

**CUERO INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2019*



Cuero Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2019

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*Introductory Section*



CERTIFICATE OF BOARD

Cuero Independent School District  
Name of School District

DeWitt  
County

062-901  
Co.-Dist. Number

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

\_\_\_\_\_  
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)





*Financial Section*



***Harry Afadapa & Associates, PC***  
*Certified Public Accountants*  
*11104 W. Airport Blvd., Suite 117*  
*Stafford, Texas 77477*  
*(346) 219-2665~ www.afadapa.com*

**Independent Auditor's Report**

To the Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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 Cuero Independent School District as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information 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 Cuero Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has 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 it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2020 on our consideration of Cuero Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cuero Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
January 3, 2020



**CUERO INDEPENDENT SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

This discussion and analysis of the Cuero Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2019. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Cuero Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Cuero Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cuero Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Internal service fund.** The District maintains one internal service fund, a *proprietary fund*, to account for the revenues and expenses related to providing employees with dental insurance coverage. Because this activity benefits solely the governmental activities of the District (there are no business-type activities), it has been included within the governmental activities in the government-wide financial statements.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

**District-wide Financial Analysis**

The District's net position at August 31, 2019 and 2018 are summarized as follows:

	Governmental Activities		
	8/31/2019	8/31/2018	Variance
Current and other assets	\$ 8,224,448	\$ 10,721,454	\$ (2,497,006)
Capital assets	91,043,465	93,274,960	(2,231,495)
Total assets	<u>99,267,913</u>	<u>103,996,414</u>	<u>(4,728,501)</u>
Deferred outflow of resources	\$ 3,342,975	\$ 939,105	\$ 2,403,870
Other liabilities	4,147,243	5,308,263	(1,161,020)
Long-term liabilities outstanding	79,874,807	80,806,971	(932,164)
Total liabilities	<u>84,022,050</u>	<u>86,115,234</u>	<u>(2,093,184)</u>
Deferred inflow of resources	\$ 5,982,076	\$ 4,925,298	\$ 1,056,778
Net position:			
Net investment in capital assets	21,064,520	19,950,454	1,114,066
Restricted	607,173	1,209,355	(602,182)
Unrestricted	(8,700,003)	(7,264,822)	(1,435,181)
Total net position	<u>\$ 12,971,690</u>	<u>\$ 13,894,987</u>	<u>\$ (923,297)</u>

Current assets decreased by \$2,497,006 of which \$2,814,362 represents a reduction in cash when compared to prior year. Capital assets decreased by \$2,231,495 primarily due to property asset addition of \$532,747, and the annual depreciation expense of \$2,764,242 which will be discussed further below. Deferred outflow of resources increased by \$2,403,870 over the prior year due to the effect of GASB 68 "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27", and the net effect of implementation of GASB 75 Statement –"Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions.

Current liabilities decreased by \$1,161,020 of which portion of that amount represents a reduction in accounts payable of \$166,448, and a reduction in current portion of the long term debt obligation in the \$1,000,000 when compared to prior year. Long-term liabilities decreased by \$932,164. The reduction in long term liabilities consist a reduction in debt obligation of \$2,334,641, increase in Net Pension liability of \$1,925,133, and a reduction in Net OPEB liability of \$ 522,656.

A significant portion of the District's net position reflects its investment in capital assets. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. An additional portion of the District's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position represents a negative net position which is the effect of the government-wide consolidation

The District's changes in net position for the fiscal years ended August 31, 2019 and 2018 are summarized as follows:



**CUERO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019**

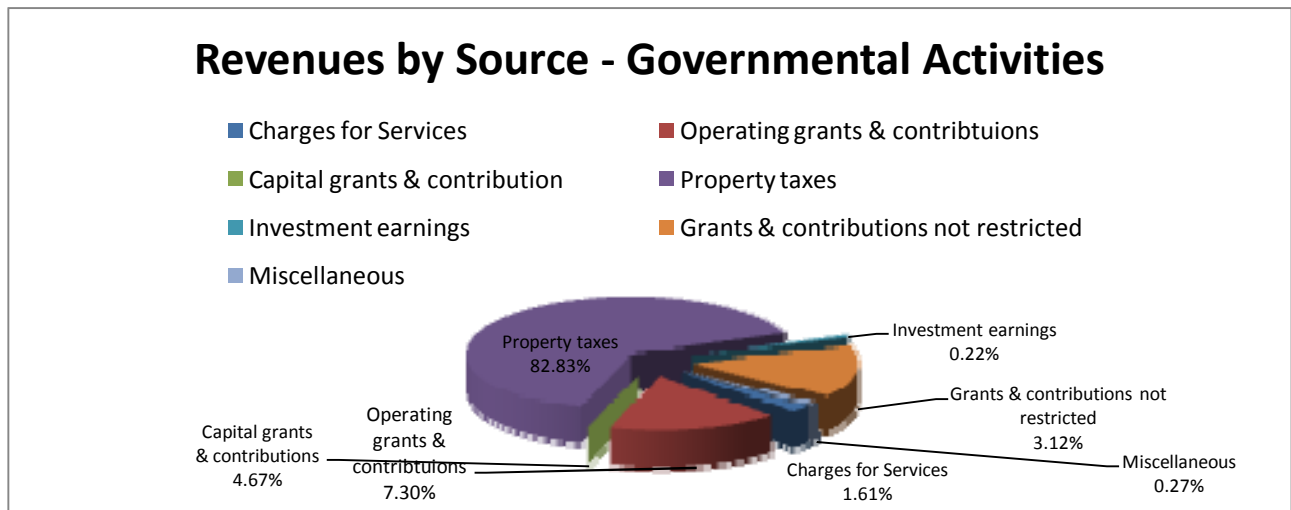
	Governmental Activities		
	8/31/2019	8/31/2018	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 568,095	\$ 683,008	\$ (114,913)
Operating grants & contributions	4,336,562	(6,199)	4,342,761
Capital grants & contributions	-	-	-
General Revenues:			
Property taxes	16,756,844	16,999,519	(242,675)
Investment earnings	219,501	157,985	61,516
Grants & contributions not restricted for specific purpose	3,909,537	4,152,267	(242,730)
Miscellaneous	294,487	244,997	49,490
Total revenues	<u>26,085,026</u>	<u>22,231,577</u>	<u>3,853,449</u>
Expenses:			
Instruction	12,159,810	8,662,160	3,497,650
Instructional resources and media	669,260	205,406	463,854
Curriculum and staff development	547,162	439,964	107,198
Instructional leadership	201,800	145,589	56,211
School leadership	1,060,363	736,019	324,344
Guidance and counseling	893,663	510,829	382,834
Social works services	43,752	67,347	(23,595)
Health services	353,005	289,431	63,574
Student transportation	1,126,898	639,670	487,228
Food service	1,258,632	839,578	419,054
Extracurricular activities	923,447	892,572	30,875
General administration	860,531	495,033	365,498
Plant maintenance and operations	3,136,989	2,641,093	495,896
Security and monitoring services	114,023	116,752	(2,729)
Data processing services	923,933	614,169	309,764
Community services	173,696	93,747	79,949
Interest on long-term debt	2,123,591	2,716,175	(592,584)
Bond issuance costs and fees	22,940	22,540	400
Capital outlay	-	28,422	(28,422)
Payments related to SSA	-	-	-
Contracted instructional services	-	-	-
Incremental Costs Related to WADA	132,020	-	132,020
Other intergovernmental charges	282,809	293,113	(10,304)
Total expenses	<u>27,008,324</u>	<u>20,449,609</u>	<u>6,558,715</u>
Increase in net position	(923,298)	1,781,968	(2,705,266)
Net position beginning	13,894,988	26,610,728	(12,715,740)
Prior Period Adjustment	-	(14,497,709)	14,497,709
Net Position-Beginning, as Restated	<u>13,894,988</u>	<u>12,113,019</u>	<u>1,781,969</u>
Net position ending	<u>\$ 12,971,690</u>	<u>\$ 13,894,987</u>	<u>\$ (923,297)</u>

Overall revenue increased by \$3,853,449 and expenditures increased by \$6,558,715. Some of the key elements of these net differences between 2019 and 2018 are as follows:

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019**

- Property tax revenue reduced by \$242,675 due to a decrease in overall values of property tax base. Consequently, unrestricted grants and contributions decreased \$242,730 due to the state funding formula to equalize wealth. However, the State formula in calculating Chapter 41 payments due to the state for excess tax revenue is based on prior year tax collections.
- Operating grants & contribution increased by \$4,342,761 when compare to prior year due to the effect of GASB 75. In the second of GASB 75 implementation, the effect of this pronouncement is no longer netted against revenue category.
- Except for Social works services, interest on long term debt obligation, Security & monitoring services, and capital outlay, all categories of the expenditure experienced significant increase in cost when compare to prior year. These increases are attributed to the effect of GASB 68 and 75 when compared to prior year amounts.

The following chart shows the percentage of revenue by major sources:



**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

**Governmental funds.** The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balance of \$6,556,452, a reduction of \$2,284,190 when compare to prior year balance of \$8,840,642. \$5,881,644 of this total constitutes unassigned fund balance, which is available for spending at the District's discretion. \$662,439 is restricted by external parties, constitutional provisions or enabling legislation to pay debt and for state and federal grants.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,881,644. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 31% of total general fund current expenditures.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019**

The fund balance of the general fund decreased by \$2,043,893 for the year ended August 31, 2019 compared to a prior year decrease of \$1,178,324. Overall, revenue decreased by \$1,100,271. Revenue from state and local sources decreased by \$1,381,032 due to the decrease in property values as discussed earlier. Overall, expenditures decreased by \$234,702.

The debt service fund tax revenue increased by \$14,422 as a result of certain property values adjustments.

**General Fund Budgetary Highlights**

The Board of Trustees approved budget amendments throughout the year resulting in no change to the bottom line.

Overall, actual revenue exceeded budget by \$314,083. Actual expenditures exceeded budget by \$4,679, even though there were across the board savings in various categories, Instructional & Related Services (\$153,673), Capital Outlay (\$26,128) and Instructional & School Leadership (\$44,297). However, there are budget overruns in Support Services (\$50,606) and Nonstudent Bases Services (\$71,723).

**Debt Administration**

	Governmental Activities		
	8/31/2019	8/31/2018	Variance
General obligation bonds	\$ 64,290,000	\$ 67,085,000	(2,795,000)
Unamortized bond premium	5,700,586	6,239,508	(538,922)
Compensated absences	42,569	31,649	10,920
Net OPEB liability	7,740,968	8,263,624	(522,656)
Net pension liability	5,022,325	3,097,192	1,925,133
	<u>\$ 82,796,448</u>	<u>\$ 84,716,973</u>	<u>\$ (1,920,525)</u>

Some of the more significant debt administration events during the current fiscal year included scheduled bond payments and amortization of bond premiums had a net reduction of \$3,333,922 and an increase of \$1,925,133 in estimated net pension liability due to implementation of GASB 68 as mention earlier. Net OPEB liability decreased in the amount of \$522,656 in its second year of implementation.

**Capital Assets**

	Governmental Activities		
	8/31/2019	8/31/2018	Variance
Land	\$ 648,840	\$ 648,840	\$ -
Construction in progress	1,358,530	1,358,530	-
Buildings & Improvements	101,084,211	101,084,211	-
Equipment	5,786,990	5,533,019	253,971
Vehicles	3,058,578	2,779,801	278,777
Totals	<u>111,937,149</u>	<u>111,404,401</u>	<u>532,748</u>
Less accumulated depreciation	<u>(20,893,684)</u>	<u>(18,129,441)</u>	<u>(2,764,243)</u>
	<u>\$ 91,043,465</u>	<u>\$ 93,274,960</u>	<u>\$ (2,231,495)</u>

Capital asset events during the year included the following:

- Acquisition of various machinery & equipment totaling \$253,971
- Acquisition of vans and buses totaling \$278,777

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019**

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a general fund budget of \$26,413,384. Significant factors affecting the 2020 budget were as follows:

- Increase in Instructional cost by \$1,443,845
- Reduction in General Administration cost by \$275,924
- A \$196,912 reduction in Plant Maintenance and Operations

**Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Cuero Independent School District, Attention: Assistant Superintendent of Business, 960 East Broadway Cuero, TX 77954, (361)-275-1900.

*Basic Financial Statements*



**CUERO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,720,658
1120	<i>Current Investments</i>	5,277,184
1225	<i>Property Taxes Receivable (Net)</i>	364,928
1240	<i>Due from Other Governments</i>	797,565
1290	<i>Other Receivables (Net)</i>	51,744
1300	<i>Inventories</i>	12,369
Capital Assets:		
1510	<i>Land</i>	648,840
1520	<i>Buildings and Improvements, Net</i>	86,097,776
1530	<i>Furniture and Equipment, Net</i>	2,938,319
1580	<i>Construction in Progress</i>	1,358,530
1000	Total Assets	<u>99,267,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	<i>Deferred Outflow of Resources - Undesignated</i>	227,274
	<i>Deferred Outflow Related to Pensions</i>	2,473,911
	<i>Deferred Outflow Related to OPEB</i>	641,790
1700	Total Deferred Outflows of Resources	<u>3,342,975</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	470
2140	<i>Interest Payable</i>	118,623
2165	<i>Accrued Liabilities</i>	991,298
2300	<i>Unearned Revenue</i>	126,852
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,910,000
2502	<i>Due in More Than One Year</i>	67,111,514
2540	<i>Net Pension Liability</i>	5,022,325
2545	<i>Net OPEB Liability</i>	7,740,968
2000	Total Liabilities	<u>84,022,050</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Revenue</i>	355,594
	<i>Deferred Inflow Related to Pensions</i>	4,715,669
	<i>Deferred Inflow Related to OPEB</i>	910,813
2600	Total Deferred Inflows of Resources	<u>5,982,076</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	21,064,520
Restricted For:		
3820	Federal and State Programs	82,859
3850	Debt Service	425,737
3890	Other Purposes	98,577
3900	Unrestricted	(8,700,003)
3000	Total Net Position	<u>\$ 12,971,690</u>

The accompanying notes are an integral part of this statement.

# CUERO INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 12,159,810	\$ 101,162	\$ 717,985	\$ (11,340,663)
12	<i>Instructional Resources and Media Services</i>	669,260	--	455,473	(213,787)
13	<i>Curriculum and Staff Development</i>	547,162	--	148,579	(398,583)
21	<i>Instructional Leadership</i>	201,800	--	39,095	(162,705)
23	<i>School Leadership</i>	1,060,363	--	4,482	(1,055,881)
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	893,663	--	691,486	(202,177)
32	<i>Social Work Services</i>	43,752	9,484	912	(33,356)
33	<i>Health Services</i>	353,005	--	1,034	(351,971)
34	<i>Student Transportation</i>	1,126,898	--	2,586	(1,124,312)
35	<i>Food Service</i>	1,258,632	308,563	2,157,477	1,207,408
36	<i>Cocurricular/Extracurricular Activities</i>	923,447	71,846	3,017	(848,584)
41	<i>General Administration</i>	860,531	--	1,896	(858,635)
51	<i>Facilities Maintenance and Operations</i>	3,136,989	77,040	74,830	(2,985,119)
52	<i>Security and Monitoring Services</i>	114,023	--	--	(114,023)
53	<i>Data Processing Services</i>	923,933	--	3,965	(919,968)
61	<i>Community Services</i>	173,696	--	33,745	(139,951)
72	<i>Interest on Long-term Debt</i>	2,123,591	--	--	(2,123,591)
73	<i>Bond Issuance Costs and Fees</i>	22,940	--	--	(22,940)
92	<i>Incremental Costs Related to WADA</i>	132,020	--	--	(132,020)
99	<i>Other Intergovernmental Charges</i>	282,809	--	--	(282,809)
TG	Total Governmental Activities	<u>27,008,324</u>	<u>568,095</u>	<u>4,336,562</u>	<u>(22,103,667)</u>
TP	Total Primary Government	<u>\$ 27,008,324</u>	<u>\$ 568,095</u>	<u>\$ 4,336,562</u>	<u>(22,103,667)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				11,703,884
DT	<i>Property Taxes, Levied for Debt Service</i>				5,052,960
IE	<i>Investment Earnings</i>				219,501
GC	<i>Grants and Contributions Not Restricted to Specific Progra</i>				3,909,537
MI	<i>Miscellaneous</i>				294,487
TR	Total General Revenues				<u>21,180,369</u>
CN	Change in Net Position				(923,298)
NB	Net Position - Beginning				13,894,988
NE	Net Position - Ending				<u>\$ 12,971,690</u>

The accompanying notes are an integral part of this statement.



**CUERO INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,149,426	\$ 269,643	\$ 150,090	\$ 1,569,159
1120	Current Investments	5,029,343	205,559	--	5,234,902
1225	Taxes Receivable, Net	21,596	343,332	--	364,928
1240	Due from Other Governments	406,788	6,813	383,964	797,565
1260	Due from Other Funds	247,810	--	--	247,810
1290	Other Receivables	49,872	--	1,872	51,744
1300	Inventories	--	--	12,369	12,369
1000	Total Assets	<u>6,904,835</u>	<u>825,347</u>	<u>548,295</u>	<u>8,278,477</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 470	\$ 470
2160	Accrued Wages Payable	886,511	--	85,191	971,702
2170	Due to Other Funds	--	--	247,811	247,811
2200	Accrued Expenditures	18,806	--	790	19,596
2300	Unearned Revenue	96,278	9,334	21,240	126,852
2000	Total Liabilities	<u>1,001,595</u>	<u>9,334</u>	<u>355,502</u>	<u>1,366,431</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	Deferred Revenue	21,596	333,998	--	355,594
2600	Total Deferred Inflows of Resources	<u>21,596</u>	<u>333,998</u>	<u>--</u>	<u>355,594</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	12,369	12,369
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	92,932	92,932
3480	Retirement of Long-Term Debt	--	482,015	--	482,015
3490	Other Restrictions of Fund Balance	--	--	87,492	87,492
3600	Unassigned	5,881,644	--	--	5,881,644
3000	Total Fund Balances	<u>5,881,644</u>	<u>482,015</u>	<u>192,793</u>	<u>6,556,452</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 6,904,835</u>	<u>\$ 825,347</u>	<u>\$ 548,295</u>	<u>\$ 8,278,477</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2019

Total fund balances - governmental funds balance sheet	\$ 6,556,452
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	91,043,465
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	364,929
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	193,781
Payables for bond principal which are not due in the current period are not reported in the funds.	(64,278,359)
Payables for bond interest which are not due in the current period are not reported in the funds.	(118,623)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(42,569)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	227,274
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,022,325)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(4,715,669)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,473,911
Bond premiums are amortized in the SNA but not in the funds.	(5,700,586)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,740,968)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(910,813)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>641,790</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 12,971,690</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 12,375,306	\$ 5,203,348	\$ 354,844	\$ 17,933,498
5800 <i>State Program Revenues</i>	3,909,537	--	66,980	3,976,517
5900 <i>Federal Program Revenues</i>	569,587	--	2,793,678	3,363,265
5020 <b>Total Revenues</b>	<u>16,854,430</u>	<u>5,203,348</u>	<u>3,215,502</u>	<u>25,273,280</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	9,547,404	--	925,957	10,473,361
0012 <i>Instructional Resources and Media Services</i>	172,739	--	454,611	627,350
0013 <i>Curriculum and Staff Development</i>	320,049	--	148,220	468,269
0021 <i>Instructional Leadership</i>	133,855	--	38,475	172,330
0023 <i>School Leadership</i>	906,848	--	--	906,848
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	671,703	--	117,152	788,855
0032 <i>Social Work Services</i>	30,700	--	744	31,444
0033 <i>Health Services</i>	296,335	--	--	296,335
0034 <i>Student Transportation</i>	1,188,863	--	--	1,188,863
0035 <i>Food Service</i>	--	--	1,388,956	1,388,956
0036 <i>Cocurricular/Extracurricular Activities</i>	770,784	--	(1,865)	768,919
0041 <i>General Administration</i>	768,201	--	--	768,201
0051 <i>Facilities Maintenance and Operations</i>	2,586,743	--	73,536	2,660,279
0052 <i>Security and Monitoring Services</i>	95,464	--	--	95,464
0053 <i>Data Processing Services</i>	807,516	--	--	807,516
0061 <i>Community Services</i>	122,418	--	32,903	155,321
0071 <i>Principal on Long-term Debt</i>	--	2,795,000	11,639	2,806,639
0072 <i>Interest on Long-term Debt</i>	--	2,667,864	1,955	2,669,819
0073 <i>Bond Issuance Costs and Fees</i>	--	4,000	--	4,000
0081 <i>Capital Outlay</i>	63,872	--	--	63,872
0092 <i>Incremental Costs Related to WADA</i>	132,020	--	--	132,020
0099 <i>Other Intergovernmental Charges</i>	282,809	--	--	282,809
6030 <b>Total Expenditures</b>	<u>18,898,323</u>	<u>5,466,864</u>	<u>3,192,283</u>	<u>27,557,470</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	(2,043,893)	(263,516)	23,219	(2,284,190)
1200 <b>Net Change in Fund Balances</b>	<u>(2,043,893)</u>	<u>(263,516)</u>	<u>23,219</u>	<u>(2,284,190)</u>
0100 <b>Fund Balances - Beginning</b>	7,925,537	745,531	169,574	8,840,642
3000 <b>Fund Balances - Ending</b>	<u>\$ 5,881,644</u>	<u>\$ 482,015</u>	<u>\$ 192,793</u>	<u>\$ 6,556,452</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019*

Net change in fund balances - total governmental funds	\$ (2,284,190)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	517,845
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,749,340)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(50,260)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,795,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	11,639
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	519,982
(Increase) decrease in accrued interest from beginning of period to end of period.	7,306
The net revenue (expense) of internal service funds is reported with governmental activities.	492
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(10,920)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>319,149</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (923,298)</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2019

Data Control Codes	Nonmajor Internal Service Fund	Insurance Fund
<b>ASSETS:</b>		
Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 151,499
1120	<i>Investments</i>	42,282
	Total Current Assets	<u>193,781</u>
1000	Total Assets	<u>193,781</u>
<b>LIABILITIES:</b>		
2000	Total Liabilities	<u>--</u>
<b>NET POSITION:</b>		
3900	<i>Unrestricted</i>	\$ 193,781
3000	Total Net Position	<u>\$ 193,781</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF REVENUES, EXPENSES, AND CHANGES*  
*IN FUND NET POSITION - INTERNAL SERVICE FUND*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

<u>Data Control Codes</u>	<u>Nonmajor Internal Service Fund</u>
	<u>Insurance Fund</u>
<b>OPERATING EXPENSES:</b>	
6400 <i>Other Operating Costs</i>	\$ 768
6030 Total Expenses	<u>768</u>
Operating Income (Loss)	<u>(768)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
7955 <i>Earnings from Temp. Deposits and Investments</i>	1,260
8030 Total Non-operating Revenues (Expenses)	<u>1,260</u>
1300 Change in Net Position	492
0100 Total Net Position - Beginning	193,289
3300 Total Net Position - Ending	<u>\$ 193,781</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2019

	Internal Service Funds
	Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ --
Cash Payments for Claims and Administrative Costs	(768)
Net Cash Provided (Used) by Operating Activities	<u>(768)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Proceeds (Payments) from (for) Borrowings	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from Issuance of Long-term Debt	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	1,260
Net Cash Provided (Used) for Investing Activities	<u>1,260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	492
Cash and Cash Equivalents at Beginning of Year	193,289
Cash and Cash Equivalents at End of Year	<u>\$ 193,781</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 492
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	--
Change in Assets and Liabilities	--
Total Adjustments	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 492</u>

The accompanying notes are an integral part of this statement.

**CUERO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2019

Data Control Codes	<u>Scholarships</u>	<u>Agency Fund</u>  <u>Student Activity</u>
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 12,074	\$ 59,469
1120 <i>Current Investments</i>	<u>22,920</u>	<u>--</u>
1000 <b>Total Assets</b>	<u>34,994</u>	<u>59,469</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ (687)
2190 <i>Due to Student Groups</i>	<u>--</u>	<u>60,156</u>
2000 <b>Total Liabilities</b>	<u>--</u>	<u>59,469</u>
<b>NET POSITION:</b>		
3800 <i>Held in Trust</i>	34,994	--
3000 <b>Total Net Position</b>	<u>\$ 34,994</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.



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

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 963
Gift & Bequests	--
Total Additions	<u>963</u>
<b>Deductions:</b>	
Scholarship Awards	--
Administrative Expenses	--
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	963
Net Position-Beginning of the Year	<u>34,031</u>
Net Position-End of the Year	<u>\$ 34,994</u>

The accompanying notes are an integral part of this statement.



# **CUERO INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

### **A. Summary of Significant Accounting Policies**

The basic financial statements of Cuero Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. This is a government fund with

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

budgetary control which is used to show transactions resulting from operations of on-going organizations and activities from a variety of revenue sources for which fund balance is controlled by and retained for use of the District.

Debt Service Fund - A debt service fund is a government fund, with budgetary control, that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. This fund classification is used to account for transactions related to self-insurance activities of the school district

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

### 3. Financial Statement Amounts

#### a. Cash and Cash Equivalents

The District cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments, and highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

#### 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 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 1 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

#### c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Temporary structure:	25
Building Improvements	20
Vehicles	7-15
Furniture & Equipment	5-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Compensated Absences

Vacation days shall accumulate from year to year. Unused vacation days shall be reimbursed upon the employee's resignation, retirement, or any other termination of employment.

An employee who separates from employment with the District shall be eligible for reimbursement for local leave under the following conditions: 1) the employee's separation from employment is voluntary, i.e., the employee is retiring or resigning and is not being discharged or non-renewed, 2) the employee provides advance written notice of intent to separate from employment. The employee shall be reimbursed for each day of local leave in excess of ten days, to a maximum of 30 days, at a rate of \$20 per day for professional employees and \$10 per day for all other employees. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. The rate established by the Board shall be in effect until the Board adopts a new rate. Any changes to the rate shall apply beginning with the school year following the adoption of the rate change.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

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#### I. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### m. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### 4. 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.

#### 5. 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.

#### 6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

##### **GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements**

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.



## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

#### *GASB Statement No. 83, Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

#### *GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

#### *GASB Statement No. 84, Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

## **B. Deposits and Investments**

### **Cash Deposits**

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,720,658 and the bank balance was \$2,640,026. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

### Investments

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The State Treasurer's Investment Pool (Pool) has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of August 31, 2019 the District had the following investments:

Investment or Investment Type	Maturity	Credit Rating	Fair Value
TexPool	N/A	Aaa	5,277,184
Total Investments			\$ 5,277,184

### C. Disaggregated Receivables

Receivables at August 31, 2019 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible amounts are as follows and are scheduled for collection within one year:

	General	Debt Service	Other Governmental	Totals
Taxes	\$ 41,531	\$ 660,254	\$ --	\$ 701,785
Less allowance	(19,935)	(316,922)	--	(336,857)
Net taxes receivable	\$ 21,596	\$ 343,332	\$ --	\$ 364,928
Due from other Governments:				
Due from Tax Assessor	\$ 14,932	\$ 6,813	\$ --	\$ 21,745
Texas Education Agency	391,856	--	383,964	775,820
	\$ 406,788	\$ 6,813	\$ 383,964	\$ 797,565

### D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 648,840	\$ --	\$ --	\$ 648,840
Construction in progress	1,358,530	--	--	1,358,530
Total capital assets not being depreciated	2,007,370	--	--	2,007,370

**CUERO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

*Capital assets being depreciated:*

Buildings and improvements	101,084,211	--	--	101,084,211
Machinery and Equipment	5,533,017	253,973	--	5,786,990
Vehicles	2,779,801	278,777	--	3,058,578
Total capital assets being depreciated	<u>109,397,029</u>	<u>532,750</u>	--	<u>109,929,779</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,766,554)	(2,219,883)	--	(14,986,437)
Machinery and Equipment	(3,245,566)	(156,024)	--	(3,401,590)
Vehicles	(2,117,322)	(388,335)	--	(2,505,657)
Total accumulated depreciation	<u>(18,129,442)</u>	<u>(2,764,242)</u>	--	<u>(20,893,684)</u>
Total capital assets being depreciated, net	<u>91,267,587</u>	<u>(2,231,492)</u>	--	<u>89,036,095</u>
Governmental activities capital assets, net	<u>\$ 93,274,957</u>	<u>\$ (2,231,492)</u>	--	<u>\$ 91,043,465</u>

Depreciation expense of \$2,764,242 was charged to functions as follows:

Instruction	\$ 1,376,952
Instructional Resources and Media Services	32,652
Curriculum and Staff Development	69,937
Instructional Leadership	23,143
School Leadership	116,999
Guidance, Counseling, & Evaluation Services	81,202
Social Work Services	10,706
Health Services	46,008
Student Transportation	101,683
Food Services	133,461
Extracurricular Activities	141,885
General Administration	78,691
Plant Maintenance and Operations	419,833
Security and Monitoring Services	18,559
Data Processing Services	97,629
Community Services	14,902
	<u>\$ 2,764,242</u>

**E. Interfund Balances and Activities**

Balances due to and due from other funds at August 31, 2019, consisted of the following and are scheduled to be repaid within one year:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 247,810	Short-term loans
	Total	<u>\$ 247,810</u>	

**F. Long-Term Obligations**

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District and are comprised of current interest and capital appreciation bonds as noted below:

## CUERO INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

#### Advance Refunding

General Obligation Bonds	Sale Date	Original Borrowed	Interest Rate to Maturity	Final Maturity	Outstanding Balance
Series 2012, Refunding	5/15/2012	9,235,000	5.125%	8/15/2033	7,735,000
Series 2014, School Bonds	2/1/2014	55,050,000	2-4%	8/15/2035	25,010,000
Series 2016, Refunding	2/1/2017	8,525,000	2-4%	8/15/2026	7,330,000
Series 2017, Refunding	9/1/2017	24,805,000	2.0%	8/15/2031	24,215,000
					<u>\$ 64,290,000</u>

#### Changes in Long-Term Debt

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 67,085,000	\$ --	\$ 2,795,000	\$ 64,290,000	\$ 2,910,000
Bond premium	6,239,508	--	538,922	5,700,586	--
Compensated absences	31,649	10,920	--	42,569	--
Net OPEB liability*	8,263,624	(415,705)	106,951	7,740,968	--
Net pension liability*	3,097,192	2,232,513	307,380	5,022,325	--
Total governmental activities:	<u>\$ 84,716,973</u>	<u>\$ 1,827,728</u>	<u>\$ 3,748,253</u>	<u>\$ 82,796,448</u>	<u>\$ 2,910,000</u>

\* The general fund is typically used to liquidate these liabilities.

Debt service requirements on long-term debt at August 31, 2018, are as follows:

#### General Obligation Bonds:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 2,910,000	\$ 2,669,826	5,579,826
2021	3,905,000	2,547,976	6,452,976
2022	4,295,000	2,403,126	6,698,126
2023	4,340,000	2,231,126	6,571,126
2024	3,000,000	2,037,476	5,037,476
2025-2029	17,285,000	8,237,928	25,522,928
2030-2034	24,475,000	3,684,826	28,159,826
2035-2039	4,080,000	163,200	4,243,200
Totals	<u>\$ 64,290,000</u>	<u>\$ 23,975,484</u>	<u>\$ 88,265,484</u>

## G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### Worker Compensation

For the year ended August 31, 2019, the District provided its employees worker compensation coverage through the Texas Educational Insurance Association (the Pool). All members participating in the fund execute interlocal

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

agreements that define the responsibilities of the parties. The District is not responsible for claims and claims allocation expense beyond its individual loss fund. Also, the estimated liability may be lower than the District's potential liability, which is its loss fund for each plan year. Incurred but not reported amounts are projected estimates, based on the experience history of the association. The change in the claims liability during the fiscal year ended August 31, 2019 and the preceding two years is as follows:

	8/31/19	8/31/18	8/31/17
Unpaid claims, beginning	\$ 58,748	\$ 3,926	\$ 5,932
Incurred claims	12,260	99,417	1,155
Increase (decrease) in IBNR	--	(3,926)	3,254
Claims paid, net of rebates	(22,280)	(40,669)	(6,415)
Unpaid claims, ending	<u>\$ 48,728</u>	<u>\$ 58,748</u>	<u>\$ 3,926</u>

**Unemployment Compensation:**

During the year ended August 31, 2019, the District met it's obligation to the Texas Workforce Commission through participation in the reimbursement program.

**Property/Liability Program:**

During the year ended August 31, 2019, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs with coverage in:

- Auto Liability
- Auto Physical Damage
- Equipment Breakdown
- Crime
- General Liability
- Property
- Sexual Misconduct Endorsement
- SP Legal Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**Dental**

In addition to the areas noted above, the District offers employees dental coverage through a self-insured dental plan accounted for through an internal service fund. Under the plan, employees contribute \$30 per month for individual coverage or \$60 per month for family coverage. The District makes no contributions to the plan; however, it assumes liability for 80% of the first \$400 and 50% of the next \$1,360 of annual dental expenses incurred by plan participants. Under this arrangement, the District's liability is limited to \$1,000 annually for each participant. Due to the pay as you go basis and limitations described above, any liability at year end is minimal and not recorded.

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

#### **H. Pension Plan**

##### **1. Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and 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.

##### **2. Pension Plan Fiduciary Net Position**

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://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.

##### **3. 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% (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 in (1.) above.

##### **4. Contributions**

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

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

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

remain the same.

	<b><u>Contribution Rates</u></b>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 342,240	
District's 2019 Member Contributions	\$ 1,032,608	
2018 NECE On-Behalf Contributions (state)	\$ 715,014	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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.

**5. Actuarial Assumptions**

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

# CUERO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

### 6. Discount Rate

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

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Rate of Return</b>			
<b>As of August 31, 2018</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%



**CUERO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

<b>Real Return</b>			
Global Inflation Linked Bond	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resource	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
<b>Total</b>	<u>100.0%</u>		<u>7.2%</u>

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

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 7,579,892	\$ 5,022,325	\$ 2,951,822

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2019, the District reported a liability of \$5,022,325 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,022,325
State's proportionate share that is associated with District	<u>11,689,985</u>
Total	<u>\$ 16,712,310</u>

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

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0091245%. which was an increase (decrease) of 0.0091245% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$1,156,997 and revenue of \$1,156,997 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:  
(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,305	\$ 123,228
Changes in actuarial assumptions	1,810,790	56,587
Difference between projected and actual investment earnings	--	95,295
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	289,576	983,870
Contributions paid to TRS subsequent to the measurement date	342,240	--
<b>Total</b>	<b>\$ 2,473,911</b>	<b>\$ 1,258,980</b>

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

The net amounts of the District'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
2020	\$ 291,525
2021	\$ 90,988
2022	\$ 37,132
2023	\$ 109,747
2024	\$ 164,157
Thereafter	\$ 179,142

**I. Defined Other Post-Employment Benefit Plans**

1. Plan Description

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

2. 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.

3. Benefits Provided

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

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

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

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

4. 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 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% 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.

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions		\$ 100,445
District's 2019 Member Contributions		\$ 1,032,608
2018 NECE On-Behalf Contributions (state)		\$ 145,829

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS

**CUERO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

\*Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

\*\*8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

\*\*\* Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% 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.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

**CUERO INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 9,214,411	\$ 7,740,968	\$ 6,575,379

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the District reported a liability of \$7,740,968 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 7,740,968
State's proportionate share that is associated with the District	<u>\$ 10,569,951</u>
 Total	 <u>\$ 18,310,919</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0155034% which was an increase (decrease) of -0.00349949% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 6,429,000	\$ 7,740,968	\$ 9,468,858

9. Changes Since the Prior Actuarial Valuation

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

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

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$384,471 and revenue of \$384,471 for support provided by the State. At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

**CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 410,784	\$ 122,164
Changes in actuarial assumptions	129,176	2,325,717
Differences between projected and actual investment earnings	1,354	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	31	1,919,621
Contributions paid to TRS subsequent to the measurement date	100,445	--
<b>Total</b>	<b>\$ 641,790</b>	<b>\$ 4,367,502</b>

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

Year ended August 31,	Amount
2020	\$ (543,458)
2021	\$ (543,458)
2022	\$ (543,458)
2023	\$ (543,714)
2024	\$ (543,861)
Thereafter	\$ (1,108,206)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$48,914.

**J. Employee Health Care Coverage**

During the period ended August 31, 2019, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas

Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.



## **CUERO INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2019*

### **K. Commitments and Contingencies**

#### 1. Contingencies

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2019.

### **L. Fund Balance**

#### Minimum Fund Balance Policy

It is the policy of this District to maintain at all times an overall unrestricted fund balance (committed fund balance, assigned fund balance, and unassigned fund balance) of not less than three months of regular general fund operating expenditures, measured based on the most recently completed fiscal year. If it is determined that the District is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions. The calculated amount at August 31, 2019 was \$4,724,581 and the overall unrestricted fund balance was \$5,881,644 the policy has been met.

#### Stabilization Funds

The amount of General Fund fund balance for stabilization to provide for emergencies, contingencies, revenue shortfalls or budgetary imbalances is to be maintained at an amount not less than three months of general fund operating expenditures, measured based on the most recently completed fiscal year. This amount maintained for stabilization funding is to be reported in the unassigned fund balance classification each year. The calculated amount at August 31, 2019 was \$4,724,581 and the unassigned fund balance was \$5,881,644; the policy has been met.

#### Restricted Fund Balances

Restricted fund balances in the special revenue funds represent state and federal grants as well as amounts restricted by donors to include the special education coop, campus activity funds and foundation donations. Fund balance in the debt service fund is restricted for the retirement of long-term debt.

**CUERO INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED AUGUST 31, 2019***M. Disaggregated Revenue**

During the year ended August 31, 2019, revenues reported in the fund financial statements from local sources consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Property taxes	\$ 11,586,943	\$ 5,065,300	\$ --	\$ 16,652,243
Penalties & interest	110,923	43,938	--	154,861
Athletic receipts	69,875	--	--	69,875
Tuition	87,747	--	--	87,747
Rent	60,202	--	--	60,202
Investment earnings	134,875	94,110	5,000	233,985
Donations, Gifts & Bequests	13,415	--	44,310	57,725
Other	311,325	--	--	311,325
Food service fees	--	--	303,563	303,563
Enterprise service revenue	--	--	1,971	1,971
	<u>\$ 12,375,305</u>	<u>\$ 5,203,348</u>	<u>\$ 354,844</u>	<u>\$ 17,933,498</u>

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



**CUERO INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

**EXHIBIT G-1**

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Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 11,767,825	\$ 11,767,825	\$ 12,375,306	\$ 607,481
5800	State Program Revenues	4,772,522	4,772,522	3,909,537	(862,985)
5900	Federal Program Revenues	--	--	569,587	569,587
5020	Total Revenues	<u>16,540,347</u>	<u>16,540,347</u>	<u>16,854,430</u>	<u>314,083</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	9,640,865	9,640,865	9,547,404	93,461
0012	Instructional Resources and Media Services	201,000	201,000	172,739	28,261
0013	Curriculum and Staff Development	352,000	352,000	320,049	31,951
	Total Instruction & Instr. Related Services	<u>10,193,865</u>	<u>10,193,865</u>	<u>10,040,192</u>	<u>153,673</u>
Instructional and School Leadership:					
0021	Instructional Leadership	160,000	160,000	133,855	26,145
0023	School Leadership	925,000	925,000	906,848	18,152
	Total Instructional & School Leadership	<u>1,085,000</u>	<u>1,085,000</u>	<u>1,040,703</u>	<u>44,297</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	680,000	680,000	671,703	8,297
0032	Social Work Services	77,460	77,460	30,700	46,760
0033	Health Services	322,654	322,654	296,335	26,319
0034	Student (Pupil) Transportation	1,055,665	1,055,665	1,188,863	(133,198)
0036	Cocurricular/Extracurricular Activities	772,000	772,000	770,784	1,216
	Total Support Services - Student (Pupil)	<u>2,907,779</u>	<u>2,907,779</u>	<u>2,958,385</u>	<u>(50,606)</u>
Administrative Support Services:					
0041	General Administration	763,000	763,000	768,201	(5,201)
	Total Administrative Support Services	<u>763,000</u>	<u>763,000</u>	<u>768,201</u>	<u>(5,201)</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,453,000	2,453,000	2,586,743	(133,743)
0052	Security and Monitoring Services	112,000	112,000	95,464	16,536
0053	Data Processing Services	853,000	853,000	807,516	45,484
	Total Support Services - Nonstudent Based	<u>3,418,000</u>	<u>3,418,000</u>	<u>3,489,723</u>	<u>(71,723)</u>
Ancillary Services:					
0061	Community Services	136,000	136,000	122,418	13,582
	Total Ancillary Services	<u>136,000</u>	<u>136,000</u>	<u>122,418</u>	<u>13,582</u>
Capital Outlay:					
0081	Capital Outlay	90,000	90,000	63,872	26,128
	Total Capital Outlay	<u>90,000</u>	<u>90,000</u>	<u>63,872</u>	<u>26,128</u>
Intergovernmental Charges:					
0092	Increment Costs Associated Chapter 41 (WADA)	--	--	132,020	(132,020)
0099	Other Intergovernmental Charges	300,000	300,000	282,809	17,191
	Total Intergovernmental Charges	<u>300,000</u>	<u>300,000</u>	<u>414,829</u>	<u>(114,829)</u>
6030	Total Expenditures	<u>18,893,644</u>	<u>18,893,644</u>	<u>18,898,323</u>	<u>(4,679)</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(2,353,297)</u>	<u>(2,353,297)</u>	<u>(2,043,893)</u>	<u>309,404</u>
1200 Net Change in Fund Balance	<u>(2,353,297)</u>	<u>(2,353,297)</u>	<u>(2,043,893)</u>	<u>309,404</u>
0100 Fund Balance - Beginning	<u>7,925,538</u>	<u>7,925,538</u>	<u>7,925,537</u>	<u>(1)</u>
3000 Fund Balance - Ending	<u>\$ 5,572,241</u>	<u>\$ 5,572,241</u>	<u>\$ 5,881,644</u>	<u>\$ 309,403</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
Measurement period ending August 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0091224%	0.0096864%	0.0124192%	0.0135139%	0.0109345%	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 5,022,325	\$ 3,097,192	\$ 4,693,038	\$ 4,776,984	\$ 2,920,756	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	11,689,985	7,013,930	9,556,062	9,627,104	8,569,707	--	--	--	--	--
<b>Total</b>	<b>\$ 16,712,310</b>	<b>\$ 10,111,122</b>	<b>\$ 14,249,100</b>	<b>\$ 14,404,088</b>	<b>\$ 11,490,463</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 12,590,034	\$ 12,260,948	\$ 14,069,134	\$ 14,328,123	\$ 15,248,599	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.89%	25.26%	33.36%	33.34%	19.15%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEXAS TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
For the fiscal year ending August 31,										
Contractually required contribution	\$ 342,240	\$ 296,124	\$ 315,469	\$ 394,590	\$ 400,150	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(342,240)	(296,124)	(315,469)	(394,590)	(400,150)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 13,410,480	\$ 12,590,034	\$ 12,260,946	\$ 14,069,134	\$ 14,328,123	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.55%	2.35%	2.57%	2.80%	2.79%	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.





**CUERO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statorily or contractually required District contribution	\$ 100,445	\$ 84,904	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(100,445)	(84,904)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 1,058,257	\$ 974,968	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	9.49%	8.71%	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**CUERO INDEPENDENT SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

**Budget**

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted Budget. In accordance with State law the budgets must be prepared in accordance with GAAP; and in accordance with the Texas Education Agency the District is required to adopt a budget for the general fund, food service fund and debt service fund (if applicable).

The District exceeded its budget in Student (Pupil) Transportation by \$133,198; Plant Maintenance and Operations by 133,743; and Increment cost Associated Chapter 41 (WADA) by \$132,020.

**Defined Benefit Pension Plan And Postemployment Benefit Other Than Pension**

Changes since the prior actuarial valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

**Economic Assumptions**

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale. The payroll growth assumption was lowered from 3.50% to 2.50%.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.

**Mortality Assumptions**

- 5 The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 6 The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 7 The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**Other Demographic Assumptions**

- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active Member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience & future expectations.
- 11 Small adjustments to the disability patterns were made for members consistent with experience & future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

**Actuarial Methods and Policies**

- 13 The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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



*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**CUERO INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2019

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 36,703
1240	Due from Other Governments	81,739	42,743	1,728	148,797
1290	Other Receivables	--	--	--	1,647
1300	Inventories	--	--	--	12,369
1000	Total Assets	<u>81,739</u>	<u>42,743</u>	<u>1,728</u>	<u>199,516</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 470
2160	Accrued Wages Payable	31,318	13,110	1,728	37,345
2170	Due to Other Funds	50,421	29,633	--	49,053
2200	Accrued Expenditures	--	--	--	790
2300	Unearned Revenue	--	--	--	6,205
2000	Total Liabilities	<u>81,739</u>	<u>42,743</u>	<u>1,728</u>	<u>93,863</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	12,369
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	93,284
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>105,653</u>
4000	Total Liabilities and Fund Balances	<u>\$ 81,739</u>	<u>\$ 42,743</u>	<u>\$ 1,728</u>	<u>\$ 199,516</u>

242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	287 Education Jobs Fund	289 Emergency Impact Aid LEA
\$ --	\$ --	\$ --	\$ --	\$ --
--	31,732	15,103	58,930	3,192
--	--	--	--	--
--	--	--	--	--
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
<u>    </u>	<u>31,732</u>	<u>15,103</u>	<u>58,930</u>	<u>3,192</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	1,690	--
352	31,732	15,103	57,240	3,192
--	--	--	--	--
--	--	--	--	--
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
<u>352</u>	<u>31,732</u>	<u>15,103</u>	<u>58,930</u>	<u>3,192</u>
--	--	--	--	--
(352)	--	--	--	--
--	--	--	--	--
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
<u>(352)</u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
\$ --	\$ 31,732	\$ 15,103	\$ 58,930	\$ 3,192

**CUERO INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2019

Data Control Codes	392 Non-Educational Community-Based Support	410 State Textbook Fund	429 State Funded Special Revenue Fund	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 1,600	\$ 11,841	\$ 1,594
1240	Due from Other Governments	--	--	--
1290	Other Receivables	--	--	--
1300	Inventories	--	--	--
1000	Total Assets	<u>1,600</u>	<u>11,841</u>	<u>1,594</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	--	9,642	1,443
2200	Accrued Expenditures	--	--	--
2300	Unearned Revenue	1,600	11,841	1,594
2000	Total Liabilities	<u>1,600</u>	<u>21,483</u>	<u>3,037</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	--	--	--
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	(9,642)	(1,443)
3000	Total Fund Balances	<u>--</u>	<u>(9,642)</u>	<u>(1,443)</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,600</u>	<u>\$ 11,841</u>	<u>\$ 1,594</u>



	461 Campus Activity Funds	496 Miscellaneous Grants	498 Educational Foundation Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
	\$ 45,598	\$ 4,384	\$ 48,370	\$ 150,090
	--	--	--	383,964
	225	--	--	1,872
	--	--	--	12,369
	<u>45,823</u>	<u>4,384</u>	<u>48,370</u>	<u>548,295</u>
	\$ --	\$ --	\$ --	\$ 470
	--	--	--	85,191
	--	--	--	247,811
	--	--	--	790
	--	--	--	21,240
	<u>--</u>	<u>--</u>	<u>--</u>	<u>355,502</u>
	--	--	--	12,369
	--	--	--	92,932
	45,823	4,384	48,370	87,492
	<u>45,823</u>	<u>4,384</u>	<u>48,370</u>	<u>192,793</u>
	<u>\$ 45,823</u>	<u>\$ 4,384</u>	<u>\$ 48,370</u>	<u>\$ 548,295</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	226 IDEA-B Discretionary
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	600,262	388,639	13,265	14,000
5020 <b>Total Revenues</b>	<u>600,262</u>	<u>388,639</u>	<u>13,265</u>	<u>14,000</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	514,762	247,012	13,265	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	51,871	--	--	--
0021 <i>Instructional Leadership</i>	--	38,475	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	103,152	--	14,000
0032 <i>Social Work Services</i>	744	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0061 <i>Community Services</i>	32,885	--	--	--
0071 <i>Principal on Long-term Debt</i>	--	--	--	--
0072 <i>Interest on Long-term Debt</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>600,262</u>	<u>388,639</u>	<u>13,265</u>	<u>14,000</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	--	--	--	--
1200 <b>Net Change in Fund Balances</b>	--	--	--	--
0100 <b>Fund Balances - Beginning</b>	--	--	--	--
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	287 Education Jobs Fund
\$ 308,563	\$ --	\$ --	\$ --	\$ --
4,790	--	--	--	--
1,110,507	1,132	65,887	40,006	454,611
<u>1,423,860</u>	<u>1,132</u>	<u>65,887</u>	<u>40,006</u>	<u>454,611</u>
--	--	300	10,180	--
--	--	--	--	454,611
--	--	65,587	29,808	--
--	--	--	--	--
--	--	--	--	--
1,387,472	1,484	--	--	--
--	--	--	--	--
--	--	--	--	--
11,639	--	--	18	--
1,955	--	--	--	--
<u>1,401,066</u>	<u>1,484</u>	<u>65,887</u>	<u>40,006</u>	<u>454,611</u>
22,794	(352)	--	--	--
<u>22,794</u>	<u>(352)</u>	--	--	--
82,859	--	--	--	--
<u>\$ 105,653</u>	<u>\$ (352)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	289 Emergency Impact Aid LEA	385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	410 State Textbook Fund
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	6,000	646	55,518
5900 <i>Federal Program Revenues</i>	105,369	--	--	--
5020 <b>Total Revenues</b>	<u>105,369</u>	<u>6,000</u>	<u>646</u>	<u>55,518</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	31,833	5,046	646	65,160
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	954	--	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--	--
0032 <i>Social Work Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	73,536	--	--	--
0061 <i>Community Services</i>	--	--	--	--
0071 <i>Principal on Long-term Debt</i>	--	--	--	--
0072 <i>Interest on Long-term Debt</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>105,369</u>	<u>6,000</u>	<u>646</u>	<u>65,160</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	--	--	--	(9,642)
1200 <b>Net Change in Fund Balances</b>	--	--	--	(9,642)
0100 <b>Fund Balances - Beginning</b>	--	--	--	--
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (9,642)</u>

429 State Funded Special Revenue Fund	461 Campus Activity Funds	496 Miscellaneous Grants	498 Educational Foundation Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 1,971	\$ --	\$ 44,310	\$ 354,844
26	--	--	--	66,980
--	--	--	--	2,793,678
<u>26</u>	<u>1,971</u>	<u>--</u>	<u>44,310</u>	<u>3,215,502</u>
1,469	--	969	35,315	925,957
--	--	--	--	454,611
--	--	--	--	148,220
--	--	--	--	38,475
--	--	--	--	117,152
--	--	--	--	744
--	--	--	--	1,388,956
--	(1,865)	--	--	(1,865)
--	--	--	--	73,536
--	--	--	--	32,903
--	--	--	--	11,639
--	--	--	--	1,955
<u>1,469</u>	<u>(1,865)</u>	<u>969</u>	<u>35,315</u>	<u>3,192,283</u>
(1,443)	3,836	(969)	8,995	23,219
<u>(1,443)</u>	<u>3,836</u>	<u>(969)</u>	<u>8,995</u>	<u>23,219</u>
--	41,987	5,353	39,375	169,574
<u>\$ (1,443)</u>	<u>\$ 45,823</u>	<u>\$ 4,384</u>	<u>\$ 48,370</u>	<u>\$ 192,793</u>



## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**CUERO INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2019*

Year Ended August 31	1 Tax Rates		2 Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2010 and Prior Years	\$ Various	\$ Various	\$ Various
2011	1.1325	.1908	423,561,507
2012	1.1325	.1549	489,893,348
2013	1.04	.03	1,212,801,417
2014	1.04	.064	1,466,372,562
2015	.94	.4371	2,386,277,459
2016	.96	.43069	1,709,892,499
2017	.96	.49048	1,185,940,515
2018	1.04	.4600	1,144,181,457
2019 (School Year Under Audit)	1.12	.4900	1,041,451,346

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code



10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 47,038	\$ --	\$ 2,810	\$ 300	\$ 36,393	\$ 80,321
7,236	--	764	129	(318)	6,025
10,745	--	1,143	156	(451)	8,995
14,928	--	2,650	76	(1,487)	10,715
41,561	--	2,761	170	306,804	345,433
53,887	--	2,947	1,370	(14,715)	34,856
111,364	--	6,533	2,931	(65,019)	36,880
252,599	--	47,150	24,090	(125,177)	56,181
277,031	--	43,982	19,454	(121,175)	92,420
--	16,509,207	11,463,784	5,015,464	--	29,959
<u>\$ 816,389</u>	<u>\$ 16,509,207</u>	<u>\$ 11,574,526</u>	<u>\$ 5,064,141</u>	<u>\$ 14,856</u>	<u>\$ 701,786</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**  
*NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

**EXHIBIT J-3**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 308,563	\$ 308,563
5800 <i>State Program Revenues</i>	5,300	4,790	(510)
5900 <i>Federal Program Revenues</i>	876,074	1,110,507	234,433
5020 Total Revenues	<u>881,374</u>	<u>1,423,860</u>	<u>542,486</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,109,270	1,387,472	(278,202)
Total Support Services - Student (Pupil)	<u>1,109,270</u>	<u>1,387,472</u>	<u>(278,202)</u>
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	--	11,639	(11,639)
0072 <i>Interest on Long-Term Debt</i>	--	1,955	(1,955)
Total Debt Service	<u>--</u>	<u>13,594</u>	<u>(13,594)</u>
6030 Total Expenditures	<u>1,109,270</u>	<u>1,401,066</u>	<u>(291,796)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(227,896)	22,794	250,690
1200 Net Change in Fund Balance	<u>(227,896)</u>	<u>22,794</u>	<u>250,690</u>
0100 Fund Balance - Beginning	--	82,859	82,859
3000 Fund Balance - Ending	<u>\$ (227,896)</u>	<u>\$ 105,653</u>	<u>\$ 333,549</u>

**CUERO INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 5,578,625	\$ 5,203,348	\$ (375,277)
5020 Total Revenues	<u>5,578,625</u>	<u>5,203,348</u>	<u>(375,277)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	--	2,795,000	(2,795,000)
0072 <i>Interest on Long-Term Debt</i>	--	2,667,864	(2,667,864)
0073 <i>Bond Issuance Costs and Fees</i>	--	4,000	(4,000)
Total Debt Service	<u>--</u>	<u>5,466,864</u>	<u>(5,466,864)</u>
6030 Total Expenditures	<u>--</u>	<u>5,466,864</u>	<u>(5,466,864)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>5,578,625</u>	<u>(263,516)</u>	<u>(5,842,141)</u>
1200 Net Change in Fund Balance	<u>5,578,625</u>	<u>(263,516)</u>	<u>(5,842,141)</u>
0100 Fund Balance - Beginning	--	745,531	745,531
3000 Fund Balance - Ending	<u>\$ 5,578,625</u>	<u>\$ 482,015</u>	<u>\$ (5,096,610)</u>



# *Harry Afadapa & Associates, PC*

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Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

Members of the Board of Trustees:

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 Cuero Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Cuero Independent School District's basic financial statements, and have issued our report thereon dated January 3, 2020.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cuero Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cuero Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cuero 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 the Cuero Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
January 3, 2020

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*Certified Public Accountants*

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*Stafford, Texas 77477*

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Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Cuero Independent School District  
960 East Broadway  
Cuero, Texas 77954

Members of the Board of Trustees:

## **Report on Compliance for Each Major Federal Program**

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas  
January 3, 2020



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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

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

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A 10.553/ 10.555/ 10.559	Title 1- School Improvement Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<i>None.</i>		

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

**EXHIBIT K-1**

(1)	(2)	(2A) Pass-Through Entity Identifying Number	Passed Through to Subrecipient	(3) Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Discretionary	84.027	19660001062901	\$ --	\$ 14,000
IDEA-B Formula	84.027	19660001062901	--	14,542
IDEA-B Formula	84.027	19660001062901	--	375,529
Total CFDA Number 84.027			--	404,071
IDEA-B Preschool	84.173	18661001062901	--	1,916
IDEA-B Preschool	84.173	18661001062901	--	11,537
Total CFDA Number 84.173			--	13,453
Total Passed Through State Department of Education			--	417,524
Total U. S. Department of Education			--	417,524
Total Special Education (IDEA) Cluster			--	417,524
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	19610123062901	--	34,725
ESEA Title I Part A - Improving Basic Programs	84.010A	19610123062901	--	568,944
Total CFDA Number 84.010a			--	603,669
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	19696001062901	--	40,006
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	19694501062901	--	65,887
Education Jobs Fund	84.410		--	1,727
Education Jobs Fund	84.410		--	452,921
Total CFDA Number 84.410			--	454,648
School Transformation Fund Implementation/TitleIV -fund 289	84.938C	176107337110005		105,369
Total Passed Through State Department of Education			--	1,269,579
Total U. S. Department of Education			--	1,269,579
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass Through Texas Department of Agriculture:				
Pass Through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	714,018	--	63,975
School Breakfast Program	10.553	714,019	--	286,041
Total CFDA Number 10.553				350,016
National School Lunch Program	10.555	713,018	--	122,800
National School Lunch Program	10.555	713,019	--	566,917
Total CFDA Number 10.555				689,717
Commodity Supplemental Food Program (Non-cash)	10.555	062901A2019	--	66,842
				1,106,575
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ --</b>	<b>\$ 2,793,678</b>

The accompanying notes are an integral part of this schedule.

## **CUERO INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2019**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Cuero Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Cuero Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CUERO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2019

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 5,022,325
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."

