Reimbursement	10.649	22-6TX109S9009	3,135
Total Passed Through the Texas Department of Agriculture			<u>1,118,833</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,118,833</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,246,049</u>

*Clustered Programs

**The above amounts do not include SHARS receipts of \$180,393, which is included as federal revenue in the General Fund.

NATALIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

- * 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. Generally, unused balances are returned to the grantor at the close of specified project periods.
- * 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 is 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 due, and certain compensated absences and claims and judgments, which are 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 District must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and the District) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable (2 CFR 200.344(a)).

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the performance as specified in the terms and conditions of the Federal award (2 CFR 200.344(b)).

- * CFDA numbers for commodity assistance are the CFDA numbers of the programs under which the USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

NATALIA INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2023

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