

**NUECES CANYON CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2020

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2020

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CERTIFICATE OF BOARD

Nueces Canyon Consolidated
Independent School District
Name of School District

Edwards
County

069-902
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, 2020, at a meeting of the board of trustees of such school district on the 16th day of November, 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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EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

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Knippa, Texas 78870
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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
Nueces Canyon Consolidated Independent School District
P.O. Box 118
Barksdale, TX 78828

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nueces Canyon Consolidated Independent School District as of and for the year ended August 31, 2020, 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nueces Canyon Consolidated Independent School District, as of August 31, 2020, 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

and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability, the schedule of District contributions to TRS, the schedule of District's proportionate share of the net OPEB liability, and , the schedule of District contributions to TRS OPEB plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nueces Canyon Consolidated Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 and J-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These 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. These exhibits 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 November 11, 2020, on our consideration of the Nueces Canyon Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Nueces Canyon Consolidated Independent School District's internal control over financial reporting and compliance.

Ede & Company, LLC
Ede & Company. LLC
Certified Public Accountants
Knippa, Texas

November 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nueces Canyon Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,057,567 at August 31, 2020.
- During the year, the District's expenses were \$136,329 more than the \$4,305,486 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$3,188,135.

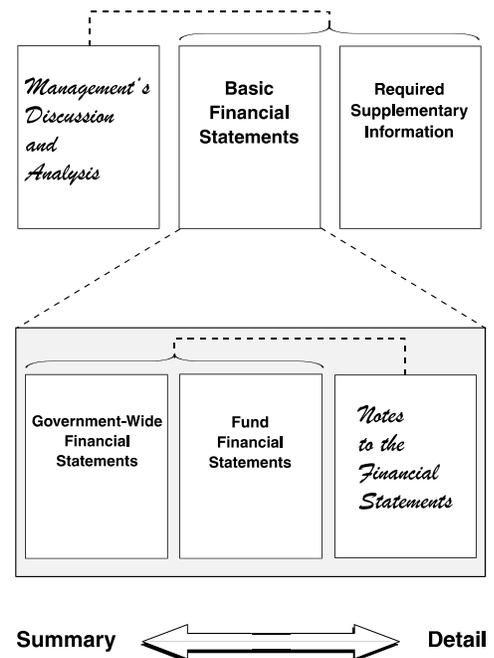
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$4,057.6 thousand at August 31, 2020. (See Table A-1).

Table A-1
Nueces Canyon Consolidated Independent School District's Net Position
(in thousands dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Current assets:			
Cash and cash equivalents	\$ 3,272.6	\$ 3,100.5	5.6%
Property taxes receivable	570.5	557.2	2.4%
Allowance for uncollectible taxes	(102.7)	(105.9)	-3.0%
Due from other governments	216.8	170.4	27.2%
Due from fiduciary funds	2.5	2.5	0.0%
Other receivables	-	0.3	0.0%
Total current assets	3,959.7	3,725.0	6.3%

Noncurrent assets:			
Capital Assets	7,484.3	7,478.5	0.1%
Less accumulated depreciation	<u>(5,164.2)</u>	<u>(4,953.5)</u>	<u>4.3%</u>
Total noncurrent assets	<u>2,320.1</u>	<u>2,525.0</u>	<u>-8.1%</u>
Total Assets	<u>6,279.8</u>	<u>6,250.0</u>	<u>0.5%</u>
Deferred Outflows of Resources			
Deferred Outflow - Pensions	382.6	466.5	-18.0%
Deferred Outflow - OPEB	141.1	110.4	27.8%
Total Deferred Outflows of Resources	<u>523.7</u>	<u>576.9</u>	<u>-9.2%</u>
Current liabilities:			
Accounts payable	65.9	30.7	114.7%
Accrued wages payable	153.7	138.6	10.9%
Accrued expenses	4.1	3.3	24.2%
Total current liabilities	<u>223.7</u>	<u>172.6</u>	<u>29.6%</u>
Long-term liabilities:			
Net Pension Liability	738.4	837.0	-11.8%
Net OPEB Liability	1,019.0	1,205.6	-15.5%
Total Long-term liabilities	<u>1,757.4</u>	<u>2,042.6</u>	<u>-14.0%</u>
Total Liabilities	<u>1,981.1</u>	<u>2,215.2</u>	<u>-10.6%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	180.2	81.7	120.6%
Deferred Inflow - OPEB	584.7	381.2	53.4%
Total Deferred Outflows of Resources	<u>764.9</u>	<u>462.9</u>	<u>65.2%</u>
Net Position:			
Invested in capital assets	2,320.0	2,525.0	-8.1%
Restricted for federal and state programs	80.0	51.6	55.0%
Unrestricted	<u>1,657.5</u>	<u>1,572.2</u>	<u>5.4%</u>
Total Net Position	<u>\$ 4,057.5</u>	<u>\$ 4,148.8</u>	<u>-2.2%</u>

The \$1,657.5 thousand of unrestricted net asset represents the sources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$4,305.5 thousand. A significant portion, 67 percent, of the District's revenue comes from taxes. (See Figure A-3.) 13 percent comes from state aid – formula grants, while 1 percent relates to charges for services.

The total cost of all programs and services was \$4,441.8 thousand; 51 percent of these costs are for instructional and student services. (See Figure A-4.) and 10 percent is spent on plant maintenance.

Governmental Activities

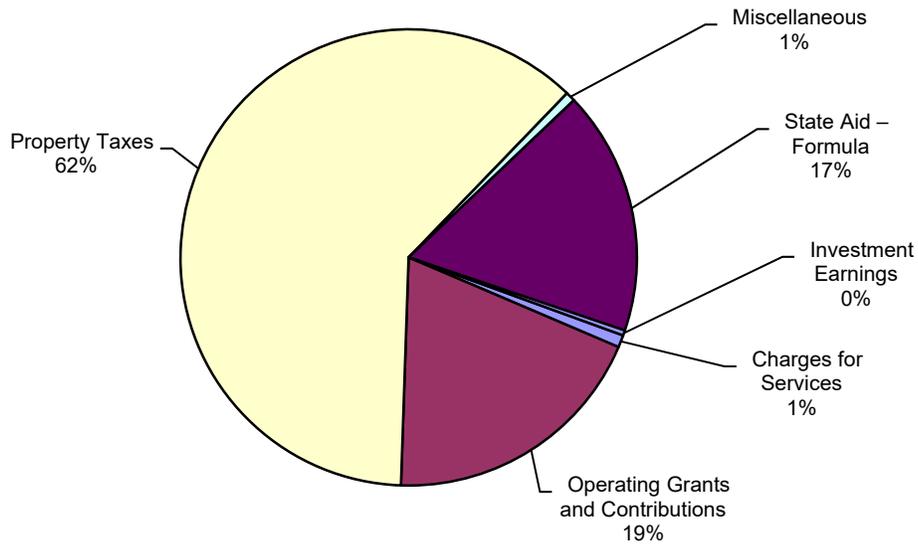
- Property tax rates decrease from \$1.17 in 2019 to \$1.0683 in 2020. Valuations increased 9.7%. This resulted in tax revenues decreasing 3.6%.

Table A-2

Changes in Nueces Canyon Consolidated Independent School District's Net Position
(In thousands dollars)

	Governmental Activities		Percentage Change 2020-2019
	2020	2019	
Program Revenues:			
Charges for Services	\$ 37.6	\$ 36.9	1.9%
Operating Grants and Contributions	822.9	763.3	7.8%
General Revenue			
Property Taxes	2,654.9	2,753.2	-3.6%
State Aid - Formula	744.7	548.6	35.7%
Investment Earnings	15.9	22.0	-27.7%
Other	29.4	12.3	139.0%
Total Revenue	<u>4,305.5</u>	<u>4,136.4</u>	<u>4.1%</u>
Instruction	2,316.3	2,060.2	12.4%
Instructional Resources and Media Services	78.5	69.1	13.6%
Curriculum and Instructional Staff Development	9.1	11.2	-18.8%
School Leadership	215.4	130.5	65.1%
Guidance Counseling and Evaluation Services	1.2	3.6	-66.7%
Health Services	38.5	32.4	18.8%
Student (Pupil) Transportation	159.6	182.7	-12.6%
Food Services	155.9	153.4	1.6%
Cocurricular/Extracurricular Activities	237.8	241.5	-1.5%
General Administration	271.0	261.1	3.8%
Plant Maintenance and Operations	406.0	394.6	2.9%
Security & Monitoring Services	3.7	1.2	208.3%
Data Processing Service	322.2	278.4	15.7%
Debt Service - Interest on long-term debt	-	10.6	-100.0%
Contrated Instructional Services Between Schools	7.1	-	100.0%
Payment Related to Shared Services Arrangement	48.6	48.6	0.0%
Other Governmental Charges	170.9	128.1	33.4%
Total Expense	<u>4,441.8</u>	<u>4,007.2</u>	<u>10.8%</u>
Increase (Decrease) in Net Position	<u>\$ (136.3)</u>	<u>\$ 129.2</u>	<u>-205.5%</u>

Figure A-3 2020 Revenue Sources



2020 Expenses by Function

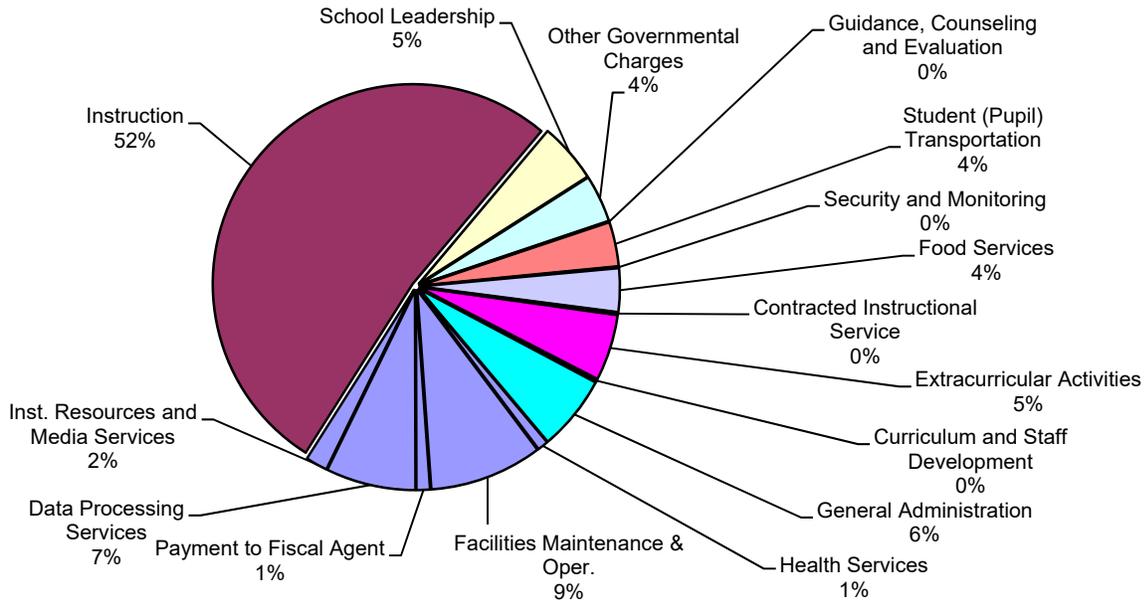


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,441.8 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2,654.9 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$37.6 thousand, or
- By grants and contributions \$744.7.3 thousand.

Table A-3
 Net Cost of Selected District Functions
(in thousands of dollars)

	Total Costs of Services			Net Cost of Services		
	2020	2019	Percent Change	2020	2019	Percent Change
Instructional	\$ 2,316.3	\$ 2,060.2	12.4%	\$ 1,742.8	\$ 1,502.3	16.0%
School Administration	271.1	261.1	3.8%	261.3	250.8	4.2%
Plant Maintenance & Operations	406.0	394.6	2.9%	391.3	381.4	2.6%
Food Service	156.0	153.4	1.7%	(26.0)	1.6	-1725.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,305.5 thousand, an increase of 4.1% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget many times. Even with these adjustments, actual expenditures were \$201,926 less than the final budget amounts; also, resources available were \$75,678 below the final budgeted amount. Some reasons for these differences are:

- Changes in personnel during the year.
- Major items and services were less than anticipated.
- State Revenue collections were greater than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$7,478.5 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities		Total Percentage Change 2020-2019
	2020	2019	
Land	\$ 72.8	\$ 72.8	0.0%
Construction in Progress	-	-	0.0%
Building and Improvements	6,139.9	6,139.9	0.0%
Furniture & Equipment	1,271.6	1,265.8	0.5%
Totals at historical cost	7,484.3	7,478.5	0.1%
Total Accumulated Depreciation	(5,164.2)	(4,953.5)	4.3%
Net Capital Assets	\$ 2,320.1	\$ 2,525.0	-8.1%

Debt Administration

The District paid off all debt during the year and had no debt outstanding at the end of the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2021 budget preparation are up 4.15% from 2020.
- Tax rates have been reduced from \$1.0683 in 2020 to \$1.0531 in 2021.
- The District's 2021 refined average daily attendance is expected to remain steady throughout the year.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are approximately \$3.94 million, which is an approximate the same as final 2020.

Expenditures are budgeted to increase to \$3.94 million. The District continues to coordinate local funds with federal funds to optimize instructional programs.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same by the close of 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

BASIC FINANCIAL STATEMENTS

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,272,550
1220 Property Taxes Receivable (Delinquent)	570,499
1230 Allowance for Uncollectible Taxes	(102,690)
1240 Due from Other Governments	216,760
1267 Due from Fiduciary Fund	2,526
1290 Other Receivables	-
Capital Assets:	
1510 Land	72,750
1520 Buildings, Net	2,046,901
1530 Furniture & Fixtures, Net	200,397
1000 Total Assets	<u>6,279,693</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pension	382,610
1706 Deferred Outflows - OPEB	141,117
1700 Total Deferred Outflow of Resources	<u>523,727</u>
LIABILITIES	
2110 Accounts Payable	65,928
2160 Accrued Wages Payable	153,703
2180 Due to Other Governments	-
2200 Accrued Expenses	4,057
2300 Unearned Revenue	-
Noncurrent Liabilities	
2540 Net Pension Liability	738,387
2545 Net OPEB Liability	1,018,957
2000 Total Liabilities	<u>1,981,032</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pension	180,156
2606 Deferred Inflows- OPEB	584,665
1700 Total Deferred Inflow of Resources	<u>764,821</u>
NET POSITION	
3200 Invested in Capital Assets, Net of Related Debt	2,320,048
3820 Restricted for Federal and State Programs	80,013
3900 Unrestricted Net Position	<u>1,657,506</u>
3000 Total Net Position	<u>\$ 4,057,567</u>

The accompanying notes are an integral part of this statement.

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data	1	Program Revenues		6	
Control		3	4	Net (Expense) Revenue and Changes in Net Position	
Codes		Charges for	Operating Grants and	Governmental	
	Expenses	Services	Contributions	Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 2,316,254	\$ 19,610	\$ 553,861	\$ (1,742,783)
12	Instructional Resources and Media Services	78,491	-	7,634	(70,857)
13	Curriculum and Staff Development	9,096	-	-	(9,096)
23	School Leadership	215,455	-	18,657	(196,798)
31	Guidance Counseling and Evaluation Services	1,251	-	-	(1,251)
33	Health Services	38,481	-	3,451	(35,030)
34	Student (Pupil) Transportation	159,570	-	11,558	(148,012)
35	Food Services	155,951	12,512	169,578	26,139
36	Extracurricular Activities	237,768	5,472	6,939	(225,357)
41	General Administration	271,054	-	9,717	(261,337)
51	Facilities Maintenance and Operations	405,999	-	14,662	(391,337)
52	Security and Monitoring Services	3,687	-	-	(3,687)
53	Data Processing Services	322,175	-	26,875	(295,300)
72	Debt Service - Interest on Long-Term Debt	-	-	-	-
91	Contracted Instructional Services Between Schools	7,075	-	-	(7,075)
93	Payments related to Shared Services Arrangements	48,649	-	-	(48,649)
99	Other Government Charges	170,859	-	-	(170,859)
	TG Total governmental activities	<u>4,441,815</u>	<u>37,594</u>	<u>822,932</u>	<u>(3,581,289)</u>
Data					
Control	General Revenues:				
Codes	Taxes:				
MT	Property Taxes, Levied for General Purposes				2,654,875
SF	State Aid - Formula Grants				744,724
IE	Investment Earnings				15,978
MI	Miscellaneous Local and Intermediate Revenue				29,383
TR	Total General Revenues and Transfers				<u>3,444,960</u>
CN			Change in Net Position		(136,329)
NB	Net Position—Beginning				4,193,896
PA	Prior Period Adjustment				-
NE	Net Position—Ending				<u>\$ 4,057,567</u>

The accompanying notes are an integral part of this statement.

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control	10 General Fund	20 Special Revenue Funds
ASSETS		
1110 Cash and Temporary Investments (market)	\$ 3,272,550	\$ -
1220 Property Taxes - Delinquent	570,499	-
1230 Allowance for Uncollectible Taxes (Credit)	(102,690)	-
1240 Due from Other Governments	101,098	115,662
1260 Due from Other Funds	23,650	-
1290 Other Receivables	-	-
1000 Total Assets	<u>\$ 3,865,107</u>	<u>\$ 115,662</u>
LIABILITIES		
2110 Accounts Payable	\$ 64,658	\$ 1,270
2120 Short Term Loans Payable	-	-
2160 Accrued Wages Payable	141,391	12,312
2170 Due to other funds	0	-
2180 Payable to Other Governments	-	21,124
2200 Accrued Expenditures/Expenses	3,114	943
2300 Unearned Revenue	-	-
2000 Total Liabilities	<u>209,163</u>	<u>35,649</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue- Property Taxes	<u>467,809</u>	-
2600 Total Deferred Inflows of Resources	<u>467,809</u>	-
FUND BALANCE		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restrictions	-	80,013
Committed Fund Balance:		
3510 Construction	225,062	-
3530 Capital Expenditures - Equipment	899,993	-
3540 Self Insurance	14,000	-
Unassigned Fund Balance:		
3600 Unassigned Fund Balance	<u>2,049,080</u>	-
3000 Total Fund Balances	<u>3,188,135</u>	<u>80,013</u>
4000 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 3,865,107</u>	<u>\$ 115,662</u>

The accompanying notes are an integral part of this statement.

<hr/> 98 Total Governmental Funds <hr/>	
\$ 3,272,550	
570,499	
(102,690)	
216,760	
23,650	
-	
<u>\$ 3,980,769</u>	
\$ 65,928	
-	
153,703	
21,124	
4,057	
-	
<u>244,812</u>	
<u>467,809</u>	
<u>467,809</u>	
80,013	
225,062	
899,993	
14,000	
<u>2,049,080</u>	
<u>3,268,148</u>	
<u>\$ 3,980,769</u>	

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

Total Fund Balances - Governmental Funds	\$ 3,268,148
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 \$7,478,469 and accumulate depreciation was \$4,953,462. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	2,525,007
2 Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.	5,805
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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$466,480, a Deferred Resource Inflow in the amount of \$81,720 and a net pension liability in the amount of \$837,070. The impact of this on Net Position is (452,310). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$83,623). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$535,933).	(535,933)
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. At the beginning of the year, the net position related to OPEB was a Deferred Resource Outflow in the amount of \$110,424, a Deferred Resource Inflow in the amount of \$381,243 and a net OPEB liability in the amount of \$1,205,611. The impact of this on Net Position is (1,476,430). Changes from the current year reporting of the OPEBS plan resulted in a increase in net position in the amount of \$13,925. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$1,462,505).	(1,462,505)
5 The 2020 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.	(210,764)
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 deferred revenue as revenue, eliminating interfund transactions, 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.	467,809
19 Net Position of Governmental Activities	\$ 4,057,567

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NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020

Data	10	20
Control	General	Special Revenue
Codes	Fund	Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 2,840,977	\$ 12,512
5800 State Program Revenues	913,509	21,432
5900 Federal Program Revenues	22,014	412,921
5020 Total Revenue	<u>3,776,500</u>	<u>446,865</u>
EXPENDITURES:		
Current:		
0011 Instruction	1,809,558	270,603
0012 Instructional Resources and Media Services	72,941	-
0013 Curriculum and Instructional Staff Development	6,810	-
0023 School Leadership	201,483	-
0031 Guidance Counseling and Evaluation Services	453	-
0033 Health Services	35,899	-
0034 Student (Pupil) Transportation	127,934	-
0035 Food Services	4,366	147,826
0036 Cocurricular/Extracurricular Activities	195,737	-
0041 General Administration	255,466	-
0051 Plant Maintenance and Operations	393,438	-
0052 Security and Monitoring Services	2,500	-
0053 Data Processing Services	304,834	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0091 Contracted Instructional Services Between Schools	7,075	-
0093 Payments to Fiscal Agent/Member Districts of SSA	48,649	-
0099 Other Intergovernmental Charges	170,859	-
6030 Total Expenditures	<u>3,638,002</u>	<u>418,429</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>138,498</u>	<u>28,436</u>
OTHER FINANCING SOURCES (USES):		
7915 Operating Transfers In	-	-
8911 Operating Transfers Out	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	138,498	28,436
0100 Fund Balance - September 1 (Beginning)	3,049,637	51,577
1300 Prior Period Adjustment	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,188,135</u>	<u>\$ 80,013</u>

The accompanying notes are an integral part of this statement.

98
Total Governmental
Funds

\$ 2,853,489
934,941
434,935
4,223,365

2,080,161
72,941
6,810
201,483
453
35,899
127,934
152,192
195,737
255,466
393,438
2,500
304,834

-

7,075
48,649
170,859
4,056,431

166,934

-

-

-

166,934
3,101,214
-
\$ 3,268,148

NUECES CANYON CONSOLIDATED 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, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ 166,934
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase net position.	5,805
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net position.	(210,764)
Current year changes due to GASB 68 increased revenues in the amount of \$104,479 but also increased expenditures in the amount of \$188,102. The net effect on the change in the ending net position was a decrease in the amount of \$83,623.	(83,623)
Current year changes due to GASB 75 increased revenues in the amount of \$6,248 but also decreased expenditures in the amount of \$7,677. The net effect on the change in the ending net position was a decrease in the amount of \$13,925.	13,925
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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 decrease net position.	(28,606)
Change in Net Position of Governmental Activities	<u><u>\$ (136,329)</u></u>

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2020

	Agency Funds
ASSETS:	
Cash & Cash Equivalents	\$ 28,612
Due From Other Funds	-
Total Assets	\$ 28,612
LIABILITIES:	
Accounts Payable	\$ (158)
Payroll Deductions	-
Due to Other Funds	2,526
Due to Student Groups	26,244
Total Liabilities	\$ 28,612

**NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fair Value Measurement. As of August 31, 2019, Nueces Canyon Independent School District retrospectively / prospectively applied Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic 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.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "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 and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, 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 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as 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. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- 1. The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods

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

Fiduciary Funds:

- 3. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The Districts Agency Fund is the Student Activity Fund

E. FUND BALANCE POLICY

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

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

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

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

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in external investment pools at cost, which approximates fair value.
3. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance are obtained from the Texas Association of School Boards Risk Management Fund. Risk of loss is not retained by the District.
4. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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	50
Building Improvements	20
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Districts deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, and the Food Service Fund (which is included in Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Food Service Fund Budget is in Exhibit J5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of Use 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 entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Nueces Canyon Consolidated Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2020, Nueces Canyon Consolidated Independent School District had the following investments.

<u>Investment Type</u>	Investment Maturities		
	Fair Value	(in years) Less Than 1	Credit Rating
None			

Additional polices and contractual provisions governing deposits and investments for Nueces Canyon Consolidated Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in

possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools. As of August 31, 2017, the District had no investments.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 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.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2020 consisted of the following individual fund balances:

Interfund Balance	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 21,124	
Trust & Agency	2,526	-
Total General Fund	<u>23,650</u>	<u>-</u>
Special Revenue Fund		
General Fund	-	21,124
Total Special Revenue Fund	<u>-</u>	<u>21,124</u>
Trust & Agency		
General Fund	-	2,526
Total Trust & Agency Fund	<u>-</u>	<u>2,526</u>
Total Interfund Balances	<u>\$ 23,650</u>	<u>\$ 23,650</u>

The District had not cleared all interfund receivables and payables at the end of the year. All amounts are scheduled to be repaid within one year.

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the twelve months ended August 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 72,750	\$ -	\$ -	\$ 72,750
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>72,750</u>	<u>-</u>	<u>-</u>	<u>72,750</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	6,139,937	-	-	6,139,937
Furniture and Equipment	1,265,782	5,805	-	1,271,587
Total capital assets being depreciated	<u>7,405,720</u>	<u>5,805</u>	<u>-</u>	<u>7,411,525</u>
Less accumulated depreciation for:				
Buildings and Improvements	3,918,249	174,788	-	4,093,036
Furniture and Equipment	1,035,214	35,976	-	1,071,190
Total accumulated depreciation	<u>4,953,462</u>	<u>210,763</u>	<u>-</u>	<u>5,164,226</u>
Total capital assets being depreciated, net	<u>2,452,257</u>	<u>(204,958)</u>	<u>-</u>	<u>2,247,299</u>
Governmental activities capital assets, net	<u>\$ 2,525,007</u>	<u>\$ (204,958)</u>	<u>\$ -</u>	<u>\$ 2,320,049</u>

Depreciation was charged to functions as follows:

Instruction	\$ 121,601
Instructional Resources & Media Services	1,634
Curriculum & Instructional Staff Development	2,286
School Leadership	4,174
Guidance, Counseling & Evaluation Services	798
Health Services	814
Student (Pupil) Transportation	25,332
Food Services	3,048
Cocurricular/Extracurricular Activities	34,596
General Administration	7,869
Plant Maintenance and Operations	5,041
Security and Monitoring Services	1,187
Data Processing Services	2,384
Payments to Fiscal Agent/Member Districts of SSA	-
Governmental activities capital assets, net	<u>\$ 210,764</u>

F. DEFINED BENEFIT PENSION PLAN

Plan Description. Nueces Canyon Consolidated Independent School District participates in a cost-sharing multiple- employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

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

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

Contribution Rates

	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

Nueces Canyon Consolidated ISD 2020 Employer Contributions \$ 70,566

Nueces Canyon Consolidated ISD 2020 Member Contributions \$159,555

Nueces Canyon Consolidated ISD 2019 NECE On-Behalf Contributions \$ 98,137

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate, called the Public Education Employer Contribution, will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

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

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions.

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

Valuation Date	August 31, 2018 rolled forward to August 31,2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August, 2019	2.63% - Source for the rate is the Fixed income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 Years)	2116
Inflation	2.3%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability assumptions are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

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

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

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

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

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

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

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
Nueces Canyon Consolidated ISD's proportionate share of the net pension liability:	\$1,135,009	\$738,387	\$ 417,048

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, Nueces Canyon Consolidated Independent School District reported a liability of \$738,387 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Nueces Canyon Consolidated Independent School District. The amount recognized by Nueces Canyon Consolidated Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Nueces Canyon Consolidated Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 738,387
State's proportionate share that is associated with the District	<u>1,457,577</u>
Total	<u>\$ 2,195,577</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .0014204368% which was a .0001003364% decrease from its proportion measured as of August 31, 2019.

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

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

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

For the year ended August 31, 2020, Nueces Canyon Consolidated Independent School District recognized pension expense of (\$1,606) and revenue of \$228,965 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020, Nueces Canyon Consolidated Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,102	\$ 25,638
Changes in actuarial assumptions	229,084	94,668
Difference between projected and actual investment earnings	7,414	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	72,444	59,850
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	70,566	
Total	\$382,610	\$180,156

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:	Pension Expense Amount
2021	\$ 45,136
2022	34,716
2023	26,357
2024	28,024
2025	6,618
Thereafter	(8,963)

G. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description. Nueces Canyon Consolidated Independent School 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 health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Standard Plan Premium Rates Effective January 1, 2019 - December 31, 2019		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

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

1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding by employer	1.25%	1.25%
Nueces Canyon Consolidated ISD 2020 Employer Contributions		\$ 25,003
Nueces Canyon Consolidated ISD 2020 Member Contributions		\$ 3,469
Nueces Canyon Consolidated ISD 2019 NECE On-Behalf Contributions		\$ 20,318

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions.

The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

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

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the 2019 Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Nueces Canyon Consolidated ISD's proportionate share of the net OPEB liability:	\$1,230,208	\$1,018,957	\$ 853,695

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, Nueces Canyon Consolidated Independent School District reported a liability of \$1,018,957 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to Nueces Canyon Consolidated Independent School District. The amount recognized by Nueces Canyon Consolidated Independent School 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 Nueces Canyon Consolidated Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 1,018,957
State's proportionate share that is associated with the District	<u>1,353,966</u>
Total	<u>\$ 2,327,923</u>

The net OPEB liability was measured as as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPBE plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPBE liability was .0021546429% which was an increase (decrease) of (.0002599152%) from its proportion measured as of August 31, 2018.

Healthcare Trend Rates Analysis. The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% point lower or 1% point higher than the assumed 8.5% rate is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Nueces Canyon Consolidated ISD's proportionate share of the net OPEB liability:	\$831,229	\$1,018,957	\$1,270,426

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

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

For the year ended August 31, 2020, Nueces Canyon Consolidated Independent School District recognized OPEB expense of \$567,703 and revenue of \$78,945 for support provided by the State.

At August 31, 2020, Nueces Canyon Consolidated Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 49,989	\$166,742
Changes in actuarial assumptions	56,595	274,074
Difference between projected and actual investment earnings	110	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9,420	143,849
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	25,003	
Total	\$141,117	\$584,665

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	\$ (72,788)
2021	(72,788)
2022	(72,823)
2023	(72,844)
2024	(72,839)
Thereafter	(104,469)

H. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became 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. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$6,216, \$7,627, and \$9,767, for fiscal years 2018, 2019, and 2020, respectively.

I. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff. During the year ended August 31, 2020, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$175 per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewed September 1, 2020, and terms of coverage and premiums costs are included in the contractual provisions.

J. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized below. All federal grants shown below are passed through the TEA.

<u>FUND</u>	<u>STATE ENTITLEMENT</u>	<u>FEDERAL GRANT</u>	<u>OTHER</u>	<u>TOTAL</u>
General	\$ 52,078	\$ -	\$ 49,020	\$ 101,098
Special Revenue		115,662	-	115,662
	<u>\$ 52,078</u>	<u>\$ 115,662</u>	<u>\$ 49,020</u>	<u>\$ 216,760</u>

K. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Total
Property Taxes	\$ 2,683,481	\$ -	\$ 2,683,481
Penalties & Interest and Other			
Tax -related Income	87,053	-	87,053
Investment Income	15,978	-	15,978
Food Sales	-	12,512	12,512
Rent	9,000	-	9,000
Tuition	10,610	-	10,610
Co-curricular Student Activities	5,472	-	5,472
Other	29,383	-	29,383
	<u>\$ 2,840,977</u>	<u>\$ 12,512</u>	<u>\$ 2,853,489</u>

L. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

M. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that the Nueces Canyon Consolidated Independent School District has no pending or threatened litigation as of August 31, 2020. No provision has been made in the financial statements regarding these matters.

N. BUDGET VARIANCE

For the year ended August 31, 2020, the Districts actual expenditures exceed the final amend budget in the following fund:

General Fund	Function 91 Contracted Instructional Services Between Schools	\$2,075
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REQUIRED SUPPLEMENTARY INFORMATION

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data	Budgeted Amounts	
Control	Original	Final
Codes	Original	Final
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 2,773,596	\$ 2,773,596
5800 State Program Revenues	1,100,631	1,013,582
5900 Federal Program Revenues	65,000	65,000
5020 Total Revenue	<u>3,939,227</u>	<u>3,852,178</u>
EXPENDITURES:		
Current:		
0011 Instruction	2,012,538	1,849,159
0012 Instructional Resources and Media Services	70,541	77,941
0013 Curriculum and Instructional Staff Development	10,512	11,812
0023 School Leadership	195,499	206,499
0031 Guidance Counseling and Evaluation Services	5,700	5,700
0033 Health Services	33,176	40,906
0034 Student (Pupil) Transportation	156,801	156,801
0035 Food Services	4,846	6,846
0036 Cocurricular/Extracurricular Activities	222,465	221,765
0041 General Administration	303,228	303,228
0051 Plant Maintenance and Operations	398,277	406,277
0052 Security and Monitoring Services	1,900	7,500
0053 Data Processing Services	300,945	309,945
Capital Outlay:		
0081 Facilities Acquisition and Construction	5,000	5,000
Intergovernmental:		
0091 Contracted Instructional Services Between Schools	5,000	5,000
0093 Payments to Fiscal Agent/Member Districts of SSA	48,649	48,649
0099 Other Intergovernment Charges	151,900	176,900
6030 Total Expenditures	<u>3,926,977</u>	<u>3,839,928</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>12,250</u>	<u>12,250</u>
OTHER FINANCING SOURCES (USES):		
8911 Operating Transfers Out	<u>(12,250)</u>	<u>(12,250)</u>
Total Other Financing Sources (Uses)	<u>(12,250)</u>	<u>(12,250)</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balance - September 1 (Beginning)	3,049,637	3,049,637
1300 Cumulative Effect - Change in Accounting	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,049,637</u>	<u>\$ 3,049,637</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 2,840,977	\$ 67,381
913,509	(100,073)
22,014	(42,986)
<u>3,776,500</u>	<u>(75,678)</u>
1,809,558	39,601
72,941	5,000
6,810	5,002
201,483	5,016
453	5,247
35,899	5,007
127,934	28,867
4,366	2,480
195,737	26,028
255,466	47,762
393,438	12,839
2,500	5,000
304,834	5,111
-	5,000
7,075	(2,075)
48,649	-
170,859	6,041
<u>3,638,002</u>	<u>201,926</u>
<u>138,498</u>	<u>126,248</u>
-	12,250
-	12,250
138,498	138,498
3,049,637	-
-	-
<u>\$ 3,188,135</u>	<u>\$ 138,498</u>

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>	FY 2015 <u>Plan Year 2014</u>
Districts Proportion of the Net Pension Liability (Asset)	0.0014204368%	0.0015207732%	0.0015071628%	0.0016164906%	0.0017859000%	0.0008444000%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 738,387	\$ 837,070	\$ 481,909	\$ 610,848	\$ 631,292	\$ 225,551
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,457,577	1,760,603	1,109,908	1,364,826	1,259,063	1,218,536
Total	<u>\$ 2,195,964</u>	<u>\$ 2,597,673</u>	<u>\$ 1,591,817</u>	<u>\$ 1,975,674</u>	<u>\$ 1,890,355</u>	<u>\$ 1,444,087</u>
District's Covered-Employee Payroll	\$ 1,862,681	\$ 1,973,041	\$ 1,986,806	\$ 2,007,778	\$ 1,875,067	\$ 1,994,513
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	39.64%	42.43%	24.26%	30.42%	33.67%	11.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 70,566	\$ 49,917	\$ 51,440	\$ 49,396	\$ 51,360	\$ 48,725
Contribution in Relation to the Contractually Required Contribution	(70,566)	(49,917)	(51,440)	(49,396)	(51,360)	(48,725)
Contribution Deficiency (Excess)	<u>\$ -</u>					
District's Covered-Employee Payroll	\$ 2,072,142	\$ 1,862,681	\$ 1,973,041	\$ 1,986,806	\$ 2,007,778	\$ 1,875,067
Contributions as a percentage of covered-Employee Payroll	3.41%	2.68%	2.61%	2.49%	2.56%	2.60%

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2020

	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
Districts Proportion of the Net OPEB Liability (Asset)	0.0021546429%	0.0024145581%	.0023948785%
Districts Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,018,957	\$ 1,205,611	\$ 1,041,443
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,353,966	1,649,663	1,526,074
Total	<u>\$ 2,372,923</u>	<u>\$ 2,855,274</u>	<u>\$ 2,567,517</u>
District's Covered-Employee Payroll	\$ 1,862,681	\$ 1,973,041	\$ 1,986,806
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	54.70%	61.10%	52.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.66%	1.57%	0.91%

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 25,003	\$ 15,359	\$ 16,695
Contribution in Relation to the Contractually Required Contribution	(25,003)	(15,359)	(16,695)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 2,072,142	\$ 1,862,681	\$ 1,973,041
Contributions as a percentage of covered-Employee Payroll	1.21%	0.82%	0.85%

**NUECES CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020**

A. Notes to Schedules for the TRS Pension

Changes of benefit terms.

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

Changes of assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

REQUIRED T.E.A. SCHEDULES

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

For Years Ended August 31	(1) Tax Rates		(3) Assessed/Appraised Value For School Tax Purposes	(10) Beginning Balance 9/1/2019
	Maintenance	Debt Service		
2011 and prior years	Various	Various	Various	96,121
2012	1.17000	-	210,639,527	23,734
2013	1.17000	-	201,398,888	23,483
2014	1.17000	-	209,398,718	30,428
2015	1.17000	-	220,768,873	40,245
2016	1.17000	-	205,676,152	40,831
2017	1.17000	-	223,324,811	69,305
2018	1.17000	-	237,493,165	94,659
2019	1.17000	-	229,213,017	138,394
2020 (School year under audit)	1.06830	-	251,446,785	
1000 TOTALS				557,200

(20) Current Year's Total Levy	(31) Maintenance Total Collections	(32) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
	3,120	-	(2,335)	90,667
	4,235	-	(683)	18,816
	4,538	-	(1,893)	17,051
	2,712	-	(1,941)	25,775
	3,878	-	(1,639)	34,729
	5,944	-	(730)	34,158
	25,575	-	1,934	45,665
	40,084	-	6,146	60,721
	76,854	-	12,679	74,219
<u>2,686,206</u>	<u>2,516,541</u>	<u>-</u>	<u>(964)</u>	<u>168,700</u>
<u><u>2,686,206</u></u>	<u><u>2,683,481</u></u>	<u><u>-</u></u>	<u><u>10,574</u></u>	<u><u>570,499</u></u>

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 YEAR ENDED AUGUST 31, 2020

Data	Budgeted Amounts		
Control	Original	Final	
Codes			
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 10,500	\$ 10,500
5800	State Program Revenues	1,000	1,000
5900	Federal Program Revenues	134,187	134,187
5020	Total Revenue	<u>145,687</u>	<u>145,687</u>
EXPENDITURES:			
Current:			
0035	Food Services	<u>157,937</u>	<u>167,699</u>
6030	Total Expenditures	<u>157,937</u>	<u>167,699</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(12,250)</u>	<u>(22,012)</u>
OTHER FINANCING SOURCES (USES):			
7915	Operating Transfers In	<u>12,250</u>	<u>12,250</u>
	Total Other Financing Sources (Uses)	<u>12,250</u>	<u>12,250</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>(9,762)</u>
0100	Fund Balance - September 1 (Beginning)	50,645	50,645
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 50,645</u>	<u>\$ 40,883</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 12,512	\$ 2,012
770	(230)
<u>154,672</u>	<u>20,485</u>
<u>167,954</u>	<u>22,267</u>
<u>141,014</u>	<u>26,685</u>
<u>141,014</u>	<u>26,685</u>
<u>26,940</u>	<u>48,952</u>
<u>-</u>	<u>(12,250)</u>
<u>-</u>	<u>(12,250)</u>
<u>26,940</u>	<u>36,702</u>
50,645	-
-	-
<u>\$ 77,585</u>	<u>\$ 36,702</u>

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REPORTS ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS

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EDE & COMPANY, LLC

Certified Public Accountants

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Donna Ede Jones

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Nueces Canyon Consolidated Independent School District
P.O. Box 118
Barksdale, TX 78828

Members of the Board:

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 Nueces Canyon Consolidated Independent School District, as of and for the year ended August 31, 2020 and the related notes to the financial statements, which collectively comprise Nueces Canyon Consolidated Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nueces Canyon Consolidated Independent School District's financial statements are free of 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*.

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.

Ede & Company, LLC
Ede & Company. LLC
Certified Public Accountants
Knippa, Texas

November 11, 2020

SCHOOLS FIRST QUESTIONNAIRE

NUECES CANYON CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements ?	No
SF3	Did the school district make timely payments to the Teacher Retirement System(TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds??	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?.	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	N/A