

TORNILLO

INDEPENDENT SCHOOL DISTRICT



Annual Financial Report

FOR THE YEAR ENDED AUGUST 31, 2019

TORNILLO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2019

TORNILLO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

Tornillo Independent School District
Name of School District

El Paso County
County

071-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 22nd day of January 2020.

Signature of Board Secretary

Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Trustees
Tornillo Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tornillo Independent School District (District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tornillo Independent School District, as of August 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the TRS pension system and other post employment benefits information on pages 9 through 18 and 69 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tornillo Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The required TEA schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tornillo Independent School District's internal control over financial reporting and compliance.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
January 17, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we the managers of Tornillo Independent School District, discuss and analyze the District's financial performance for the fiscal year ending August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

USING THIS REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which provide information about the activities of the District as a whole, present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund Financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about the activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statement provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain additional information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary purpose of the analysis of the District's overall financial condition and operations is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are considered regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of

whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act (ESSA) from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (i.e., campus activities).

All of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Total assets and total deferred outflows and resources of the Tornillo Independent School District exceeded its liabilities for fiscal year 2019 by \$11,362,229 (net position). Total Net Position of the District decreased from \$11,804,925 in fiscal year 2018 to \$11,362,229 at year-end 2019. Of this total amount, unrestricted decreased by \$620,240 from \$493,248 to (\$126,992).

Total revenues increased \$1,566,760 from \$13,158,048 in fiscal year 2018, to \$14,724,808 in fiscal year 2019. Total expenses increased \$3,965,413 from \$11,202,091 to \$15,167,504.

The District's governmental funds financial statements reported a combined ending fund balance in fiscal year 2019 of \$8.6 million. The combined ending fund balance of the District decreased

from \$8.9 million in fiscal year 2018 to \$8.6 million in fiscal year 2019. Of this total amount, \$20,778 is Nonspendable, \$490,707 is Restricted, \$864,400 is Committed, \$128,645 is Assigned and \$7,067,153 is Unassigned and is available for spending at the District's discretion.

The fund balance in the Debt Service Fund is \$227,800. For fiscal year 2019, a combined tax rate of \$1.4008 per \$100 valuation is comprised of an Interest and Sinking tax rate of \$.3107 and a Maintenance and Operations tax rate of \$1.0901.

During 2019, assigned fund balance of \$660,630 was reassigned for the purchase of furniture (\$280,315), fund technology infrastructure (\$50,000), the purchase of technology equipment (\$50,000) and fund facility improvements/construction (\$280,315). During 2019, expenditures were made from the remaining assigned balance to purchase additional chairs and cubical storage for Tornillo Elementary School, classroom furniture for the Tornillo Intermediate School, board room furniture and repairs to the lower gym. As of August 31, 2019, the assigned fund balance was \$128,645.

On May 22, 2019 the Board of Trustees approved a resolution to commit \$1,059,398 to address various District and safety needs. This commitment included \$80,000 for campus furniture, \$90,000 for student 1:1 technology initiative, \$153,698 to address District safety needs, \$50,700 to purchase and repair equipment, \$220,000 to replace buses, \$335,000 to repair and replace roofs, \$115,000 to replace vehicles and \$15,000 to make HVAC repairs. During 2019, \$161,347 of initial payments were made to begin the repair of roofs at Tornillo Junior High School and Tornillo Intermediate and to replace the roof at the Administration office. In addition, \$33,650 was spent to purchase a bobcat skid-steer loader. As of August 31, 2019, the committed fund balance was \$864,400.

The District scored 96 out of 100 possible points for 2018-2019 Financial Integrity Rating System of Texas (FIRST) based on 2017-2018 data, which resulted in a "Superior" rating.

Government-Wide Financial Analysis

Our analysis of comparative balances and changes therein compares both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District decreased from \$11,804,925 in fiscal year 2018 to \$11,362,229 in 2019. The decrease in governmental net position is mainly attributed to an increase in net pension liability and OPEB liability.

Table I
The District's Net Position
(in thousands)

Governmental & Other
Business-Type Activities

| | 2018 | 2019 |
|--|------------------------|------------------------|
| Current and Other Assets | \$10,569 | \$10,362 |
| Capital Assets | <u>30,667</u> | <u>29,685</u> |
| Total Assets | 41,236 | 40,047 |
| Deferred Outflows of Resources | <u>1,555</u> | <u>3,021</u> |
| Total Assets and Deferred Outflows | <u>42,791</u> | <u>43,068</u> |
| Current Liabilities | 1,473 | 1,642 |
| Long Term Liabilities | <u>27,068</u> | <u>27,773</u> |
| Total Liabilities | 28,541 | 29,415 |
| Deferred Inflows of Resources | <u>2,445</u> | <u>2,291</u> |
| Total Liabilities and Deferred Inflows | <u>30,986</u> | <u>31,706</u> |
| Net Positions: | | |
| Invested in capital assets, | | |
| net of related debt | 10,893 | 11,089 |
| Restricted | 419 | 400 |
| Unrestricted* | <u>493</u> | <u>(127)</u> |
| Total Net Position | <u><u>\$11,805</u></u> | <u><u>\$11,362</u></u> |

Changes in Net Position

The District's total revenues were \$14.7 million. A significant portion, 65 percent, of the district's revenues comes from state aid formula grants. Approximately 7 percent comes from taxes. The remaining 28 percent comes from investment earnings, federal grants and miscellaneous services. (See figure A-1 below.)

Figure A-1 Sources of Revenues for Fiscal Year 2019

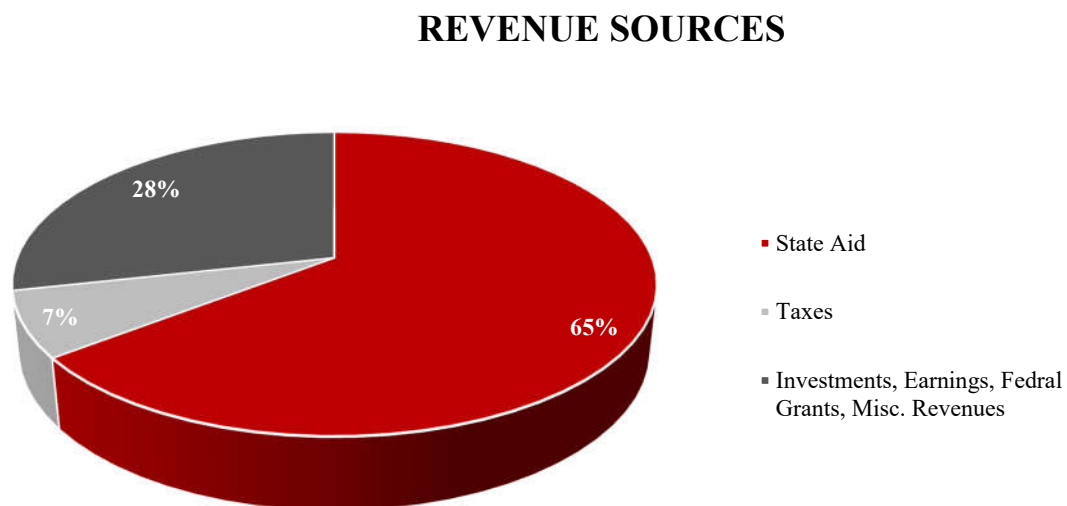
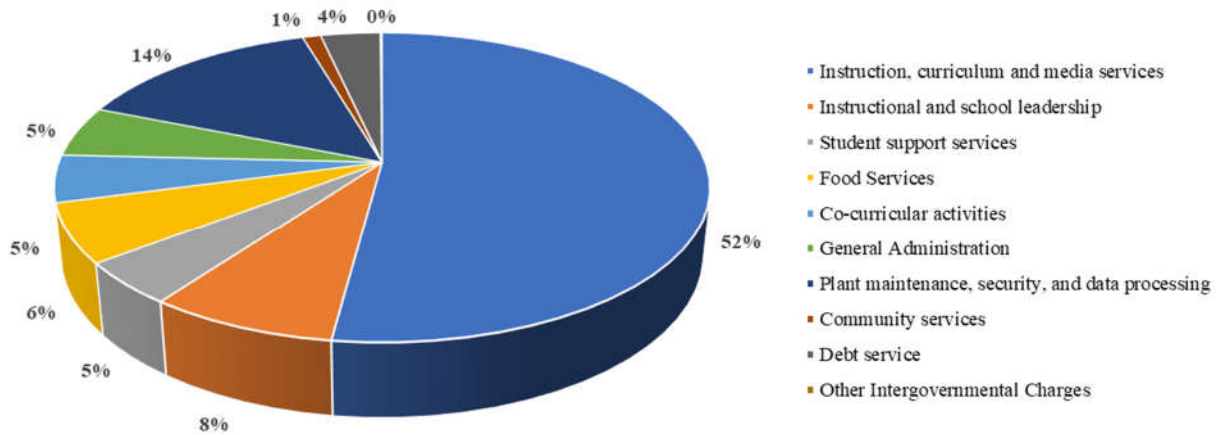


Table II
Changes In Net Position
(in thousands)
Governmental
Activities

| Revenues: | 2018 | 2019 |
|-------------------------------------|------------------------|------------------------|
| <u>Program Revenues:</u> | | |
| Charges for Services | \$189 | \$130 |
| Operating Grants and Contributions | 1,156 | 3,756 |
| <u>General Revenues:</u> | | |
| Maintenance & Operations Taxes | 788 | 811 |
| Debt Service Taxes | 211 | 216 |
| State Aid-Formula Grants | 10,563 | 9,511 |
| Investment Earnings | 170 | 231 |
| Miscellaneous Revenue | 81 | 70 |
| Total Revenues | <u>13,158</u> | <u>14,725</u> |
| Expenses: | | |
| Instruction, curriculum and | | |
| media services | 5,402 | 7,901 |
| Instructional and school leadership | 534 | 1,215 |
| Student support services | 527 | 684 |
| Food Services | 986 | 946 |
| Co-curricular activities | 455 | 747 |
| General Administration | 686 | 803 |
| Plant maintenance, security, and | | |
| data processing | 1,906 | 2,175 |
| Community services | 149 | 159 |
| Debt service | 542 | 523 |
| Other Intergovernmental Charges | 15 | 15 |
| Total Expenses | <u>11,202</u> | <u>15,168</u> |
| Increase (decrease) in net position | 1,956 | (443) |
| Beginning net position | <u>17,358</u> | <u>11,805</u> |
| Prior Period Adjustment | (7,509) | 0 |
| Ending Net Position | <u><u>\$11,805</u></u> | <u><u>\$11,362</u></u> |

The total cost of all programs and services was \$15.1 million. Fifty-two percent of these costs were for instructional student services. Eight percent for all programs and services cost was for instructional and school leadership and fourteen percent was for plant maintenance, security and data processing services.



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of \$8.6 million which decreased from last year's total of \$8.9 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had \$29,684,883 invested in a broad range of capital assets including the initial payments for roof repairs at Tornillo Junior High School and Tornillo Intermediate School, initial payment for roof replacement at the Administration office and HVAC upgrades at Tornillo Elementary School and Tornillo Junior High School.

Debt

At year-end, the District had \$17.4 million in bonds outstanding versus \$18.6 million last year. On June 26, 2019 the Board of Trustees approved an order authorizing the redemption of the District's outstanding Limited Tax and Revenue Refunding Bond, Series 2011, prior to maturity. This redemption order for the Series 2011 was executed and the payoff amount of \$354,071.25 was made in August 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's student population continues to show a decrease over previous years. Due to the District's proximity to the Border, it is not unusual to see students return to their Country of Origin especially during the last couple of years in which the wave of violence has decreased in our neighboring city of Cd. Juarez, Mexico. In addition, several families have moved out of the District into neighboring school districts or have relocated to the Midland area seeking employment opportunities in the oil industry. With historic enrollment trends in mind, the Board of Trustees and Administration continue to use a conservative budget approach to ensure next year's budget is balanced. Other areas such as staffing ratios and attendance projections are considered during the budget development process.

Our Board adopts its budget using conservative Average Daily Attendance estimates. We maintained the local Maintenance and Operations tax rate at \$1.09 in order to maximize the Tier II State Funding. Tornillo ISD currently qualifies for approximately 80% funding by the state for its debt service obligations; with the remaining 20% satisfied through the District's Debt Service Taxes. It has long been the Board's objective to maintain a significant fund balance to make new construction and/or renovations to existing structures, should the need arise.

The Interest and Sinking tax rate will be maintained at the rate of \$0.3107 during the current year in order to meet the debt obligations. The Maintenance and Operation tax rate will remain at \$1.09 per every hundredth valuation for a combined tax rate of \$1.4008.

The District continues to apply and qualify for various Federal Program Grants that assist in the enhancement of education for students identified with special needs. These funds constitute a significant portion of our operating budget.

BUDGETARY HIGHLIGHTS

GASB Statement 34 required that we provide a discussion on significant variances between the district's original budget, final budget, and actual expenditures, and the impact of these variances on the District's/department's future liquidity.

General Fund. The FY 2019 budget was developed by balancing challenges of an increase in operational cost and maintaining an adequate fund balance reserve to ensure financial stability. The most significant fund for the District is the General Fund, funded primarily through state aide and property tax revenue.

Over the course of the year, the District approved several budget amendments. These amendments increased the function and included:

- Function 11 – Purchase of classroom at Tornillo Elementary School (\$22,991), the replacement of teacher and student furniture at Tornillo Intermediate School (\$79,789), the purchase of student laptops associated with the 1:1 Student Laptop Initiative (\$150,000);
- Function 41 – Purchase of boardroom furniture (\$16,403);
- Function 51 – Replacement of damaged carpet at Tornillo High School library (\$43,610), roof repairs (\$201,000), lower gym repairs and maintenance (\$15,000), the purchase of a bob cat skid-steer loader (\$33,700);
- Function 53 – Network equipment replacements (\$64,000);
- Function 71 – An order authorizing the redemption of the District's outstanding Limited Tax and Revenue Refunding Bond, Series 2011, prior to maturity (\$351,000)
- Function 81 – Replacement of roofs (\$177,500), HVAC connection upgrades at Tornillo Elementary School and Tornillo Junior High School (\$51,985); and
- Various Functions – Amendment related to TRS On-behalf in the amount of \$490,000 affected various functions with Function 11 (\$273,000) being significantly affected.

Budget amendments that increase or decrease the amount in a function are presented to the Tornillo ISD Board of Trustees for approval.

Exhibit G-1 of the financial statements includes a Statement of Revenues, Expenditures, and Changes in Fund Balance report that compares original and final budget amounts to actual amounts as of year-end close. The final column of the report lists of the variance as compared to the final budget.

At the end of the fiscal year, the District's actual revenues of \$12,231,194 were in line with projected revenues.

The District's expenditures as compared to the final budget include two negative variances.

- Function 36 (Extracurricular) – Payroll transactions posted at the end of the year for beginning of year athletic stipends contributed to the budget overage despite administration's effort to avoid the negative variance.
- Function 61 (Community Services) – End of year reclassification expenditures resulted in the negative variance.

Total functions within the approved budget did not exceed the total approved appropriation. The variances listed above will not impact future services or liquidity.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office, at Tornillo Independent School District, 19200 Cobb Avenue, Tornillo, Texas.

BASIC FINANCIAL STATEMENTS

TORNILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

| Data | Primary Government |
|--|--------------------|
| Control | Governmental |
| Codes | Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 8,053,886 |
| 1220 Property Taxes - Delinquent | 216,760 |
| 1230 Allowance for Uncollectible Taxes | (10,838) |
| 1240 Due from Other Governments | 1,964,089 |
| 1290 Other Receivables, Net | 275 |
| 1300 Inventories | 32,140 |
| 1410 Prepayments | 106,051 |
| Capital Assets: | |
| 1510 Land | 7,243 |
| 1520 Buildings, Net | 29,200,300 |
| 1530 Furniture and Equipment, Net | 299,423 |
| 1560 Library Books and Media, Net | 16,570 |
| 1580 Construction in Progress | 161,347 |
| 1000 Total Assets | 40,047,246 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge for Refunding | 529,780 |
| 1703 Deferred Outflow Related to TRS OPEB | 403,425 |
| 1705 Deferred Outflow Related to TRS Pension | 2,087,859 |
| 1700 Total Deferred Outflows of Resources | 3,021,064 |
| LIABILITIES | |
| 2110 Accounts Payable | 186,309 |
| 2140 Interest Payable | 45,290 |
| 2150 Payroll Deductions and Withholdings | 76,932 |
| 2160 Accrued Wages Payable | 539,333 |
| 2180 Due to Other Governments | 14,568 |
| 2190 Due to Student Groups | 710 |
| 2300 Unearned Revenue | 778,653 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 775,200 |
| 2502 Due in More Than One Year | 18,389,548 |
| 2540 Net Pension Liability (District's Share) | 3,868,079 |
| 2545 Net OPEB Liability (District's Share) | 4,740,728 |
| 2000 Total Liabilities | 29,415,350 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2602 Deferred Gain on Refunding | 46,253 |
| 2603 Deferred Resource Inflow Related to TRS OPEB | 1,690,085 |
| 2605 Deferred Resource Inflow Related to TRS Pension | 554,393 |
| 2600 Total Deferred Inflows of Resources | 2,290,731 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 11,089,502 |
| 3820 Restricted for Federal and State Programs | 164,801 |
| 3850 Restricted for Debt Service | 222,652 |
| 3870 Restricted for Campus Activities | 12,266 |
| 3900 Unrestricted | (126,992) |
| 3000 Total Net Position | \$ 11,362,229 |

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

TORNILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--|-------------------------|--|--|
| | | 3 | 4 | |
| | Expenses | Charges for Services | Operating Grants and Contributions | 6 Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 7,402,476 | \$ 20,313 | \$ 1,156,454 | \$ (6,225,709) |
| 12 Instructional Resources and Media Services | 169,344 | - | 17,159 | (152,185) |
| 13 Curriculum and Instructional Staff Development | 329,078 | - | 85,786 | (243,292) |
| 21 Instructional Leadership | 385,882 | - | 102,172 | (283,710) |
| 23 School Leadership | 829,247 | 15,332 | 90,602 | (723,313) |
| 31 Guidance, Counseling and Evaluation Services | 243,540 | - | 35,769 | (207,771) |
| 32 Social Work Services | 20,303 | - | 18,653 | (1,650) |
| 33 Health Services | 161,465 | - | 14,770 | (146,695) |
| 34 Student (Pupil) Transportation | 258,644 | - | 22,636 | (236,008) |
| 35 Food Services | 946,093 | 76,669 | 875,988 | 6,564 |
| 36 Extracurricular Activities | 746,569 | 11,136 | 1,495 | (733,938) |
| 41 General Administration | 802,547 | 5,026 | 236,544 | (560,977) |
| 51 Facilities Maintenance and Operations | 1,400,282 | 829 | 65,725 | (1,333,728) |
| 52 Security and Monitoring Services | 264,295 | - | 25,770 | (238,525) |
| 53 Data Processing Services | 510,899 | 829 | 31,351 | (478,719) |
| 61 Community Services | 159,384 | - | 45,198 | (114,186) |
| 72 Debt Service - Interest on Long-Term Debt | 477,043 | - | 930,026 | 452,983 |
| 73 Debt Service - Bond Issuance Cost and Fees | 45,644 | - | - | (45,644) |
| 99 Other Intergovernmental Charges | 14,769 | - | - | (14,769) |
| [TP] TOTAL PRIMARY GOVERNMENT: | <u>\$ 15,167,504</u> | <u>\$ 130,134</u> | <u>\$ 3,756,098</u> | <u>(11,281,272)</u> |
| Data Control Codes | | | | |
| General Revenues: | | | | |
| Taxes: | | | | |
| MT | Property Taxes, Levied for General Purposes | | | 811,294 |
| DT | Property Taxes, Levied for Debt Service | | | 216,272 |
| SF | State Aid - Formula Grants | | | 9,510,638 |
| IE | Investment Earnings | | | 230,967 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 69,405 |
| TR | Total General Revenues | | | <u>10,838,576</u> |
| CN | Change in Net Position | | | (442,696) |
| NB | Net Position - Beginning | | | <u>11,804,925</u> |
| NE | Net Position--Ending | | | <u>\$ 11,362,229</u> |

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

TORNILLO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------|--------------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 7,777,633 | \$ 276,253 | \$ 8,053,886 |
| 1220 Property Taxes - Delinquent | 171,815 | 44,945 | 216,760 |
| 1230 Allowance for Uncollectible Taxes | (8,591) | (2,247) | (10,838) |
| 1240 Due from Other Governments | 1,065,834 | 898,255 | 1,964,089 |
| 1260 Due from Other Funds | 835,754 | 96,360 | 932,114 |
| 1290 Other Receivables | 275 | - | 275 |
| 1300 Inventories | 32,140 | - | 32,140 |
| 1410 Prepayments | 33,650 | 72,401 | 106,051 |
| 1000 Total Assets | <u>\$ 9,908,510</u> | <u>\$ 1,385,967</u> | <u>\$ 11,294,477</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 142,285 | \$ 44,024 | \$ 186,309 |
| 2150 Payroll Deductions and Withholdings Payable | 76,932 | - | 76,932 |
| 2160 Accrued Wages Payable | 517,523 | 21,810 | 539,333 |
| 2170 Due to Other Funds | 80,486 | 851,628 | 932,114 |
| 2180 Due to Other Governments | 157 | 14,411 | 14,568 |
| 2190 Due to Student Groups | 710 | - | 710 |
| 2300 Unearned Revenue | 733,557 | 45,096 | 778,653 |
| 2000 Total Liabilities | <u>1,551,650</u> | <u>976,969</u> | <u>2,528,619</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 154,033 | 40,142 | 194,175 |
| 2600 Total Deferred Inflows of Resources | <u>154,033</u> | <u>40,142</u> | <u>194,175</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | 20,778 | - | 20,778 |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | 121,851 | 42,950 | 164,801 |
| 3470 Capital Acquisition and Contractual Obligation | - | 85,840 | 85,840 |
| 3480 Retirement of Long-Term Debt | - | 227,800 | 227,800 |
| 3490 Other Restricted Fund Balance | - | 12,266 | 12,266 |
| Committed Fund Balance: | | | |
| 3530 Capital Expenditures for Equipment | 112,050 | - | 112,050 |
| 3545 Other Committed Fund Balance | 752,350 | - | 752,350 |
| Assigned Fund Balance: | | | |
| 3550 Construction | 61,496 | - | 61,496 |
| 3570 Capital Expenditures for Equipment | 2,596 | - | 2,596 |
| 3590 Other Assigned Fund Balance | 64,553 | - | 64,553 |
| 3600 Unassigned Fund Balance | 7,067,153 | - | 7,067,153 |
| 3000 Total Fund Balances | <u>8,202,827</u> | <u>368,856</u> | <u>8,571,683</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 9,908,510</u> | <u>\$ 1,385,967</u> | <u>\$ 11,294,477</u> |

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

TORNILLO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 8,571,683 |
| 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 \$44,879,844 and the accumulated depreciation was (\$14,212,720). In addition, long-term liabilities, including bonds payable, 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. | 10,806,816 |
| 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 2019 capital outlays and debt principal payments is to increase net position. | 1,347,129 |
| 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. The net position related to TRS included a deferred resource outflow in the amount of \$2,087,859, a deferred resource inflow in the amount of \$554,393, and a net pension liability in the amount of \$3,868,079. This resulted in a decrease in net position. | (2,334,613) |
| 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. The net position related to TRS included a deferred resource outflow in the amount of \$403,425, a deferred resource inflow in the amount of \$1,690,085, and a net OPEB liability amount of \$4,740,728. This resulted in a decrease in net position. | (6,027,388) |
| 5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (1,195,573) |
| 6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. | 194,175 |
| 19 Net Position of Governmental Activities | \$ 11,362,229 |

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

TORNILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|---|-----------------------|-------------------|--------------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 1,187,082 | \$ 269,637 | \$ 1,456,719 |
| 5800 State Program Revenues | 10,019,770 | 1,094,295 | 11,114,065 |
| 5900 Federal Program Revenues | 1,024,342 | 799,158 | 1,823,500 |
| 5020 Total Revenues | <u>12,231,194</u> | <u>2,163,090</u> | <u>14,394,284</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 5,485,493 | 731,610 | 6,217,103 |
| 0012 Instructional Resources and Media Services | 132,854 | 4,742 | 137,596 |
| 0013 Curriculum and Instructional Staff Development | 248,458 | 66,319 | 314,777 |
| 0021 Instructional Leadership | 280,953 | 76,330 | 357,283 |
| 0023 School Leadership | 744,980 | 27,214 | 772,194 |
| 0031 Guidance, Counseling, and Evaluation Services | 213,896 | 13,737 | 227,633 |
| 0032 Social Work Services | - | 18,653 | 18,653 |
| 0033 Health Services | 151,174 | - | 151,174 |
| 0034 Student (Pupil) Transportation | 213,607 | - | 213,607 |
| 0035 Food Services | 861,211 | 8,981 | 870,192 |
| 0036 Extracurricular Activities | 426,076 | - | 426,076 |
| 0041 General Administration | 897,167 | 18,344 | 915,511 |
| 0051 Facilities Maintenance and Operations | 1,439,050 | - | 1,439,050 |
| 0052 Security and Monitoring Services | 245,143 | 4,509 | 249,652 |
| 0053 Data Processing Services | 478,197 | - | 478,197 |
| 0061 Community Services | 103,393 | 45,198 | 148,591 |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 431,000 | 711,200 | 1,142,200 |
| 0072 Interest on Long-Term Debt | 6,842 | 552,846 | 559,688 |
| 0073 Bond Issuance Cost and Fees | - | 1,782 | 1,782 |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 119,443 | - | 119,443 |
| Intergovernmental: | | | |
| 0099 Other Intergovernmental Charges | 14,769 | - | 14,769 |
| 6030 Total Expenditures | <u>12,493,706</u> | <u>2,281,465</u> | <u>14,775,171</u> |
| 1200 Net Change in Fund Balances | (262,512) | (118,375) | (380,887) |
| 0100 Fund Balance - September 1 (Beginning) | <u>8,465,339</u> | <u>487,231</u> | <u>8,952,570</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 8,202,827</u> | <u>\$ 368,856</u> | <u>\$ 8,571,683</u> |

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

TORNILLO 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 AUGUST 31, 2019

EXHIBIT C-4

| | |
|---|----------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (380,887) |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase net position. | 1,394,315 |
| 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. | (1,195,573) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. | 4,038 |
| GASB 68 required certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$260,751. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$234,824. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$267,210. The net result is a decrease in the change in net position. | (241,283) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$71,896. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$65,739. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$29,463. The net result is a decrease in the change in net position. | (23,306) |
| Change in Net Position of Governmental Activities | <u><u>\$ (442,696)</u></u> |

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

TORNILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

| | Maria Elena Ochoa Scholarship | Agency Fund |
|---------------------------|-------------------------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ - | \$ 31,485 |
| Total Assets | <u>-</u> | <u>\$ 31,485</u> |
| LIABILITIES | | |
| Accounts Payable | - | \$ 2,767 |
| Due to Student Groups | - | 28,718 |
| Total Liabilities | <u>-</u> | <u>\$ 31,485</u> |

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

TORNILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| | Maria Elena Ochoa Scholarship |
|--|-------------------------------------|
| <hr/> | |
| ADDITIONS: | |
| Local and Intermediate Sources | \$ 5,000 |
| Total Additions | <u>5,000</u> |
| DEDUCTIONS: | |
| Other Operating Costs | <u>5,000</u> |
| Total Deductions | <u>5,000</u> |
| Change in Net Position | - |
| Total Net Position - September 1 (Beginning) | <u>-</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ -</u></u> |

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

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tornillo 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 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.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board also has primary accountability for fiscal matters; therefore, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

In accordance with Governmental Accounting Standards Board, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organization for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize they are legally separate from the school district. Blended component units, although a legal separate entity, are in substance a part of the District's operations, and thus the data is combined with data of the primary government.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, whether the District appoints a voting majority of the entity's board, the ability to impose the District's will on the component unit, fiscal dependency criterion, if it is a financial benefit to or burden to the District, and whether services are provided entirely or almost entirely to the District.

Based upon the application of these criteria, there are no component units to be included within the reporting entity.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, charges to school districts for services, state funds, grants and other intergovernmental revenues.

In addition to assets, the statement of net financial position may report a separate section of deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions and OPEB, this outflow results from pension plan and OPEB contributions made after the measurement date of the net pension and OPEB liabilities and the results of differences between expected and actual economic experiences. The deferred outflow of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. For OPEB, these deferred inflows result primarily from differences between expected and actual experiences as well as changes in actuarial assumptions. These amounts will be amortized over a systematic and rational method over a closed period.

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 outflow of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. 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.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due 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.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Examples of program revenues include tuition paid by students not residing in the district, school lunch charges, etc. The “Grants and Contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. 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 or due from on the government-wide Statement of Net Position.

The fund financial statements 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 the government-wide statements. The District considers some governmental funds as 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, deferred outflows of resources, current liabilities, deferred inflows of resources, 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, other than property tax revenue, available if they are collectible within one year after year end.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from local sources consist primarily of property taxes. 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 property tax revenue 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.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized revenue in the period that the amounts become 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 deferred 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 revenues 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. Within this measurement focus, assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position.

D. Fund Accounting

The District reports the following major governmental fund:

1. 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.

Additionally, the District reports the following fund types:

GOVERNMENTAL FUNDS:

1. Special Revenue Funds - The District accounts for resources restricted for specific purposes by the District or a grantor in a special revenue fund. Most federal and state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances are returned to the grantor at the close of specified project periods.
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 a debt service fund.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund - The proceeds from long-term debt financing will be used to construct, renovate, acquire and equip school buildings in the District and pay any associated costs.
4. Permanent Funds - The District has no permanent funds.

PROPRIETARY FUNDS:

5. Enterprise Funds - The District has no enterprise funds.
6. Internal Service Funds - The District has no internal service funds.

FIDUCIARY FUNDS:

7. Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefits parties outside the District. The District's private purpose trust fund is the Maria Elena Ochoa Scholarship Fund.
8. Pension (and Other Employee Benefit) Trust Funds - These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no pension trust funds.
9. Investment Trust Fund - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the District. The District has no investment trust funds.
10. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Assets equal liabilities, and this fund does not include measurement or results of operations. The District's agency fund is the Student Activity Account.

E. Other Accounting Policies

1. For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.
3. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. The District reports inventories of supplies using the first in first out (FIFO) method and include food and non-food supplies, consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Prepaid items on the balance sheet are accounting for using the consumption method and are recognized as expenditures over the periods in which the service is provided.

5. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
6. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Management assets that the district is in substantial compliance with the requirements of the Act and with local policies.
7. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk:

Deposits - The District is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2019, the District's investments in Lone Star investment pool was rated AAAM by Standard & Poors.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Credit Risk:

Deposits - State law required 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. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary 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 and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk:

Deposits - The District is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Interest Rate Risk:

Deposits - The District is not exposed to interest rate risk.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. All of the District's investment pools use amortized cost and therefore the interest rate disclosure is not applicable.

Foreign Currency Risk:

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools which are denominated in a foreign currency.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. When applicable, premiums and discounts are presented as a component of liabilities while deferred losses on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable bond premium or discount.

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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. It is the District's policy to permit some employees to accumulate earned but unused vacation, sick leave, and local days. There is no liability for unpaid accumulated vacation, sick leave, and local days since the District does not have a policy to pay any amounts when employees separate from service with the District.

10. Capital assets, which include land, buildings, furniture and equipment, are reported 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of the receipt.

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

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 20 to 50 |
| Vehicles | 7 to 10 |
| Other Equipment | 5 to 15 |
| Computer Equipment | 5 |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Net Position on the Statement of Net Position include the following:

Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agency(s).

Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuance which have constraints placed on them by the bond covenant(s) for the purpose of future debt service payments.

Restricted for Campus Activities - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted transactions related to a principal's activity fund.

Unrestricted - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District considers restricted resources to have been spent.

12. The District reports the following fund balance categories which describe the nature and the relative strength of the spending constraints:

Nonspendable Fund Balance - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

Restricted Fund Balance - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or (c) enabling legislation

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed Fund Balance - Represents amounts that are restricted for purposes which the Board of Trustees, the District's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The Board of Trustees shall take action to commit funds for a specific purpose prior to the end of the fiscal year.

Assigned Fund Balance - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Superintendent or designated managers. Should the Board opt not to commit any balances, it will implicitly defer to the designees to make appropriate assignments.

Unassigned Fund Balance - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Superintendent or designated managers through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, followed by assigned amounts, and then unassigned amounts when balance classifications could be used, unless the Board of Trustees or designee's have provided otherwise in its commitment or assignment actions.

13. 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 insure accuracy in building a state-wide data base for policy development and funding plans.
14. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate. The indirect cost revenue is fully allocated to function 41, General Administration, in the Government-wide Statement of Activities as operating grants and contributions.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets as least the minimum requirements presented by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
16. 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 31 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.
17. 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.

- F. The District implemented GASB Statement No.88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves disclosures related to debt, including direct borrowings and direct placements. The District's financial statements as of August 31, 2019 are presented in accordance with the guidance provided by this Statement.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bond payable, and the District's proportionate share of the net pension and OPEB liabilities are not due and payable in the current period and are not reported as liabilities in the funds.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Another element of the reconciliation on the Exhibit C-4 include recognizing property tax revenue considered available and recognizing accruals of interest on long-term debt. In addition, certain pension and OPEB expenditures are de-expended and the District recorded its proportionate share of the pension and OPEB expense. These adjustments are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At August 31, 2019, the carrying amount of the District's deposits (cash, and interest-bearing savings accounts including fiduciary funds cash) was \$95,480 and the bank balance was \$254,852. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: WestStar Bank.
- b. The market value of bonds and securities pledged as of the date of the highest combined balance on deposit was \$2,942,173.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,068,979 and occurred during the month of January 2019.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Due to the immediate availability of the funds, the District's temporary investments are presented as cash and cash equivalents as of August 31, 2019 and, include the following:

| | <u>Account Balance</u> |
|---|----------------------------|
| Lone Star: | |
| Corporate Overnight Fund (amortized cost) | <u>\$ 7,989,891</u> |
| | <u><u>\$ 7,989,891</u></u> |

The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. Each fund within the Pool has received the highest rating, that of AAAM, from Standard & Poor's as required by the Public Fund's Investment Act. Lone Star Investment Pool issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by calling Lone Star at 1-800-558-8875. Management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

B. Receivable 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. A majority of the federal grants are passed through the TEA.

Amounts due from federal and state governments as of August 31, 2019 are summarized below.

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|----------------|---------------------|--|---------------------|
| Federal Grants | \$ 140,103 | \$ 758,152 | \$ 898,255 |
| State Grants | - | 140,103 | 140,103 |
| State Support | 923,342 | - | 923,342 |
| Other | 2,389 | - | 2,389 |
| Total | <u>\$ 1,065,834</u> | <u>\$ 898,255</u> | <u>\$ 1,964,089</u> |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Receivables and Payables

Interfund balances are a result of normal operations and are eliminated periodically. Management intends to pay out these balances within one year.

Interfund balances at August 31, 2019 consisted of the following individual amounts:

| | Due From Other Funds | Due To Other Funds |
|-----------------------------------|-------------------------|-----------------------|
| General Fund | | |
| Nonmajor Governmental Funds | \$ 835,754 | \$ 80,486 |
| Nonmajor Governmental Funds | | |
| General Fund | 80,486 | 835,754 |
| Nonmajor Governmental Funds | 15,874 | 15,874 |
| Total Nonmajor Governmental Funds | 96,360 | 851,628 |
| Total | \$ 932,114 | \$ 932,114 |

D. Capital Asset Activity

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

| | Primary Governments | | | |
|--|----------------------|--------------|---|----------------|
| | Beginning Balance | Additions | Deletion, Reclassification and Adjustment | Ending Balance |
| <u>Governmental activities:</u> | | | | |
| Land | \$ 7,243 | \$ - | \$ - | \$ 7,243 |
| Buildings and Improvements | 42,205,429 | 51,985 | - | 42,257,414 |
| Furniture and Equipment | 2,564,449 | - | (181,474) | 2,382,975 |
| Work in Progress | - | 161,347 | - | 161,347 |
| Library Books & Media | 102,723 | - | - | 102,723 |
| Totals at Historic Cost | 44,879,844 | 213,332 | (181,474) | 44,911,702 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 11,984,525 | 1,072,589 | - | 13,057,114 |
| Furniture and Equipment | 2,156,045 | 108,981 | (181,474) | 2,083,552 |
| Library Books and Media | 72,150 | 14,003 | - | 86,153 |
| Total Accumulated Depreciation | 14,212,720 | 1,195,573 | (181,474) | 15,226,819 |
| Governmental Activities Capital Assets, net | \$ 30,667,124 | \$ (982,241) | \$ - | \$ 29,684,883 |

A portion of the buildings are located on leased land. See Note Q.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| Instruction | \$ 697,789 |
| Instructional resources and media services | 25,988 |
| Instructional leadership | 1,943 |
| School leadership | 11,030 |
| Guidance, counseling and evaluation services | 1,465 |
| Health services | 1,892 |
| Student (pupil) transportation | 34,835 |
| Food services | 51,337 |
| Cocurricular/extracurricular activities | 313,574 |
| General administration | 4,826 |
| Facilities maintenance and operations | 22,325 |
| Security and monitoring services | 4,236 |
| Data processing services | 16,865 |
| Community services | 7,468 |
| Total depreciation expense | <u>\$ 1,195,573</u> |

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

| | General Fund | Non Major Governmental Funds | Total |
|----------------------------------|-------------------|------------------------------------|-------------------|
| Foundation | \$ 722,195 | \$ - | \$ 722,195 |
| EDA and IFA | - | 35,135 | 35,135 |
| Federal, State, and Local Grants | - | 9,961 | 9,961 |
| USDA Commodities | 11,362 | - | 11,362 |
| Total Unearned Revenue | <u>\$ 733,557</u> | <u>\$ 45,096</u> | <u>\$ 778,653</u> |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred Outflows and Inflows of Resources

Deferred losses on refunding of bonds for the year ended August 31, 2019, presented as deferred outflows of resources, were as follows:

| | Beginning Balance | New Issues | Amortization | Ending Balance |
|-------------|----------------------|-------------|------------------|-------------------|
| Series 2012 | \$ 226,616 | \$ - | \$ 19,823 | \$ 206,793 |
| Series 2013 | 347,026 | - | 24,039 | 322,987 |
| | <u>\$ 573,642</u> | <u>\$ -</u> | <u>\$ 43,862</u> | <u>\$ 529,780</u> |

Deferred gain on refunding of bonds for the year ended August 31, 2019, presented as deferred inflows of resources, was as follow:

| | Beginning Balance | New Issues | Amortization | Ending Balance |
|-------------|----------------------|------------|--------------|-------------------|
| Series 2015 | \$ 50,297 | \$ - | \$ 4,044 | \$ 46,253 |

G. Changes in Long-Term Liabilities

A summary of changes in general long-term liabilities for the year ended August 31, 2019 is as follows:

| | Funded by: | Beginning Balance | Addition | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | | |
| <u>Bonds Payable:</u> | | | | | | |
| Refunding Series | Debt Service Fund | \$ 8,434,998 | \$ - | \$ 630,000 | \$ 7,804,998 | \$ 442,657 |
| Unlimited Tax Building Bonds | Debt Service Fund | 9,310,000 | - | 80,000 | 9,230,000 | 90,000 |
| Unlimited Tax Building Bond - Private Placement | Debt Service Fund | 395,000 | - | 1,200 | 393,800 | 45,200 |
| Limited Tax Refunding Bond - Private Placement | General Fund | 431,000 | - | 431,000 | - | - |
| Accretion Payable | Debt Service Fund | 383,333 | 13,038 | - | 396,371 | 197,343 |
| Unamortized Premium/ Discount on Debt | | <u>1,429,322</u> | <u>-</u> | <u>89,743</u> | <u>1,339,579</u> | <u>-</u> |
| Total Governmental Long-term Liabilities | | <u>\$ 20,383,653</u> | <u>\$ 13,038</u> | <u>\$ 1,231,943</u> | <u>\$ 19,164,748</u> | <u>\$ 775,200</u> |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. General Long-Term Debt

Long-term activity for the year ended August 31, 2019 was as follows:

| Description | Interest Rate and Maturity Date | Amounts Original Issue | Interest Current Year | Outstanding 08/31/18 | Issued | Retired | Outstanding 8/31/19 | Due Within One Year |
|---|--|------------------------------|-----------------------------|-------------------------|-------------|--------------------|------------------------|------------------------|
| Limited Tax Refunding Bond Series 2011 (Private Placement) | 1.750% 02/15/2023 | \$ 918,000 | \$ 9,564 | \$ 431,000 | \$ - | \$ 431,000 | \$ - | \$ - |
| Refunding Series 2012 | | | | | | | | |
| Current interest bonds | 2% - 3.75% 02/01/2030 | 1,940,000 | - | 1,685,000 | - | 260,000 | 1,425,000 | - |
| Current interest term bonds | 2% - 3.75% 02/01/2030 | 860,000 | 76,819 | 610,000 | - | - | 610,000 | - |
| Capital appreciation bonds | 02/01/2021 | 114,998 | - | 114,998 | - | - | 114,998 | 62,657 |
| Refunding Series 2013 | | | | | | | | |
| Current interest bonds | 2% - 3.5% 02/01/2033 | 2,740,000 | 115,875 | 2,605,000 | - | 185,000 | 2,420,000 | 190,000 |
| Current interest term bonds | 2% - 3.5% 02/01/2033 | 910,000 | - | 910,000 | - | - | 910,000 | - |
| Refunding Series 2015 | | | | | | | | |
| Current interest serial bonds | 2% - 3% 02/01/2031 | 1,850,000 | 93,350 | 1,435,000 | - | 185,000 | 1,250,000 | 190,000 |
| Current interest term bonds | 4.0% 02/01/2031 | 1,075,000 | - | 1,075,000 | - | - | 1,075,000 | - |
| Unlimited Tax Building Bond Series 2016 | | | | | | | | |
| Current interest serial bonds | 3.0% 02/01/2043 | 5,715,000 | 262,640 | 5,645,000 | - | 80,000 | 5,565,000 | 90,000 |
| Current interest term bonds | 3.0% 02/01/2043 | 3,665,000 | - | 3,665,000 | - | - | 3,665,000 | - |
| Unlimited Tax Building Bond Series 2017 (Private Placement) | 2.46% 02/01/2027 | 395,000 | - | 395,000 | - | 1,200 | 393,800 | 45,200 |
| | | <u>\$20,182,998</u> | <u>\$ 558,248</u> | <u>\$ 18,570,998</u> | <u>\$ -</u> | <u>\$1,142,200</u> | <u>\$ 17,428,798</u> | <u>\$ 577,857</u> |

Accretion payable for the year ended August 31, 2019 is as follows:

| Description | Accretion Outstanding 08/31/18 | Accrual of Accretion | Accretion Retired | Accretion Outstanding 8/31/19 | Due Within One Year |
|-----------------------|--------------------------------------|-------------------------|----------------------|-------------------------------------|---------------------------|
| Refunding Series 2012 | <u>\$ 383,333</u> | <u>\$ 13,038</u> | <u>\$ -</u> | <u>\$ 396,371</u> | <u>\$ 197,343</u> |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Unamortized Premiums/Discounts on Debt for the year ended August 31, 2019 are as follows:

| Description | Beginning Balance | Premiums and Discounts on New Issues | Net Amortization Recognized | Outstanding 8/31/19 |
|--|----------------------|--|-----------------------------------|------------------------|
| Refunding Series 2012 | \$ 244,307 | \$ - | \$ 21,368 | \$ 222,939 |
| Refunding Series 2013 | 394,419 | - | 27,324 | 367,095 |
| Refunding Series 2015 | 220,067 | - | 17,706 | 202,361 |
| Unlimited Tax Building Bond Series 2016 | 570,529 | - | 23,345 | 547,184 |
| | <u>\$ 1,429,322</u> | <u>\$ -</u> | <u>\$ 89,743</u> | <u>\$ 1,339,579</u> |

Debt service requirements are as follows:

| Year Ended August 31, | Principal (Private Placement) | Interest (Private Placement) | Principal | Interest | Total Requirements |
|--------------------------|-------------------------------------|------------------------------------|---------------------|--------------------|-----------------------|
| 2020 | \$ 45,200 | \$ 9,132 | \$ 532,657 | \$ 724,086 | \$ 1,311,075 |
| 2021 | 46,300 | 8,006 | 532,341 | 725,154 | 1,311,801 |
| 2022 | 47,300 | 6,855 | 760,000 | 494,225 | 1,308,380 |
| 2023 | 48,500 | 5,676 | 785,000 | 471,556 | 1,310,732 |
| 2024 | 49,700 | 4,469 | 805,000 | 447,881 | 1,307,050 |
| 2025 - 2029 | 156,800 | 5,850 | 4,455,000 | 1,817,434 | 6,435,084 |
| 2030 - 2034 | - | - | 4,585,000 | 1,015,531 | 5,600,531 |
| 2035 - 2039 | - | - | 2,390,000 | 511,800 | 2,901,800 |
| 2040-2043 | - | - | 2,190,000 | 133,650 | 2,323,650 |
| | <u>\$ 393,800</u> | <u>\$ 39,988</u> | <u>\$17,034,998</u> | <u>\$6,341,317</u> | <u>\$ 23,810,103</u> |

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019. For the year ended August 31, 2019 the District paid \$559,689 in interest costs related to bonds payable.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Rebatable Arbitrage - The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least five years. Arbitrage is evaluated and estimated on an annual basis by a third party. The company has estimated no liability for the District as of August 31, 2019.

I. Defined Benefit Pension Plan

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

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

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

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Contributions: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system's actuary.

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

| | <u>Contribution Rates</u> | |
|--|---------------------------|-------------|
| | <u>Plan Fiscal Year</u> | |
| | <u>2018</u> | <u>2019</u> |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |

| <u>Contributions Required and Made</u> | |
|---|------------|
| FY 2019 Employer Contributions | \$ 260,751 |
| FY 2019 Member Contributions | 601,124 |
| 2018 Plan Year NECE On-Behalf Contributions (State) | 351,754 |

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Included in the employer contributions amount listed above for fiscal year 2019, the District paid \$12,745 in retiree surcharges and \$93,862 for non-OASDI employees. These two additional surcharges an employer is subject to are summarized as follows:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions: A change was made in the measurement date of the total pension liability for the 2018 fiscal year of the plan. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018. The following table discloses the assumptions that were applied to this measurement period:

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

| | |
|--|--|
| Valuation Date | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 6.907% |
| Mortality Assumption | The active mortality rates were based on 90 percent of RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. |
| Long-term expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate | 3.69%. 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 the 2017 to 2116 projection period (100 years) | 2116 |
| Inflation | 2.30% |
| Salary Increases including inflation | 3.50% to 9.05% including inflation |
| Ad hoc post-employment benefit changes | None |

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

| Asset Class | Target Allocation* | Long-Term Expected Arithmetic Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns |
|-------------------------------|-----------------------|---|---|
| Global Equity | | | |
| U.S. | 18.00% | 5.70% | 1.04% |
| Non-U.S. Developed | 13.00% | 6.90% | 0.90% |
| Emerging Markets | 9.00% | 8.95% | 0.80% |
| Directional Hedge Funds | 4.00% | 3.53% | 0.14% |
| Private Equity | 13.00% | 10.18% | 1.32% |
| Stable Value | | | |
| U.S. Treasuries | 11.00% | 1.11% | 0.12% |
| Absolute Return | 0.00% | 0.00% | 0.00% |
| Stable Value Hedge Funds | 4.00% | 3.09% | 0.12% |
| Cash | 1.00% | -0.30% | 0.00% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3.00% | 0.70% | 0.02% |
| Real Assets | 14.00% | 5.21% | 0.73% |
| Energy and Natural Resources | 5.00% | 7.48% | 0.37% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 5.00% | 3.70% | 0.18% |
| Inflation Expectation | | | 2.30% |
| Volatility Drag** | | | -0.79% |
| Total | <u>100%</u> | | <u>7.25%</u> |

*Target allocations are based on the FY2016 policy model.

**The Expected Contribution to Long-term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability:

| | 1% Decrease in Discount Rate 5.907% | Current Discount Rate 6.907% | 1% Increase in Discount Rate 7.907% |
|---|---|------------------------------------|---|
| District's proportionate share of the net pension liability | \$ 5,837,859 | \$ 3,868,079 | \$ 2,273,425 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At August 31, 2019, the District reported a liability of \$3,868,079 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

| | |
|--|---------------------|
| The District's proportionate share of the collective net pension liability | \$ 3,868,079 |
| State's proportionate share that is associated with the District | <u>5,750,937</u> |
| Total | <u>\$ 9,619,016</u> |

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0070274497% which was a decrease of 0.0004909419% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$569,190 and revenue of \$569,190 for support provided by the State.

The amount of pension expense recognized by the District in the reporting period was \$1,071,224.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 24,110 | \$ 94,907 |
| Changes in actuarial assumptions | 1,394,629 | 43,582 |
| Net difference between projected and actual investment earnings | - | 73,394 |
| Changes in proportion and difference between District's contributions and proportionate share of contributions | 408,369 | 342,510 |
| District contributions to TRS subsequent to the measurement date | 260,751 | - |
| Total | <u>\$ 2,087,859</u> | <u>\$ 554,393</u> |

The \$260,751 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2020.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended August 31, | Amount |
|-----------------------|---------------------|
| 2020 | \$ 368,848 |
| 2021 | 214,394 |
| 2022 | 172,368 |
| 2023 | 206,633 |
| 2024 | 174,503 |
| Thereafter | 135,969 |
| | <u>\$ 1,272,715</u> |

Changes in Net Pension Liability:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------|----------------------|--------------|------------|-------------------|
| Net Pension Liability | \$ 2,403,977 | \$ 1,700,839 | \$ 236,737 | \$ 3,868,079 |

Payable to the Pension Plan: At August 31, 2019, the District reported a payable of \$67,447 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$49,346.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Defined Other Post-Employment Benefit Plan

Plan Description: The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position: Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at:

<http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with Medicare and without Medicare coverage.

| TRS-Care Monthly Plan Premium Rates Effective January 1, 2018 - Dec. 31, 2018 | | | |
|--|----------|-------|--------------|
| | Medicare | | Non-Medicare |
| Retiree* | \$ | 135 | \$ 200 |
| Retiree and Spouse | | 529 | 689 |
| Retiree* and Children | | 468 | 408 |
| Retiree and Family | | 1,020 | 999 |

*or surviving spouse

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% 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, which is 0.75 percent of each active employee's pay. The following table shows contributions to the TRS-Care plan by type of contributor.

| | <u>Contributions Rates</u> | |
|---|----------------------------|--------|
| | 2018 | 2019 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private Funding remitted by Employers | 1.25% | 1.25% |
| FY 2019 Employer Contributions | \$ | 71,896 |
| FY 2019 Member Contributions | | 50,997 |
| 2018 Plan Year NECE On-behalf Contributions (State) | | 84,706 |

Included in 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. During the year ended August 31, 2019, the District paid \$4,815 in TRS-Care retiree surcharges.

Actuarial Assumptions: A change was made in the measurement date of the total OPEB liability (TOL) for the plan's fiscal year ending August 31, 2018. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. The assumptions were based upon a recent actuarial experience study performed and they were reasonable for the OPEB valuation.

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the actuarial assumptions below. Those assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax exempt municipal bonds as reported in Fidelity's Index's "20-Year Municipal GO AA Index" as of August 31, 2018 |
| Salary Increases | 3.05% to 9.05%, including inflation |
| Demographic Assumptions | The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of TRS. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. |
| Mortality Assumption | The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP). |
| Health Care Trend Rates | Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years. |
| Election Rates | Normal Retirement: 70% participation prior to age 65 and 75% after age 65. |
| 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. |
| Other Information | |
| Ad hoc post-employment benefit changes | None |
| Notes | Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

Discount Rate: A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| | 1% Decrease in Discount Rate 2.69% | Current Single Discount Rate 3.69% | 1% Increase in Discount Rate 4.69% |
|--|--|--|--|
| District’s proportionate share of the Net OPEB Liability: | \$ 5,643,096 | \$ 4,740,728 | \$ 4,026,898 |

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

| | 1% Decrease | Current Healthcare Trend Rate | 1% Increase |
|--|--------------|-------------------------------------|--------------|
| District’s proportionate share of the Net OPEB Liability: | \$ 3,937,252 | \$ 4,740,728 | \$ 5,798,924 |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At August 31, 2019, the District reported a liability of \$4,740,728 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|-----------------------------|
| The District's proportionate share of the collective Net OPEB Liability | \$ 4,740,728 |
| State's proportionate share that is associated with the District | <u>6,139,670</u> |
| Total | <u><u>\$ 10,880,398</u></u> |

The Net OPEB Liability was measured as of August 31, 2018 using update procedures to roll forward the total OPEB liability from the actuarial valuation performed as of August 31, 2017 to August 31, 2018. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.0094945755%, which was a decrease of 0.0003478731% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$223,324 and revenue of \$223,324 for support provided by the State.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

The amount of OPEB expense recognized by the District in the reporting period was \$318,526.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits (OPEB) from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 251,573 | \$ 74,816 |
| Changes in actuarial assumptions | 79,110 | 1,424,317 |
| Difference between projected and actual investment earnings | 829 | - |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 17 | 190,952 |
| Contributions paid to TRS subsequent to the measurement date | 71,896 | - |
| Total | <u>\$ 403,425</u> | <u>\$ 1,690,085</u> |

The \$71,896 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended August 31: | OPEB Expense Amount |
|-----------------------|------------------------|
| 2020 | \$ (210,336) |
| 2021 | (210,336) |
| 2022 | (210,336) |
| 2023 | (210,493) |
| 2024 | (210,582) |
| Thereafter | (306,473) |
| | <u>\$ (1,358,556)</u> |

Changes in Net OPEB Liability:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------|----------------------|------------|------------|-------------------|
| Net OPEB Liability | \$ 4,280,112 | \$ 526,115 | \$ 65,499 | \$ 4,740,728 |

Payable to the OPEB Plan: At August 31, 2019, the District reported a payable of \$9,485 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$4,166.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District's employees for the year ended August 31, 2019, 2018 and 2017 were \$28,140, \$24,693, and \$23,980, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

K. Health Care Coverage

During the year ended August 31, 2019, Tornillo Independent School District participated in the TRS - Active Care Health Insurance Program. During the year ended August 31, 2019, employees of the District were covered by the District's insurance Plan (the "Plan"). Under this plan, the District and State (Teacher Retirement System of Texas) contribute approximately \$275 and \$75, respectively to the employee's premium. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. There were no other liabilities associated with the Plan.

L. Unemployment Compensation Pool

During the year ended August 31, 2019, Tornillo ISD provided unemployment compensation to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2019, the Fund anticipates that Tornillo ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. Worker's Compensation Program

As required by law the District has acquired adequate worker's compensation insurance coverage contracted through Claims Administrative Services, Inc. The District has chosen to participate in a political subdivision risk pool, which means that the District shares its exposure with other school districts and public entities with similar employee populations. Currently, the District employs more than 190 full-time and part-time employees. The District paid \$54,317 in worker's compensation premium for the plan year 2018-2019. This premium is considered sufficient by Claims Administrative Services, Inc. and no contingent liability is required to be reported. This total amount paid for worker's compensation costs is less than 1% of annual payroll.

N. Fund Balance

As of August 31, 2019, fund balances are composed of the following:

| | General Fund | Non Major Governmental Funds | Total |
|--|--------------|------------------------------------|--------------|
| Nonspendable: | | | |
| Inventories | \$ 20,778 | \$ - | \$ 20,778 |
| Restricted: | | | |
| Food Service | 121,851 | - | 121,851 |
| Capital Acquisition and Contractual Obligation | - | 85,840 | 85,840 |
| Summer Feeding Program | - | 41,350 | 41,350 |
| Advanced Placement Incentives | - | 1,600 | 1,600 |
| Debt Service | - | 227,800 | 227,800 |
| Campus Activities | - | 12,266 | 12,266 |
| Committed: | | | |
| Capital Expenditures for Equipment | 112,050 | - | 112,050 |
| Other Committed | 752,350 | - | 752,350 |
| Assigned: | | | |
| Construction | 61,496 | - | 61,496 |
| Capital Expenditures for Equipment | 2,596 | - | 2,596 |
| Other Assigned | 64,553 | - | 64,553 |
| Unassigned | 7,067,153 | - | 7,067,153 |
| Total | \$ 8,202,827 | \$ 368,856 | \$ 8,571,683 |

At August 31, 2019, \$107,565 and \$11,636 which are included in committed and assigned fund balance, respectively, have been encumbered in the general fund.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS**

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)**O. Revenue from Local and Intermediate Sources**

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

| | General Fund | Non Major Governmental Funds | Total |
|----------------------------------|---------------------|------------------------------------|---------------------|
| Property Taxes | \$ 796,921 | \$ 226,607 | \$ 1,023,528 |
| Penalties and Interest on Taxes | 20,258 | 5,538 | 25,796 |
| Investment Income | 226,110 | 4,857 | 230,967 |
| Food Sales | 76,225 | 443 | 76,668 |
| Insurance Recovery | 43,609 | - | 43,609 |
| Co-curricular Student Activities | 11,136 | - | 11,136 |
| Local Grants | - | 2,685 | 2,685 |
| Other | 12,823 | 29,507 | 42,330 |
| Total | <u>\$ 1,187,082</u> | <u>\$ 269,637</u> | <u>\$ 1,456,719</u> |

P. Litigation

During the normal course of business the District is subject to various legal claims. As of August 31, 2019, management is not aware of any such claim which would have a material adverse effect on the financial statements.

Q. Other Significant Commitments and Contingencies**Construction Commitments (Work in Progress)**

The District had ongoing projects under non-cancelable contracts at August 31, 2019. Commitments as of August 31, 2019 are as follows:

| Project Name | Paid To Date | Remaining Commitment |
|------------------------------------|-------------------|-------------------------|
| Junior High - 300 Wing Roof Repair | \$ 35,580 | \$ 23,720 |
| Junior High - 100 Wing Roof Repair | 18,960 | 12,640 |
| Intermediate Roof Repair | 22,440 | 14,960 |
| Junior High Gym Roof Repair | 16,909 | 11,273 |
| Administration Roof Replacement | 67,458 | 44,972 |
| Total | <u>\$ 161,347</u> | <u>\$ 107,565</u> |

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments Under Leases - Tornillo Independent School District leases 282 acres of land in El Paso County, Texas from the University of Texas System Board of Regents. The term of this lease agreement is for a period of ten years which commenced October 1, 2006. The lease was renewed on June 24, 2015 for an additional ten year period commencing on October 1, 2016. This lease provides for rent of \$5,000 for the entire lease term. The land is only permitted to be used for the purpose of public education facilities and for necessary and desirable purposes incidental thereto, and for no other purpose. The District constructed a new high school facility on this land.

The District entered into a commercial lease with The University of Texas System Board of Regents for approximately 8.81 acres of land. The term of this lease agreement is for a period of ten years commenced August 11, 2015 through June 30, 2025. This lease provided for rent of \$4,000 for the entire lease term. The land is permitted to be used for the purpose of public education facilities and for purposes incidental thereto, and for no other purpose. The District uses the land as a baseball/softball dirt field.

Operating Leases Commitments

As of August 31 2019 the District had entered into operating lease agreements for copy machines and postage equipment having an initial or remaining noncancellable lease term in excess of one year.

Commitments under operating (non-capitalized) lease agreements provide for minimum future rental payments estimated by management as of August 31, 2019, as follows:

| <u>Year Ending August 31,</u> | |
|---------------------------------|-------------------|
| 2020 | \$ 56,727 |
| 2021 | <u>56,530</u> |
| Total Potential Minimum Rentals | <u>\$ 113,257</u> |

Rental expenditures in fiscal year 2019 amounted to \$62,699.

Other Commitments - The District entered into an interlocal agreement with County of El Paso on December 14, 2009 for the improvement of facilities and services at Coyote Park playground and baseball park located within the bounds of the Tornillo Independent School District. The County will design, purchase, and install all playground equipment, canopies, basketball equipment and grass for the park and softball field. The District will be responsible for the management, maintenance and security of said park areas including maintenance of all County provided equipment. The agreement remains in effect until September 30, 2029.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

The District entered into a second interlocal agreement with County of El Paso on January 23, 2019 for the improvements and maintenance of Coyote Park located within the bounds of the Tornillo Independent School District. The County will purchase and install sod and irrigation lay structure, sidewalk and hike and bike trail swings, benches and picnic shelters, solar lighting, landscaping, park equipment and parking. The District will be responsible for providing year-round maintenance of such premises, including maintenance of all improvements, manage and operate premises, operate and maintain landscaping, irrigation systems and equipment, and pay all electric, gas, and water utilities costs and expenses relating to operation and maintenance of premises. The agreement remains in effect until November 30, 2038.

Federal and State Funding - Tornillo Independent School District participates in numerous state and federal grant programs that are subject to audit by the Texas Education Agency and various Federal and/or State audit agencies. These programs have complex compliance requirements, and should State or Federal auditors discover areas of material noncompliance, those District funds may be subject to refund if so determined by administrative audit review. An investigation is currently underway regarding the possible misappropriation of federal grant funds. Since the investigation is on-going, the District has not made any adjustments related to the possible misappropriation. If any funds are determined to be misappropriated, the general fund will repay all amounts. Management does not believe any repayment of monies would have a material adverse effect on the general fund. In the opinion of administration, 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 financial statements for such contingencies.

R. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2019, Tornillo Independent School District carried insurance for building and contents in the amount of \$48,579,739 with a deductible for property of \$5,000 for direct physical loss and \$10,000 for wind, hurricane, and hail through Texas Rural Education Association Risk Management Cooperative.

During the year ended August 31, 2019, Tornillo ISD participated in the TASB Risk Management Fund (the Fund) programs for auto liability and auto physical damage. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates that Tornillo ISD has no additional liability beyond the contractual obligations for payment of contributions.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2019

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

S. Related Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter.

Management is not aware of any material related party transactions that occurred during the 2018-2019 fiscal year.

T. New Accounting Pronouncements

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- GASB No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period.
- GASB No. 90, *Majority Equity Interests - and Amendment of GASB Statement No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2019. GASB No. 90 modifies previous guidance for reporting a government's majority equity interest in legally separate organizations. This statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit.
- GASB No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2019. GASB No. 91 requires issuers to disclose information about their conduit debt obligations.

REQUIRED SUPPLEMENTARY INFORMATION

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

| 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 | \$ 1,025,926 | \$ 1,069,536 | \$ 1,187,082 | \$ 117,546 |
| 5800 State Program Revenues | 9,615,900 | 10,105,900 | 10,019,770 | (86,130) |
| 5900 Federal Program Revenues | 1,058,500 | 1,058,500 | 1,024,342 | (34,158) |
| 5020 Total Revenues | 11,700,326 | 12,233,936 | 12,231,194 | (2,742) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 5,105,971 | 5,617,334 | 5,485,493 | 131,841 |
| 0012 Instructional Resources and Media Services | 145,029 | 150,640 | 132,854 | 17,786 |
| 0013 Curriculum and Instructional Staff Development | 254,954 | 264,504 | 248,458 | 16,046 |
| 0021 Instructional Leadership | 293,636 | 299,636 | 280,953 | 18,683 |
| 0023 School Leadership | 686,601 | 748,601 | 744,980 | 3,621 |
| 0031 Guidance, Counseling, and Evaluation Services | 211,389 | 221,644 | 213,896 | 7,748 |
| 0033 Health Services | 143,317 | 156,817 | 151,174 | 5,643 |
| 0034 Student (Pupil) Transportation | 298,754 | 313,254 | 213,607 | 99,647 |
| 0035 Food Services | 996,600 | 996,600 | 861,211 | 135,389 |
| 0036 Extracurricular Activities | 405,666 | 410,666 | 426,076 | (15,410) |
| 0041 General Administration | 914,968 | 958,871 | 897,167 | 61,704 |
| 0051 Facilities Maintenance and Operations | 1,298,066 | 1,639,376 | 1,439,050 | 200,326 |
| 0052 Security and Monitoring Services | 238,031 | 250,531 | 245,143 | 5,388 |
| 0053 Data Processing Services | 503,601 | 586,101 | 478,197 | 107,904 |
| 0061 Community Services | 101,900 | 101,900 | 103,393 | (1,493) |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 80,000 | 431,000 | 431,000 | - |
| 0072 Interest on Long-Term Debt | 6,843 | 6,843 | 6,842 | 1 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | 229,485 | 119,443 | 110,042 |
| Intergovernmental: | | | | |
| 0099 Other Intergovernmental Charges | 15,000 | 18,000 | 14,769 | 3,231 |
| 6030 Total Expenditures | 11,700,326 | 13,401,803 | 12,493,706 | 908,097 |
| 1200 Net Change in Fund Balances | - | (1,167,867) | (262,512) | 905,355 |
| 0100 Fund Balance - September 1 (Beginning) | 8,465,339 | 8,465,339 | 8,465,339 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 8,465,339 | \$ 7,297,472 | \$ 8,202,827 | \$ 905,355 |

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2019

Budgets and Budgetary Accounting

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General, National School Breakfast and Lunch Program, and Debt Service funds before the beginning of the fiscal year. For fiscal years beginning September 1, the Texas Education Code requires the budget to be adopted by August 31st of each year. The District's administration determines budgetary funding priorities and the budgets are prepared on the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts legally authorized appropriated budgets for the General, National School Breakfast and Lunch Program, and Debt Service funds. On August 29, 2018, the 2018-2019 budget was legally adopted by the Board.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts as defined by the TEA. 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. Several amendments were necessary during the year. Significant budget amendments approved by the Board were related to the use of the re-assigned fund balance, the 1:1 student laptop initiative, TRS on-behalf and the District of Innovation related expenditures.

Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

Budget Overages

Exhibit G-1 presents small unfavorable budget variance in function 36 (Extracurricular Activities) is presented as a result of the athletic assignment stipends for the school year not being included in the budget. A small unfavorable budget variance in function 61 (Community Services) is also presented as a result of expenditures being reclassified from a federal fund to the general fund that were not included in the budget.

Although the budget variances are small, management has already implemented procedures to avoid unfavorable budget variances in any of the budget categories at the end of the fiscal year. Overall, the general fund reports a favorable budget variance in the amount of \$905,355.

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

| | Measurement Year Ended August 31, | | | | |
|---|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| District's Proportion of the Net Pension Liability (Asset) | 0.0070274497% | 0.0075183916% | 0.0083085919% | 0.0076823000% | 0.0055566000% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 3,868,079 | \$ 2,403,977 | \$ 3,139,693 | \$ 2,715,591 | \$ 1,484,245 |
| States Proportionate Share of the Net Pension Liability (Asset) associated with the District | 5,750,937 | 3,878,395 | 4,232,506 | 4,208,755 | 3,644,005 |
| Total | <u>\$ 9,619,016</u> | <u>\$ 6,282,372</u> | <u>\$ 7,372,199</u> | <u>\$ 6,924,346</u> | <u>\$ 5,128,250</u> |
| District's Covered Payroll | \$ 7,815,556 | \$ 7,891,834 | \$ 7,563,210 | \$ 7,198,540 | \$ 6,956,232 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | 49.49% | 30.46% | 41.51% | 37.72% | 21.34% |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

Note: GASB 68, paragraph 81 requires that the information on this schedule be presented for the Plan's measurement year (September 1st - August 31st) as opposed to the District' fiscal year.

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

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

| | Fiscal Year Ended August 31, | | | | |
|---|------------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually Required Contribution | \$ 260,751 | \$ 234,824 | \$ 238,898 | \$ 233,325 | \$ 181,259 |
| Contribution in Relation to the Contractually Required Contribution | (260,751) | (234,824) | (238,898) | (233,325) | (181,259) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 7,810,067 | \$ 7,815,556 | \$ 7,891,834 | \$ 7,563,210 | \$ 7,198,540 |
| Contributions as a percentage of Covered Payroll | 3.34% | 3.00% | 3.03% | 3.08% | 2.52% |

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1st - August 31st.

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

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSION TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2019

Changes of benefit terms

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

Changes of assumptions

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

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

Changes since the Prior Actuarial Valuation

The Board adopted new assumptions on July 27, 2018 based on the recommendations from the experience study for the period ending August 31, 2017.

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

| | Measurement Year Ended August 31, | |
|--|-----------------------------------|----------------------|
| | 2018 | 2017 |
| District's Proportion of the Net OPEB Liability (Asset) | 0.0094945755% | 0.0098424486% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ 4,740,728 | \$ 4,280,112 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District | 6,139,670 | 5,919,200 |
| Total | <u>\$ 10,880,398</u> | <u>\$ 10,199,312</u> |
| District's Covered Payroll | \$ 7,815,556 | \$ 7,891,834 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll | 60.66% | 54.23% |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 1.57% | 0.91% |

Note: GASB 75, paragraph 97 requires that the information on this schedule be presented for the Plan's measurement year (September 1st - August 31st) as opposed to the District's fiscal year.

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

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

| | Fiscal Year Ended August 31, | |
|---|------------------------------|--------------|
| | 2019 | 2018 |
| Contractually Required Contribution | \$ 71,896 | \$ 65,739 |
| Contribution in Relation to the Contractually Required Contribution | (71,896) | (65,739) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 7,810,067 | \$ 7,815,556 |
| Contributions as a percentage of Covered Payroll | 0.92% | 0.84% |

Note: GASB 75, paragraph 97 requires that the information on this schedule be presented for the District's fiscal year as opposed to the time period covered by the measurement date of September 1st - August 31st.

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

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2019

Changes of Benefit Terms Since the Prior Measurement Period

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

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

- Due to a database conversion, the total OPEB liability (TOL) as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discounted their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Note: The roll forward valuation excluded 32,439 of the 274,219 retirees and beneficiaries as of August 31, 2017 because they were known to have discontinued their health care coverage for reasons other than death during fiscal year 2018. The roll-forward process also excluded 141 of the 712,260 actives employees as of August 31, 2017 because they were known to have discontinued their health care coverage for reasons other than death during the plan's 2018 fiscal year.

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SUPPLEMENTARY INFORMATION

TORNILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

| Data Control Codes | | 211 Title I, Part A - Improving Basic Program | 212 Title I Part C - Migrant | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|--------------------------------------|---|--|---------------------------------------|---------------------------------|-----------------------------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes | - | - | - | - |
| 1240 | Due from Other Governments | 351,488 | 80,275 | 193,620 | 1,846 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1410 | Prepayments | - | - | - | - |
| 1000 | Total Assets | <u>\$ 351,488</u> | <u>\$ 80,275</u> | <u>\$ 193,620</u> | <u>\$ 1,846</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ 4,324 | \$ - |
| 2160 | Accrued Wages Payable | 6,120 | 3,317 | 7,640 | - |
| 2170 | Due to Other Funds | 345,368 | 76,958 | 181,656 | 1,846 |
| 2180 | Due to Other Governments | - | - | - | - |
| 2300 | Unearned Revenue | - | - | - | - |
| 2000 | Total Liabilities | <u>351,488</u> | <u>80,275</u> | <u>193,620</u> | <u>1,846</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 | Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3470 | Capital Acquisition and Contractual Obligation | - | - | - | - |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 351,488</u> | <u>\$ 80,275</u> | <u>\$ 193,620</u> | <u>\$ 1,846</u> |

| 242 Summer Food Service Program | 244 Carl D. Perkins Basic Formula Grant | 255 Title II, A Supporting Effective Ins | 263 Title III, A English Lang. Acquisition | 270 Title V, B SP 2 - Rural & Low Income | 288 Emergency Impact Aid | 289 Title IV, A Subpart I & LEP Summer | 397 Advanced Placement Incentives |
|--|--|---|---|---|--------------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 60,013 | 36,098 | 9,091 | - | 25,721 | - |
| 41,350 | - | - | - | - | 339 | 875 | 1,600 |
| - | - | - | - | - | - | - | - |
| <u>\$ 41,350</u> | <u>\$ -</u> | <u>\$ 60,013</u> | <u>\$ 36,098</u> | <u>\$ 9,091</u> | <u>\$ 339</u> | <u>\$ 26,596</u> | <u>\$ 1,600</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 99 | \$ - |
| - | - | - | 2,483 | - | - | - | - |
| - | - | 60,013 | 33,615 | 9,091 | - | 25,516 | - |
| - | - | - | - | - | - | 663 | - |
| - | - | - | - | - | 339 | 318 | - |
| - | - | 60,013 | 36,098 | 9,091 | 339 | 26,596 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 41,350 | - | - | - | - | - | - | 1,600 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>41,350</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,600</u> |
| <u>\$ 41,350</u> | <u>\$ -</u> | <u>\$ 60,013</u> | <u>\$ 36,098</u> | <u>\$ 9,091</u> | <u>\$ 339</u> | <u>\$ 26,596</u> | <u>\$ 1,600</u> |

TORNILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

| Data Control Codes | | 404 Student Success Initiative | 410 State Textbook Fund | 428 Small Bites Fund Program | 429 Blended Learning & LSG |
|--------------------------------------|---|---|----------------------------------|---------------------------------------|-------------------------------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes | - | - | - | - |
| 1240 | Due from Other Governments | - | 124,371 | - | 15,732 |
| 1260 | Due from Other Funds | 13,748 | - | - | - |
| 1410 | Prepayments | - | - | - | - |
| 1000 | Total Assets | <u>\$ 13,748</u> | <u>\$ 124,371</u> | <u>\$ -</u> | <u>\$ 15,732</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 38,597 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | 2,250 |
| 2170 | Due to Other Funds | - | 85,774 | - | 13,482 |
| 2180 | Due to Other Governments | 13,748 | - | - | - |
| 2300 | Unearned Revenue | - | - | - | - |
| 2000 | Total Liabilities | <u>13,748</u> | <u>124,371</u> | <u>-</u> | <u>15,732</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 | Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3470 | Capital Acquisition and Contractual Obligation | - | - | - | - |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 13,748</u> | <u>\$ 124,371</u> | <u>\$ -</u> | <u>\$ 15,732</u> |

| 461 Campus Activity Funds | 480 Project Lead the Way | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | 698 Capital Projects Fund | Total Nonmajor Governmental Funds |
|------------------------------------|-----------------------------------|---|--------------------------------|------------------------------------|--|
| \$ - | \$ - | \$ - | \$ 276,253 | \$ - | \$ 276,253 |
| - | - | - | 44,945 | - | 44,945 |
| - | - | - | (2,247) | - | (2,247) |
| - | - | 898,255 | - | - | 898,255 |
| 13,270 | 9,304 | 80,486 | - | 15,874 | 96,360 |
| - | - | - | - | 72,401 | 72,401 |
| <u>\$ 13,270</u> | <u>\$ 9,304</u> | <u>\$ 978,741</u> | <u>\$ 318,951</u> | <u>\$ 88,275</u> | <u>\$ 1,385,967</u> |
| \$ 1,004 | \$ - | \$ 44,024 | \$ - | \$ - | \$ 44,024 |
| - | - | 21,810 | - | - | 21,810 |
| - | - | 833,319 | 15,874 | 2,435 | 851,628 |
| - | - | 14,411 | - | - | 14,411 |
| - | 9,304 | 9,961 | 35,135 | - | 45,096 |
| <u>1,004</u> | <u>9,304</u> | <u>923,525</u> | <u>51,009</u> | <u>2,435</u> | <u>976,969</u> |
| - | - | - | 40,142 | - | 40,142 |
| - | - | - | 40,142 | - | 40,142 |
| - | - | 42,950 | - | - | 42,950 |
| - | - | - | - | 85,840 | 85,840 |
| - | - | - | 227,800 | - | 227,800 |
| 12,266 | - | 12,266 | - | - | 12,266 |
| <u>12,266</u> | <u>-</u> | <u>55,216</u> | <u>227,800</u> | <u>85,840</u> | <u>368,856</u> |
| <u>\$ 13,270</u> | <u>\$ 9,304</u> | <u>\$ 978,741</u> | <u>\$ 318,951</u> | <u>\$ 88,275</u> | <u>\$ 1,385,967</u> |

TORNILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | 211 Title I, Part A - Improving Basic Program | 212 Title I Part C - Migrant | 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 | 352,589 | 80,714 | 168,264 | 1,846 |
| 5020 Total Revenues | 352,589 | 80,714 | 168,264 | 1,846 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 311,252 | 33,655 | 113,584 | 1,846 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | - | - |
| 0021 Instructional Leadership | - | 43,448 | 24,187 | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 11,840 | - |
| 0032 Social Work Services | - | - | 18,653 | - |
| 0035 Food Services | - | - | - | - |
| 0041 General Administration | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0061 Community Services | 41,337 | 3,611 | - | - |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | - | - |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| 0073 Bond Issuance Cost and Fees | - | - | - | - |
| 6030 Total Expenditures | 352,589 | 80,714 | 168,264 | 1,846 |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 242 Summer Food Service Program | 244 Carl D. Perkins Basic Formula Grant | 255 Title II, A Supporting Effective Ins | 263 Title III, A English Lang. Acquisition | 270 Title V, B SP 2 - Rural & Low Income | 288 Emergency Impact Aid | 289 Title IV, A Subpart I & LEP Summer | 397 Advanced Placement Incentives |
|--|--|---|---|---|--------------------------------|---|--|
| \$ 443 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - | - | - | - |
| 6,531 | 19,779 | 60,013 | 39,062 | 23,628 | 18,614 | 28,118 | - |
| 6,974 | 19,779 | 60,013 | 39,062 | 23,628 | 18,614 | 28,118 | - |
| - | 19,779 | - | 34,595 | 7,963 | 13,872 | 17,929 | - |
| - | - | - | - | - | 4,742 | - | - |
| - | - | 41,187 | 4,217 | 15,665 | - | - | - |
| - | - | 6,979 | - | - | - | - | - |
| - | - | 11,847 | - | - | - | 3,783 | - |
| - | - | - | - | - | - | 1,897 | - |
| - | - | - | - | - | - | - | - |
| 8,981 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 4,509 | - |
| - | - | - | 250 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 8,981 | 19,779 | 60,013 | 39,062 | 23,628 | 18,614 | 28,118 | - |
| (2,007) | - | - | - | - | - | - | - |
| 43,357 | - | - | - | - | - | - | 1,600 |
| \$ 41,350 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 1,600 |

TORNILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | 404 Student Success Initiative | 410 State Textbook Fund | 428 Small Bites Fund Program | 429 Blended Learning & LSG |
|---|---|----------------------------------|---------------------------------------|-------------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | 138,691 | 1,096 | 24,482 |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | - | 138,691 | 1,096 | 24,482 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | 138,691 | 1,096 | - |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | - | 5,250 |
| 0021 Instructional Leadership | - | - | - | 1,716 |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | - | - |
| 0032 Social Work Services | - | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0041 General Administration | - | - | - | 17,516 |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0061 Community Services | - | - | - | - |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | - | - |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| 0073 Bond Issuance Cost and Fees | - | - | - | - |
| 6030 Total Expenditures | - | 138,691 | 1,096 | 24,482 |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 461 Campus Activity Funds | 480 Project Lead the Way | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | 698 Capital Projects Fund | Total Nonmajor Governmental Funds |
|------------------------------------|-----------------------------------|---|--------------------------------|------------------------------------|--|
| \$ 29,507 | \$ 2,685 | \$ 32,635 | \$ 237,002 | \$ - | \$ 269,637 |
| - | - | 164,269 | 930,026 | - | 1,094,295 |
| - | - | 799,158 | - | - | 799,158 |
| 29,507 | 2,685 | 996,062 | 1,167,028 | - | 2,163,090 |
| 34,663 | 2,685 | 731,610 | - | - | 731,610 |
| - | - | 4,742 | - | - | 4,742 |
| - | - | 66,319 | - | - | 66,319 |
| - | - | 76,330 | - | - | 76,330 |
| 11,584 | - | 27,214 | - | - | 27,214 |
| - | - | 13,737 | - | - | 13,737 |
| - | - | 18,653 | - | - | 18,653 |
| - | - | 8,981 | - | - | 8,981 |
| 828 | - | 18,344 | - | - | 18,344 |
| - | - | 4,509 | - | - | 4,509 |
| - | - | 45,198 | - | - | 45,198 |
| - | - | - | 711,200 | - | 711,200 |
| - | - | - | 552,846 | - | 552,846 |
| - | - | - | 1,782 | - | 1,782 |
| 47,075 | 2,685 | 1,015,637 | 1,265,828 | - | 2,281,465 |
| (17,568) | - | (19,575) | (98,800) | - | (118,375) |
| 29,834 | - | 74,791 | 326,600 | 85,840 | 487,231 |
| \$ 12,266 | \$ - | \$ 55,216 | \$ 227,800 | \$ 85,840 | \$ 368,856 |

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OTHER INFORMATION - REQUIRED TEA SCHEDULES

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2010 and prior years | Various | Various | \$ Various |
| 2011 | 1.090000 | 0.249000 | 51,720,943 |
| 2012 | 1.090100 | 0.246000 | 52,230,579 |
| 2013 | 1.090100 | 0.218700 | 55,057,509 |
| 2014 | 1.090100 | 0.213600 | 57,985,327 |
| 2015 | 1.090100 | 0.213600 | 62,229,604 |
| 2016 | 1.090100 | 0.213600 | 61,401,358 |
| 2017 | 1.090100 | 0.213600 | 66,480,248 |
| 2018 | 1.090100 | 0.310700 | 72,774,713 |
| 2019 (School year under audit) | 1.090100 | 0.310700 | 74,584,345 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2018 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2019 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 76,138 | \$ - | \$ 361 | \$ 105 | \$ (10,522) | \$ 65,150 |
| 6,439 | - | 117 | 26 | - | 6,296 |
| 7,268 | - | 662 | 133 | - | 6,473 |
| 7,727 | - | 653 | 128 | - | 6,946 |
| 10,783 | - | 733 | 144 | - | 9,906 |
| 12,234 | - | 1,651 | 324 | - | 10,259 |
| 14,150 | - | 2,834 | 555 | - | 10,761 |
| 21,344 | - | 3,565 | 1,016 | (2,430) | 14,333 |
| 57,311 | - | 18,765 | 5,348 | (6,824) | 26,374 |
| - | 1,044,777 | 766,148 | 218,367 | - | 60,262 |
| <u>\$ 213,394</u> | <u>\$ 1,044,777</u> | <u>\$ 795,489</u> | <u>\$ 226,146</u> | <u>\$ (19,776)</u> | <u>\$ 216,760</u> |

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

| 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 | \$ 93,000 | \$ 93,000 | \$ 76,225 | \$ (16,775) |
| 5800 State Program Revenues | 5,100 | 5,100 | 4,864 | (236) |
| 5900 Federal Program Revenues | 898,500 | 898,500 | 864,593 | (33,907) |
| 5020 Total Revenues | 996,600 | 996,600 | 945,682 | (50,918) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 996,600 | 996,600 | 861,211 | 135,389 |
| 6030 Total Expenditures | 996,600 | 996,600 | 861,211 | 135,389 |
| 1200 Net Change in Fund Balances | - | - | 84,471 | 84,471 |
| 0100 Fund Balance - September 1 (Beginning) | 58,158 | 58,158 | 58,158 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 58,158 | \$ 58,158 | \$ 142,629 | \$ 84,471 |

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

| 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 | \$ 266,231 | \$ 266,231 | \$ 237,002 | \$ (29,229) |
| 5800 State Program Revenues | 999,915 | 999,915 | 930,026 | (69,889) |
| 5020 Total Revenues | 1,266,146 | 1,266,146 | 1,167,028 | (99,118) |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 711,200 | 711,200 | 711,200 | - |
| 0072 Interest on Long-Term Debt | 552,846 | 552,846 | 552,846 | - |
| 0073 Bond Issuance Cost and Fees | 2,100 | 2,100 | 1,782 | 318 |
| 6030 Total Expenditures | 1,266,146 | 1,266,146 | 1,265,828 | 318 |
| 1200 Net Change in Fund Balances | - | - | (98,800) | (98,800) |
| 0100 Fund Balance - September 1 (Beginning) | 326,600 | 326,600 | 326,600 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 326,600 | \$ 326,600 | \$ 227,800 | \$ (98,800) |

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FEDERAL AWARDS 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
Tornillo Independent School District

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 Tornillo Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Tornillo Independent School District's basic financial statements, and have issued our report thereon dated January 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tornillo Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tornillo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tornillo 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tornillo Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gibson Ruddock Patterson LLC". The script is cursive and fluid.

Gibson Ruddock Patterson LLC
El Paso, Texas
January 17, 2020

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
Tornillo Independent School District

Report on Compliance for Each Major Federal Program

We have audited Tornillo Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tornillo Independent School District's major federal programs for the year ended August 31, 2019. Tornillo Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tornillo Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tornillo Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tornillo Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tornillo Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of the Tornillo Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tornillo Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tornillo Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Gibson Ruddock Patterson LLC
El Paso, Texas
January 17, 2020

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed?

None reported

Were material weaknesses in internal control disclosed?

No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?

No

Federal Awards

Internal control over major federal award programs:

Were significant deficiencies in internal control over major programs disclosed?

None reported

Were material weaknesses in internal control over major programs disclosed?

No

Type of auditor's report issued on compliance for the major federal award programs:

Unmodified

Were there any audit findings that the auditor is required to disclosed under Title 2 CFR 200.516 Audit findings paragraph (a)?

No

Major Federal Programs:

**Child Nutrition Cluster Program,
CFDA 10.553, 10.555, and 10.559**

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Did auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee?

Yes

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

FINANCIAL STATEMENT FINDINGS

There were no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings or questioned costs.

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF **PRIOR AUDIT FINDINGS**
FOR THE YEAR ENDED AUGUST 31, 2019

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| Title I, Part A - Improving Basic Programs | 84.010A | 18610101071908 | \$ 1,101 |
| Title I, Part A - Improving Basic Programs | 84.010A | 19610101071908 | 385,607 |
| Total CFDA Number 84.010A | | | 386,708 |
| Title I, Part C - Migrant | 84.011A | 18615001071908 | 824 |
| Title I, Part C - Migrant | 84.011A | 19615001071908 | 88,068 |
| Total CFDA Number 84.011A | | | 88,892 |
| **IDEA - Part B, Formula | 84.027A | 186600010719086600 | 38,413 |
| **IDEA - Part B, Formula | 84.027A | 196600010719086600 | 148,646 |
| Total CFDA Number 84.027A | | | 187,059 |
| **IDEA - Part B, Preschool | 84.173A | 186610010719086610 | 1,309 |
| **IDEA - Part B, Preschool | 84.173A | 196610010719086610 | 714 |
| Total CFDA Number 84.173A | | | 2,023 |
| Total Special Education Cluster (IDEA) | | | 189,082 |
| Carl D. Perkins Basic Formula | 84.048A | 19420006071908 | 20,768 |
| Title V, Part B SP 2- Rural & Low Income School | 84.358B | 19696001071908 | 25,922 |
| Title III, Part A - English Language Acquisition | 84.365A | 18671001071908 | 3,066 |
| Title III, Part A - English Language Acquisition | 84.365A | 19671001071908 | 36,820 |
| Total CFDA Number 84.365A | | | 39,886 |
| Title II, Part A, Supporting Effective Instruction | 84.367A | 19694501071908 | 65,838 |
| Emergency Impact Aid | 84.938C | 51271901 | 18,614 |
| LEP Summer School | 84.369A | 69551802 | 3,060 |
| Title IV Part A, Subpart 1 | 84.424A | 19680101071908 | 27,398 |
| Total Passed Through State Department of Education | | | 866,168 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 866,168 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71401801 & 71401901 | 323,736 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71301801 & 71301901 | 505,977 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 71301801 & 71301901 | 30,248 |
| Total CFDA Number 10.555 | | | 536,225 |
| *Summer Feeding Program - Cash Assistance | 10.559 | 00352 | 6,531 |
| Total Child Nutrition Cluster | | | 866,492 |
| Child & Adult Care Food Program - Cash Assistance | 10.558 | 00352 | 68,138 |
| Fresh Fruit and Vegetable Program | 10.582 | 00352 | 22,702 |
| Total Passed Through the State Department of Agriculture | | | 957,332 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 957,332 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,823,500</u> |

* and ** Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2019

1. BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the general fund or a special revenue fund in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a special revenue fund. 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. For the year ended August 31, 2019, the District predominately accounted for federal grant funds in special revenue funds, with the exception of the National School Lunch and Breakfast Program, Child and Adult Care Food Program, Fresh Fruit and Vegetable Program, and indirect costs, which were accounted for in the general fund.

These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for these funds. 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 long-term debt, which is recognized when due, and certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal activity of the District under programs of the federal government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Period of performance - The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - August 2019.

Matching - Matching contributions were not required for any of the federal awards.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED AUGUST 31, 2019****2. BASIS OF PRESENTATION (continued)**

Program Income - The Child Nutrition Cluster generated program income in the amount of \$76,669 for the year ended August 31, 2019.

3. INDIRECT COST RATE

The District did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by Texas Education Agency.

The District accounted for federally funded indirect costs in the General Fund as follows:

| Program Title | Federal CFDA Number | Amount |
|--|------------------------|------------|
| School Breakfast Program | 10.553 | \$ 31,084 |
| National School Lunch Program | 10.555 | 48,582 |
| Child & Adult Care Food Program | 10.558 | 6,542 |
| Total Indirect Cost - Child Nutrition Program | | 86,208 |
| Title I, Part A - Improving Basic Programs | 84.010A | 34,119 |
| Title I, Part C - Migrant | 84.011A | 8,178 |
| IDEA - Part B, Formula | 84.027A | 18,795 |
| IDEA - Part B, Preschool | 84.173A | 176 |
| Carl D. Perkins Basic Formula Grant | 84.048A | 989 |
| Title II, Part A, Supporting Effective Instruction | 84.367A | 5,825 |
| Title III, Part A - LEP/LEA | 84.365A | 825 |
| Title V. B SP 2 - Rural & Low Income School | 84.358B | 2,294 |
| Title IV, Part A, Subpart 1 | 84.424A | 2,340 |
| Total Indirect Costs - Other | | 73,541 |
| Total Indirect Costs | | \$ 159,749 |

4. RECONCILIATIONS

Of the federal expenditures presented in schedule K-1, the District accounted for certain funds in the General Fund as follows:

| Program Title | Federal CFDA Number | Amount |
|---|------------------------|--------------|
| School Breakfast Program | 10.553 | \$ 323,736 |
| National School Lunch Program - Cash Assistance | 10.555 | 505,977 |
| National School Lunch Program - Non-Cash Assistance | 10.555 | 30,248 |
| Child & Adult Care Food Program | 10.558 | 68,138 |
| Fresh Fruit and Vegetable Program | 10.582 | 22,702 |
| Indirect Costs - Other | 84.XXX | 73,541 |
| Total General Fund federal revenue per Exhibit C-3 | | \$ 1,024,342 |