

# CHILTON I.S.D.



**CHILTON INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2019**

**Paul J. Christensen & Associates, LLC**  
Certified Public Accountants  
Waco, Texas

CHILTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

Chilton Independent School District  
Name of School District

Falls  
County

073-901  
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 27<sup>th</sup> day of January, 2020.

  
Signature of Board Secretary

  
Signature of Board President

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

# Paul J. Christensen & Associates, LLC

## *Certified Public Accountants*

2110 Austin Avenue  
Waco, Texas 76701  
(254)752-3436  
FAX (254)752-3463  
<http://www.waco-cpa.com>

*Paul J. Christensen, C.P.A.*  
*Gary L. Sauls, C.P.A.*  
*Andrew W. Sauls, C.P.A.*

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Chilton Independent School District  
P.O. Box 488  
Chilton, Texas 76632

#### **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 Chilton Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Chilton Independent School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chilton Independent School District, as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 6-10 and 47-54 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 Chilton Independent School District's basic financial statements. The combining nonmajor fund financial statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and required TEA schedules 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 nonmajor fund financial statements and required TEA schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of Chilton 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 Chilton Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chilton Independent School District's internal control over financial reporting and compliance.

Paul J. Christensen & Associates, LLC



Waco, Texas  
January 27, 2020

## CHILTON INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Chilton Independent School District's annual financial report provides our overview of the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which begin on page 12.

### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,611,595 (*net position*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,732,127, which is an increase of \$440,223 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,528,283 or 65% of total General Fund expenditures, an increase of \$375,486 or 12% from the prior year.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 12 and 13 respectively). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements – the fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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. The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled Required TEA Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### **Reporting the District as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and liabilities, deferred outflows/inflows of resources at the end of the year while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by most private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows/inflows of resources and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, non-financial factors should be considered as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has the following activity:

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

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes.

The District has the following fund types:

- Governmental funds – Most of the District's services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are provided in reconciliation schedules following each of the governmental fund financial statements.
- Fiduciary funds – The District is the trustee, or *fiduciary*, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations.

### **Government-Wide Financial Analysis**

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and the changes in net position (Table II) of the District's governmental activities.

**Table I**  
**Chilton Independent School District**  
**Net Position**

	Governmental Activities 2019	Governmental Activities 2018
<b>ASSETS</b>		
Current and other assets	\$ 4,233,857	\$ 3,674,852
Capital assets, net	7,245,857	7,398,746
Total assets	11,479,714	11,073,598
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to TRS	852,685	296,775
Deferred outflows related to TRS OPEB	525,902	36,748
Total Deferred Outflows of Resources	1,378,587	333,523
<b>LIABILITIES</b>		
Long-term liabilities	6,344,316	5,954,929
Other liabilities	818,047	300,832
Total liabilities	7,162,363	6,255,761
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to TRS	250,607	223,296
Deferred inflows related to TRS OPEB	833,736	858,470
Total Deferred Inflows of Resources	1,084,343	1,081,766
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	4,872,875	4,659,663
Restricted	203,844	78,144
Unrestricted	(465,124)	(668,213)
Total net position	4,611,595	4,069,594
	<u>\$ 12,858,301</u>	<u>\$ 11,407,121</u>



**Table II**  
**Chilton Independent School District**  
**Change in Net Position**

	Governmental Activities 2019	Governmental Activities 2018
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 59,787	\$ 57,529
Operating grants and contributions	1,389,701	312,575
<b>General Revenues:</b>		
Maintenance and operations taxes	697,465	620,850
Debt service taxes	151,214	138,362
State aid - formula grants	4,751,031	4,483,373
Investment earnings	48,547	19,721
Miscellaneous	66,647	157,446
Total Revenue	7,164,392	5,789,856
<b>Expenses:</b>		
Instruction	\$3,475,194	2,068,958
Instructional resources and media services	40,594	29,361
Curriculum and instructional staff development	60,785	62,725
Instructional leadership	5,960	20,006
School leadership	267,027	204,041
Guidance, counseling and evaluation services	106,680	76,992
Health services	66,461	43,208
Student transportation	116,896	96,713
Food services	390,533	266,326
Extracurricular activities	398,846	238,059
General administration	407,335	302,680
Facilities maintenance and operations	625,400	595,953
Security and monitoring services	11,877	-
Data processing services	173,483	113,395
Community services	88,475	57,425
Debt service	101,385	141,726
Bond issuance costs and fees	-	1,000
Payments to fiscal agent/member district of SSA	246,767	256,410
Other intergovernmental charges	38,693	36,536
Total Expenses	6,622,391	4,611,514
Change in net position	542,001	1,178,342
Net position - beginning	4,069,594	6,489,899
Prior period adjustment - GASB 75	-	(3,598,647)
Net position - end	\$ 4,611,595	\$ 4,069,594

The District's total revenues and expenses increased by \$1,374,536 and \$2,010,877 respectively. In the prior year the District's revenues and expenses were lower than normal due to the implementation of GASB Statement No. 75.

### **The District's Funds**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$3,732,127 which is more than last year's total of \$3,291,904. This year's operations resulted in an increase of fund balance of \$440,223.

Over the course of the year, the Board of Trustees revised the budget as needed.

The District's General Fund balance of \$3,528,283 reported in exhibit G-1 differs from the General Fund's budgetary fund balance of \$3,201,851 reported in the budgetary comparison schedule on page 47. This is principally due to local and state program revenues being more than budgeted revenues and actual expenditures being less than budgeted expenditures.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At the end of 2019, the District had \$7,245,857 net of depreciation invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

During the year ended August 31, 2019, the District spent \$118,608 on facility improvements, \$9,500 on vehicles and \$124,842 on equipment.

#### **Debt**

At year-end, the District had long-term debt obligations of \$2,335,312.

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

For the 2019-2020 school year, the District will strive to maintain all programs without significant changes. The District continues to be aware of and plan for coming legislative changes to state funding in order to maintain their educational programs, meet increased state guidelines, and maintain adequate fund balance reserves.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Chilton Independent School District, 905 Durango Ave, Chilton, TX 76632 – (254) 546-1200.

**BASIC FINANCIAL STATEMENTS**

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

EXHIBIT A-1

1  
Primary Government

Data Control Codes		Governmental Activities
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 3,645,216
1220	Property taxes - delinquent	174,487
1230	Allowance for uncollectible taxes	(34,897)
1240	Due from other governments	439,302
1290	Other receivables (net)	2,238
1300	Inventories	7,511
	Capital Assets:	
1510	Land	214,135
1520	Buildings and Improvements, net	6,497,369
1530	Furniture and Equipment, net	236,900
1540	Vehicles, net	144,226
1560	Library Books and Media, net	153,227
1000	Total assets	<u>11,479,714</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	Deferred outflows related to TRS	852,685
1706	Deferred outflows related to TRS OPEB	525,902
1700	Total deferred outflows of resources	<u>1,378,587</u>
<b>LIABILITIES</b>		
2110	Accounts payable	52,073
2140	Interest payable	37,670
2150	Payroll Deductions & Withholdings	32,550
2160	Accrued Wages Payable	270,549
2200	Accrued Expenditures or expenses	6,968
	Noncurrent liabilities:	
2501	Due within one year	418,237
2502	Due in more than one year	1,917,075
2540	Net Pension Liability (District's Share)	1,790,704
2545	Net OPEB Liability (District's Share)	2,636,537
2000	Total liabilities	<u>7,162,363</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows related to TRS	250,607
2606	Deferred inflows related to TRS OPEB	833,736
2600	Total deferred inflows of resources	<u>1,084,343</u>
<b>NET POSITION</b>		
3200	Invested in capital assets, net of related debt	4,872,875
	Restricted for:	
3820	Federal and state programs	120,122
3850	Debt service	83,722
3900	Unrestricted	(465,124)
3000	Total net position	<u>\$ 4,611,595</u>

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

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

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary government:</b>				
Governmental activities:				
11	\$ 3,475,194	\$ -	\$ 774,185	\$ (2,701,009)
12	40,594	-	3,872	(36,722)
13	60,785	-	4,380	(56,405)
21	5,960	-	41	(5,919)
23	267,027	-	25,670	(241,357)
31	106,680	-	9,568	(97,112)
33	66,461	-	7,739	(58,722)
34	116,896	-	8,997	(107,899)
35	390,533	46,799	400,227	56,493
36	398,846	12,988	35,903	(349,955)
41	407,335	-	34,819	(372,516)
51	625,400	-	56,425	(568,975)
52	11,877	-	856	(11,021)
53	173,483	-	17,819	(155,664)
61	88,475	-	9,200	(79,275)
72	101,385	-	-	(101,385)
93	246,767	-	-	(246,767)
99	38,693	-	-	(38,693)
TP	<u>\$ 6,622,391</u>	<u>\$ 59,787</u>	<u>\$ 1,389,701</u>	<u>\$ (5,172,903)</u>

Data  
Control  
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	697,465
DT	Property Taxes, Levied for Debt Service	151,214
SF	State Aid - Formula Grants	4,751,031
IE	Investment Earnings	48,547
MI	Miscellaneous Local and Intermediate Revenue	17,891
S1	Royalties	48,756
TR	<b>Total General Revenues</b>	<u>5,714,904</u>
CN	Change in Net Position	542,001
NB	Net Position - beginning	4,069,594
NE	Net Position - ending	<u>\$ 4,611,595</u>

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

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

EXHIBIT C-1

Data Control Codes	10	ESEA I, A Improving Basic Programs	Nonmajor Governmental Funds	98 Total Governmental Funds	
	General Fund				
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 3,409,012	\$ 31,560	\$ 204,644	\$ 3,645,216
1220	Property taxes - delinquent	143,000	-	31,487	174,487
1230	Allowance for uncollectible taxes	(28,600)	-	(6,297)	(34,897)
1240	Due from other governments	335,100	34,557	69,645	439,302
1260	Due from other funds	120,383	546	583	121,512
1290	Other receivables	2,238	-	-	2,238
1300	Inventories	-	-	7,511	7,511
1000	Total Assets	<u>3,981,133</u>	<u>66,663</u>	<u>307,573</u>	<u>4,355,369</u>
<b>LIABILITIES</b>					
2110	Accounts payable	50,472	-	1,601	52,073
2150	Payroll deductions and withholdings	32,550	-	-	32,550
2160	Accrued wages payable	249,540	9,469	11,540	270,549
2170	Due to other funds	583	56,161	64,768	121,512
2200	Accrued expenditures/expenses	5,305	1,033	630	6,968
2000	Total Liabilities	<u>338,450</u>	<u>66,663</u>	<u>78,539</u>	<u>483,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable revenue - property taxes	114,400	-	25,190	139,590
2600	Total Deferred Inflows of Resources	<u>114,400</u>	<u>-</u>	<u>25,190</u>	<u>139,590</u>
<b>FUND BALANCES</b>					
Non-spendable Fund Balance:					
3410	Inventories	-	-	7,511	7,511
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	112,611	112,611
3480	Retirement of Long-Term Debt	-	-	83,722	83,722
3600	Unassigned Fund Balance	3,528,283	-	-	3,528,283
3000	Total Fund Balances	<u>3,528,283</u>	<u>-</u>	<u>203,844</u>	<u>3,732,127</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,981,133</u>	<u>\$ 66,663</u>	<u>\$ 307,573</u>	<u>\$ 4,355,369</u>

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

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

EXHIBIT C-1R

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>3,732,127</b>
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,856,110 and the accumulated depreciation was (\$6,457,364). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,608,307
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		656,721
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$852,685, a deferred resource inflow in the amount of \$250,607 and a net pension liability in the amount of \$1,790,704.		(4,132,997)
<p>Also included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$525,902, a deferred resource inflow in the amount of \$833,736 and a net OPEB liability in the amount of \$2,636,537. The net effect of items related to GASB 68 and GASB 75 for pension and OPEB liabilities was a decrease in net position.</p>		
<b>4</b> Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(405,839)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		153,276
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>4,611,595</b>

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

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

EXHIBIT C-2

Data Control Codes	10	ESEA I, A	Other	98	
	General Fund	Improving Basic Programs	Governmental Funds	Total Governmental Funds	
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 818,270	\$ -	\$ 199,272	\$ 1,017,542
5800	State program revenues	4,957,201	-	337,041	5,294,242
5900	Federal program revenues	768	167,384	533,338	701,490
5020	Total revenues	<u>5,776,239</u>	<u>167,384</u>	<u>1,069,651</u>	<u>7,013,274</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	2,639,715	153,884	251,241	3,044,840
0012	Instructional resources and media services	36,342	-	-	36,342
0013	Curriculum and instructional staff development	35,694	13,500	7,425	56,619
0021	Instructional leadership	5,155	-	-	5,155
0023	School leadership	234,151	-	-	234,151
0031	Guidance, counseling, and evaluation services	95,012	-	-	95,012
0033	Health services	58,521	-	-	58,521
0034	Student (pupil) transportation	85,798	-	21,639	107,437
0035	Food services	-	-	376,695	376,695
0036	Extracurricular activities	356,284	-	-	356,284
0041	General administration	366,026	-	-	366,026
0051	Facilities maintenance and operations	600,672	-	-	600,672
0052	Security and monitoring services	51,330	-	-	51,330
0053	Data processing services	153,301	-	-	153,301
0061	Community services	77,867	-	-	77,867
Debt Service:					
0071	Principal on long-term debt	130,771	-	273,000	403,771
0072	Interest on long-term debt	40,157	-	74,914	115,071
Capital outlay:					
0081	Facilities acquisition and construction	148,497	-	-	148,497
Intergovernmental:					
0093	Payments to fiscal agent/member district of SSA	246,767	-	-	246,767
0099	Other intergovernmental charges	38,693	-	-	38,693
6030	Total expenditures	<u>5,400,753</u>	<u>167,384</u>	<u>1,004,914</u>	<u>6,573,051</u>
1100	Excess (deficiency) of revenues over expenditures	<u>375,486</u>	<u>-</u>	<u>64,737</u>	<u>440,223</u>
1200	Net change in fund balances	<u>375,486</u>	<u>-</u>	<u>64,737</u>	<u>440,223</u>
0100	Fund balances--beginning	3,152,797	-	139,107	3,291,904
3000	Fund balances--ending	<u>\$ 3,528,283</u>	<u>\$ -</u>	<u>\$ 203,844</u>	<u>\$ 3,732,127</u>

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



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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	440,223
		656,721
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase net position.		
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(405,839)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. . The net effect of these reclassifications and recognitions is to increase net position.		19,803
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$107,698. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$109,596. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$96,633.		(168,907)
Similarly, GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$33,916. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$36,427. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$67,866. The net effect for both GASB 68 and GASB 75 related to pension and OPEB expenses is a decrease in the change in net position.		
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>542,001</b>

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

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

EXHIBIT E-1

	Student Activity Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 10,628
Total Assets	<u>\$ 10,628</u>
LIABILITIES	
Due to Student Groups	\$ 10,628
Total Liabilities	<u>\$ 10,628</u>

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

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

Chilton Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles and it complies with the requirements of the appropriate version of Texas Education Agency’s Financial Accountability System Resource Guide (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District’s functions. Taxes are always general revenues.

Interfund activities between governmental appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenue received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **General Fund** – The General Fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **ESEA I, A Improving Basic Programs Fund** – The ESEA I, A Improving Basic Programs Fund accounts for resources accumulated and expended to improve the quality of education programs and to help ensure that students meet challenging state academic standards.

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

Governmental Funds:

3. **Special Revenue Fund** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most Federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
4. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the Debt Service Fund.

Fiduciary Funds:

5. **Agency Fund** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s Agency Funds are Student Activity Accounts.

**E. OTHER ACCOUNTING POLICIES**

**Food Commodities**

Food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and expenditures are charged and revenue is recognized for an equal amount when received.

**Capital Assets**

Capital assets which include land, buildings, furniture and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2019

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

<u>Assets</u>	<u>Year</u>
Buildings	39
Building Improvements	20
Vehicles	7
Office Equipment	7
Computer Equipment	7

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences**

Employees are allowed to accrue five days of state personal leave each year without limit. State personal leave does not vest under the District's policy and accordingly, employees can only utilize state personal leave when sick, or state personal leave for personal reasons when approved by their supervisor. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the basic financial statements.

Employees who retire from the District under the requirements of the Texas Teacher Retirement System are reimbursed for the accrued but unused state sick leave and state personal leave accumulated while employed in the District. The rate of payment is the daily rate for the position.

Teachers and administrative personnel do not receive paid vacations but are paid only for the number of days they are required to work each year.

In the event of termination, an employee is reimbursed for any unused accumulated vacation leave. The District has no liability for unused vacation pay since all vacation leave is used or paid if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

**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.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District is reporting an item related to TRS which represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net position liability.

**Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable Fund Balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid accounts. It also includes the long-term amount of the loans and notes receivable.

Restricted Fund Balance - includes amounts for which constraints have been placed on the use of the resources (a) either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law thorough constitutional provision of enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board of Trustees remove or change the specified use by taking the same type of action it employed when the funds were initially committed.

Assigned Fund Balance – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board of Trustees or by other officials to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board of Trustees delegates the responsibility to assign funds to the superintendent or his/her designees.

Unassigned Fund Balance – is the residual classification for the General Fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposed within the General Fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Net Position**

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**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 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.

**Program Revenue**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2019 will change.

**Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (“TEA”) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base policy development and funding plans.



CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-1R provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and that long-term liabilities are not due and payable in the current period and therefore not reported in the governmental funds. The details of capital assets and long-term liabilities at the beginning of the year are as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Book Value Beg. of Year	Change in Net Position
Land	\$ 214,135	\$ -	\$ 214,135	
Building and Improvements	10,757,907	4,081,517	6,676,390	
Furniture and Equipment	1,841,717	1,674,826	166,891	
Vehicles	889,124	701,021	188,103	
Books and Media	153,227	-	153,227	
	<u>\$ 13,856,110</u>	<u>\$ 6,457,364</u>	<u>\$ 7,398,746</u>	<u>\$ 7,398,746</u>

Liabilities at the Beginning of the year	Payable at the Beg. of Year	Change in Net Position
<u>Short-term</u>		
Interest Payable	\$ 51,356	
<u>Long-term</u>		
Bonds Payable	1,769,000	
Notes Payable	844,000	
Capital Leases	126,083	
Total Liabilities	<u>\$ 2,790,439</u>	<u>\$ 2,790,439</u>

Net Adjustment to Net Position		<u>\$ 4,608,307</u>
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CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-3 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay:</u>			
Land	\$ -		
Buildings and improvements	118,608		
Furniture and Equipment	124,842		
Vehicles	9,500		
Total Capital Outlay	<u>\$ 252,950</u>	<u>\$ 252,950</u>	<u>\$ 252,950</u>
<u>Debt Principal Payments</u>			
Bond principal payments	\$ 273,000		
Note principal payments	86,000		
Capital lease payments	44,771		
Total Principal	<u>\$ 403,771</u>	<u>\$ 403,771</u>	<u>\$ 403,771</u>
Total Adjustment to Net Position			<u><u>\$ 656,721</u></u>

Another element of the reconciliation on Exhibit C-3 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Deferred Revenue:</u>			
Taxes Collected from Prior Years	\$ 13,389	\$ (13,389)	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	28,413	28,413	28,413
Uncollected taxes (assumed collectible) from Prior Year Levy	111,177	-	111,177
Difference between Prior Estimated Delinquent Taxes Collectable and Actual Collection Rate	8,907	(8,907)	-
<u>Adjustments to Long-term liabilities</u>			
Interest Payable	(13,686)	13,686	13,686
		<u>\$ 19,803</u>	<u>\$ 153,276</u>

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2019

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

**A. DEPOSITS AND INVESTMENTS**

District Policies and Legal and Contractual Provisions Governing Deposits

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

District Policies and Legal and Contractual Provisions Governing Investments

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Chilton Independent School District is in substantial compliance with the requirements of the Act and with local policies.

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

<u>Investment Type</u>	<b>Investment Maturities (in years)</b>				
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
TexPool	\$ 57,366	\$ 57,366	\$ -	\$ -	\$ -

Additional policies and contractual provisions governing deposits and investments for Chilton Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to certificates of deposits which are covered by pledged securities and local government investment pools. TexPool offers a safe, efficient and liquid investment alternative to local governments in the state of Texas. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

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

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2019

**A. DEPOSITS AND INVESTMENTS (continued)**

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires investments to have maturities of one year or less.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles, the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Allowance for uncollectible tax receivables within the Governmental Funds is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2019, were as follows:

Fund	Due to	Due from
General Fund	\$ 120,383	\$ 583
ESEA I, A Improving Basic Programs	546	56,161
National Breakfast and Lunch Program	-	27
ESEA II, A Training and Recruiting	-	7,711
Title IV, B Community Learning	-	35,983
ESEA VI, Pt B Rural & Low Income	-	12,681
ESEA Title IV, A Subpart I SSAE	-	2,456
TXVSN Grant to Rural Schools	-	2,500
Debt Service Fund	583	3,410
	<u>\$ 121,512</u>	<u>\$ 121,512</u>

There were no interfund transfers during the year.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2019, were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<b>Governmental Activities:</b>			
Delinquent property taxes	\$ 143,000	\$ 31,487	\$ 174,487
Allowance for Uncollectible Taxes	(28,600)	(6,297)	(34,897)
Total-Governmental Activities	<u>\$ 114,400</u>	<u>\$ 25,190</u>	<u>\$ 139,590</u>

Payables at August 31, 2019, were as follows:

	Accounts Payable	Salaries and Benefits	Other	Total Payables
<b>Governmental Activities:</b>				
General Fund	\$ 50,472	\$ 282,090	\$ 5,305	\$ 337,867
ESEA I, A Improving Basic Programs	-	9,469	1,033	10,502
Nonmajor Governmental Funds	1,601	11,540	630	13,771
Total-Governmental Activities	<u>\$ 52,073</u>	<u>\$ 303,099</u>	<u>\$ 6,968</u>	<u>\$ 362,140</u>

**F. CAPITAL ASSET ACTIVITY**

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

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Reclassifications	
<b>Governmental Activities:</b>					
Land	\$ 214,135	\$ -	\$ -	\$ -	\$ 214,135
Buildings and improvements	10,757,907	118,608	-	-	10,876,515
Furniture and equipment	1,841,717	124,842	-	-	1,966,559
Vehicles	889,124	9,500	-	-	898,624
Books and media	153,227	-	-	-	153,227
Total at historical cost	<u>13,856,110</u>	<u>252,950</u>	<u>-</u>	<u>-</u>	<u>14,109,060</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,081,517)	(297,629)	-	-	(4,379,146)
Furniture and equipment	(1,674,826)	(54,833)	-	-	(1,729,659)
Vehicles	(701,021)	(53,377)	-	-	(754,398)
Total accumulated depreciation	<u>(6,457,364)</u>	<u>(405,839)</u>	<u>-</u>	<u>-</u>	<u>(6,863,203)</u>
Governmental Activities: Capital Assets, Net	<u>\$ 7,398,746</u>	<u>\$ (152,889)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,245,857</u>

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**F. CAPITAL ASSET ACTIVITY (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	224,032
Instructional resources and media services		2,674
Curriculum and instructional staff development		4,166
Instructional leadership		379
School leadership		17,228
Guidance, counseling, and evaluation services		6,991
Health services		4,306
Student (pupil) transportation		7,905
Food services		25,638
Extracurricular activities		26,215
General administration		26,931
Facilities maintenance and operations		41,551
Security and monitoring services		814
Data processing services		11,280
Community services		5,729
	<u>\$</u>	<u>405,839</u>

**G. LONG-TERM LIABILITIES**

The District's long-term liabilities consist of bond indebtedness, notes payable, and capital leases. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

**Changes in Long-term Liabilities**

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

Description	Amounts Outstanding			Amounts Outstanding    Due Within	
	9/1/2018	Additions	Retirements	8/31/2019	One Year
Bonds payable	\$ 1,769,000	\$ -	\$ 273,000	\$ 1,496,000	\$ 284,000
Notes payable	844,000	-	86,000	758,000	89,000
Capital leases	126,083	-	44,771	81,312	45,237
Net Pension Liability	1,163,574	736,726	109,596	1,790,704	-
Net OPEB Liability	2,052,272	620,692	36,427	2,636,537	-
Totals	<u>\$ 5,954,929</u>	<u>\$ 1,357,418</u>	<u>\$ 549,794</u>	<u>\$ 6,762,553</u>	<u>\$ 418,237</u>

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**G. LONG-TERM LIABILITIES (continued)**

**Bonds Payable**

Bond indebtedness of the District is reflected in the following schedule.

A summary of changes in bonds payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2018	Additions	Retirements	Amounts Outstanding 8/31/2019
Unlimited Tax School Build.							
Bonds Series 2003	3.97%	\$ 750,000	\$ 6,861	\$ 246,000	\$ -	\$ 46,000	\$ 200,000
Unlimited Tax Refunding							
Bond Series 2005	4.46%	3,598,000	59,059	1,523,000	-	227,000	1,296,000
Totals			\$ 65,920	\$ 1,769,000	\$ -	\$ 273,000	\$ 1,496,000

Debt service requirements for bonds payable are as follows:

Year Ended August 31,	Bonds Payable		Total
	Principal	Interest	Requirements
2020	\$ 284,000	\$ 60,273	\$ 344,273
2021	297,000	49,030	346,030
2022	310,000	37,270	347,270
2023	323,000	24,990	347,990
2024	282,000	12,577	294,577
	\$ 1,496,000	\$ 184,140	\$ 1,680,140

**Prior-Year Refunding's**

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Districts's financial statements.

**Notes Payable**

Note indebtedness of the District is reflected in the following schedule.

A summary of changes in notes payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Interest Current Year	Amounts Outstanding 9/1/2018	Issued	Retired	Amounts Outstanding 8/31/2019
Maint. Tax Notes, 2005	4.730%	\$ 21,721	\$ 567,000	\$ -	\$ 60,000	\$ 507,000
Maint. Tax Notes, 2007	4.185%	10,878	277,000	-	26,000	251,000
		\$ 32,599	\$ 844,000	\$ -	\$ 86,000	\$ 758,000

CHILTON INDEPENDENT SCHOOL DISTRICT  
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**G. LONG-TERM LIABILITIES (continued)**

Debt service requirements for notes payable are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	\$ 89,000	\$ 32,454	\$ 121,454
2021	94,000	28,276	122,276
2022	98,000	23,891	121,891
2023	103,000	19,300	122,300
2024	108,000	14,482	122,482
2025-2027	266,000	14,411	280,411
	<u>\$ 758,000</u>	<u>\$ 132,814</u>	<u>\$ 890,814</u>

**Capital Leases**

The District is obligated under certain leases accounted for as capital leases.

A summary of changes in capital leases payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Interest Current Year	Amounts Outstanding 9/1/2018	Issued	Retired	Amounts Outstanding 8/31/2019
DeLage Landon Public Finance - Building Security Equipment	5.325%	\$ 908	\$ 17,959	\$ -	\$ 8,747	\$ 9,212
Navistar Capital - Buses	3.687%	1,958	108,124	-	36,024	72,100
		<u>\$ 2,866</u>	<u>\$ 126,083</u>	<u>\$ -</u>	<u>\$ 44,771</u>	<u>\$ 81,312</u>

Debt service requirements for capital lease obligations are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	\$ 45,237	\$ 3,243	\$ 48,480
2021	36,075	2,703	38,778
	<u>\$ 81,312</u>	<u>\$ 5,946</u>	<u>\$ 87,258</u>

**H. ACCUMULATED UNPAID LEAVE BENEFITS**

The District does not account for accumulated unpaid vacation and sick leave benefits in its accounting records. The District does not believe this to be material due to the small size of the District and the large percentage of personnel who use their accumulated benefits annually.



CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**I. DEFINED BENEFIT PENSION PLAN**

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

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

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

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

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 107,698
Current fiscal year member contributions		\$ 253,260
2018 measurement year NECE on-behalf contributions		\$ 155,501

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2019

**I. DEFINED BENEFIT PENSION PLAN (continued)**

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

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

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

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

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

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

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%
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 July 2018.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension 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:

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**I. DEFINED BENEFIT PENSION PLAN (continued)**

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.85%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag <sup>3</sup>			-0.79%
<b>Total</b>	<b>100.00%</b>		<b>7.25%</b>

<sup>1</sup> Target allocations are based on the FY2016 policy model.

<sup>2</sup> Capital market assumptions come for Aon Hewitt (2017 Q4)

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate share of the net pension liability:	\$ 2,702,602	\$ 1,790,704	\$ 1,052,469

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**I. DEFINED BENEFIT PENSION PLAN (continued)**

***Pension Liabilities, Pension Expense, and Deferred Overflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2019, Chilton Independent School District reported a liability of \$1,790,704 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Chilton Independent School District. The amount recognized by Chilton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Chilton Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,790,704
State's proportionate share that is associated with the District	<u>2,542,342</u>
Total	<u><u>\$ 4,333,046</u></u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0032533164% which was an decrease of (0.0003857390%) from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, Chilton Independent School District recognized pension expense of \$457,853 and revenue of \$251,624 for support provided by the State.

CHILTON INDEPENDENT SCHOOL DISTRICT  
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FOR THE YEAR ENDED AUGUST 31, 2019

**I. DEFINED BENEFIT PENSION PLAN (continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 11,162	\$ 43,937
Changes in actuarial assumptions	645,635	20,176
Differences between projected and actual investment earnings	-	33,977
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	88,190	152,517
Total as of August 31, 2018 measurement date	744,987	250,607
Contributions paid to TRS subsequent to the measurement date	107,698	-
Total as of fiscal year-end	\$ 852,685	\$ 250,607

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

Fiscal year ended August 31,	Pension Expense Amount
2020	\$ 143,686
2021	\$ 72,182
2022	\$ 54,075
2023	\$ 86,094
2024	\$ 80,847
Thereafter	\$ 57,496

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

**Benefits Provided.** TRS-Care provides 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.

CHILTON INDEPENDENT SCHOOL DISTRICT  
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**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

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 the average retiree with and without Medicare coverage.

**TRS-Care Monthly for Retirees**  
*January 1, 2018 thru December 31, 2018*

	Medicare	Non-Medicare
Retirees*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
Surviving Children only		
<i>* or surviving spouse</i>		

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. 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	
	<u>2018</u>	<u>2019</u>
Member	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%
Current fiscal year employer contributions		\$ 33,916
Current fiscal year member contributions		\$ 21,380
2018 measurement year NECE on-behalf contributions		\$ 36,294

CHILTON INDEPENDENT SCHOOL DISTRICT  
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**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 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.

**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 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:

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds are reported in Fidelity Index's "20-year Municipal Go AA Index" as of August 31, 2018.
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	2.50%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

CHILTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability	\$ 3,138,385	\$ 2,636,537	\$ 2,239,543

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2019, the District reported a liability of \$2,636,537 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	\$ 2,636,537
State's proportionate share that is associated with the District	<u>2,630,656</u>
Total	<u><u>\$ 5,267,193</u></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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019, the District’s proportion of the collective Net OPEB Liability was 0.0052803692% which was an increase of 0.0005610102% from its proportion measured as of August 31, 2017.

**Healthcare Cost Trend Rates Sensitivity Analysis.** The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the 8.5% assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 2,189,687	\$ 2,636,537	\$ 3,225,048



CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

***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 Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate 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.

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 annual 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.

**Change of Benefit Terms Since the Prior Measurement Date.** The 85th Legislature, Regular Session, passed the following changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible 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 and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the system to provide other, appropriate health benefits 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 on 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 \$199,980 and revenue of \$95,687 for support provided by the State.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 139,911	\$ 41,608
Changes in actuarial assumptions	43,997	792,128
Differences between projected and actual investment earnings	461	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	307,617	-
Total as of August 31, 2018 measurement date	491,986	833,736
Contributions paid to TRS subsequent to the measurement date	33,916	
Total as of fiscal year-end	\$ 525,902	\$ 833,736

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:

Fiscal year ended August 31,	OPEB Expense Amount
2020	\$ (65,499)
2021	\$ (65,499)
2022	\$ (65,499)
2023	\$ (65,587)
2024	\$ (65,638)
Thereafter	\$ (14,028)

**K. MEDICARE PART D COVERAGE**

**Medicare Part D – On-behalf Payments.** – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries know 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 retire drug subsidy payments from the federal government to offset certain prescription drug expenditure for the eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$12,312, \$9,848, and \$9,575, respectively.

**L. HEALTH CARE COVERAGE – ACTIVE EMPLOYEES**

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan is a premium-based plan. Payments are made on a monthly basis for all covered employees.

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**M. DEFERRED INFLOWS**

Deferred inflows at August 31, 2019 end consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 114,400	\$ 25,190	\$ 139,590

**N. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 335,100	\$ -	\$ 335,100
ESEA I, A Improving Basic Programs	-	34,557	34,557
National Breakfast and Lunch Program	-	9,467	9,467
ESEA II, A Training and Recruiting	-	10,324	10,324
Title IV, B Community Learning	-	33,633	33,633
ESEA VI, Pt B Rural & Low Income	-	12,681	12,681
ESEA Title IV, A Subpart I SSAE	-	3,540	3,540
Total Due from Other Governments	\$ 335,100	\$ 104,202	\$ 439,302

**O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	National Breakfast and Lunch Program	Debt Service Fund	Total
Property Taxes	\$ 676,515	\$ -	\$ 148,436	\$ 824,951
Penalties, Interest and other tax related income	14,832	-	2,778	17,610
Interest Income	48,547	-	-	48,547
Food sales	-	46,799	-	46,799
CoCurricular	12,988	-	-	12,988
Royalties	48,756	-	-	48,756
Other	16,632	1,259	-	17,891
	\$ 818,270	\$ 48,058	\$ 151,214	\$ 1,017,542

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**P. SHARED SERVICES ARRANGEMENT**

The District participates in a shared services arrangement for Special Education with six other districts. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Marlin Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Chilton Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation.

**Q. RISK MANAGEMENT**

**Auto, Liability, and/or Property Programs**

During the year ended August 31, 2019, Chilton Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability  
Auto Physical Damage  
Legal Liability  
Privacy & Information Security  
Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates that Chilton Independent School 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**Unemployment Compensation Pool**

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

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

CHILTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Q. RISK MANAGEMENT (continued)**

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

**Workers' Compensation Aggregate Deductible**

During the year ended August 31, 2019, Chilton Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Chilton Independent School District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

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

**R. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 27, 2020 the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	(GAAP BASIS)	Final Budget
					Positive or (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 709,000	\$ 777,000	\$ 818,270	\$ 41,270
5800	State program revenues	4,678,566	4,843,566	4,957,201	113,635
5900	Federal program revenues	20,000	20,000	768	(19,232)
5020	Total revenues	<u>5,407,566</u>	<u>5,640,566</u>	<u>5,776,239</u>	<u>135,673</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	2,605,666	2,645,666	2,639,715	5,951
0012	Instructional resources and media services	36,035	41,035	36,342	4,693
0013	Curriculum and instructional staff development	26,350	41,350	35,694	5,656
0021	Instructional leadership	24,716	9,716	5,155	4,561
0023	School leadership	267,196	247,196	234,151	13,045
0031	Guidance, counseling, and evaluation services	92,354	104,354	95,012	9,342
0033	Health services	57,943	62,943	58,521	4,422
0034	Student (pupil) transportation	88,039	96,039	85,798	10,241
0036	Extracurricular activities	352,417	377,417	356,284	21,133
0041	General administration	358,461	373,461	366,026	7,435
0051	Facilities maintenance and operations	644,918	629,918	600,672	29,246
0052	Security and monitoring services	-	55,000	51,330	3,670
0053	Data processing services	152,250	162,250	153,301	8,949
0061	Community services	76,398	81,398	77,867	3,531
0071	Principal on long-term debt	130,771	130,771	130,771	-
0072	Interest on long-term debt	40,160	43,160	40,157	3,003
0073	Bond issuance costs and fees	-	-	-	-
0081	Facilities acquisition and construction	100,000	190,000	148,497	41,503
0093	Payments to fiscal agent/member district of SSA	256,338	256,338	246,767	9,571
0099	Other intergovernmental charges	38,500	43,500	38,693	4,807
6030	Total expenditures	<u>5,348,512</u>	<u>5,591,512</u>	<u>5,400,753</u>	<u>190,759</u>
1100	Excess (deficiency) of revenues over expenditures	59,054	49,054	375,486	326,432
1200	Net change in fund balances	59,054	49,054	375,486	326,432
0100	Fund balances--beginning	3,152,797	3,152,797	3,152,797	
3000	Fund balances--ending	<u>\$ 3,211,851</u>	<u>\$ 3,201,851</u>	<u>\$ 3,528,283</u>	<u>\$ 326,432</u>

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

Measurement Year Ended August 31,	2018	2017	2016
District's Proportion of the Net Pension Liability (Asset)	0.0032533164%	0.3639055400%	0.3789310900%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,790,704	\$ 1,163,574	\$ 1,431,924
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,542,342	1,477,936	1,831,687
Total	<u>\$ 4,333,046</u>	<u>\$ 2,641,510</u>	<u>\$ 3,263,611</u>
District's Covered Payroll	\$ 3,180,351	\$ 3,147,314	\$ 3,188,999
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	56.31%	36.97%	44.90%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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



2015	2014
0.3777400000%	0.0031510000%
\$ 1,335,261	\$ 841,675
1,849,374	1,586,134
\$ 3,184,635	\$ 2,427,809
\$ 3,151,008	\$ 3,132,269
42.38%	26.87%
78.43%	83.25%

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

Fiscal Year Ended August 31,	2019	2018	2017
Contractually Required Contribution	\$ 107,698	\$ 109,596	\$ 119,268
Contribution in Relation to the Contractually Required Contribution	(107,698)	(109,596)	(119,268)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 3,289,091	\$ 3,180,351	\$ 3,147,431
Contributions as a percentage of Covered Payroll	3.27%	3.45%	3.79%

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

<u>2016</u>	<u>2015</u>
\$ 106,463	\$ 111,852
(106,463)	(111,852)
<u>\$ -</u>	<u>\$ -</u>
\$ 3,189,000	\$ 3,151,008
3.34%	3.55%

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

EXHIBIT G-4

Measurement Year Ended August 31,	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0052803692%	0.0047193590%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,636,537	\$ 2,052,272
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,630,656	2,195,081
<b>Total</b>	<b>\$ 5,267,193</b>	<b>\$ 4,247,353</b>
District's Covered Payroll	\$ 3,180,351	\$ 3,147,314
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	82.90%	65.21%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

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

EXHIBIT G-5

Fiscal Year Ended August 31,	2019	2018
Contractually Required Contribution	\$ 33,916	\$ 36,427
Contribution in Relation to the Contractually Required Contribution	(33,916)	(36,427)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 3,289,140	\$ 3,180,351
Contributions as a percentage of Covered Payroll	1.03%	1.15%

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

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

**BUDGETARY INFORMATION**

The Board of Trustees adopts an “appropriated budget” for the General Fund, the Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1, the Food Service Fund Budget report appears in Exhibit J-4 and the Debt Service Fund Budget appears in Exhibit J-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

## **COMBINING STATEMENTS**

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

Data Control Codes	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 112,594	\$ -	\$ 2,350	\$ -
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	9,467	10,324	33,633	12,681
1260	Due from other funds	-	-	-	-
1300	Inventory	7,511	-	-	-
1000	<b>Total Assets</b>	<b>\$ 129,572</b>	<b>\$ 10,324</b>	<b>\$ 35,983</b>	<b>\$ 12,681</b>
<b>LIABILITIES</b>					
2110	Accounts payable	1,601	-	-	-
2160	Accrued wages payable	7,618	2,357	-	-
2170	Due to other funds	27	7,711	35,983	12,681
2200	Accrued expenditures	204	256	-	-
2000	<b>Total Liabilities</b>	<b>9,450</b>	<b>10,324</b>	<b>35,983</b>	<b>12,681</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable revenue - property taxes	-	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Non-spendable Fund Balance:					
3410	Inventories	7,511	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	112,611	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3000	<b>Total Fund Balances</b>	<b>120,122</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 129,572</b>	<b>\$ 10,324</b>	<b>\$ 35,983</b>	<b>\$ 12,681</b>



289 ESEA IV, A Subpart I SSAE	410 State Textbook Fund	429 TXVSN Grant to Rural Schools	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 651	\$ -	\$ 2,500	\$ 86,549	\$ 204,644
-	-	-	31,487	31,487
-	-	-	(6,297)	(6,297)
3,540	-	-	-	69,645
-	-	-	583	583
-	-	-	-	7,511
<u>\$ 4,191</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 112,322</u>	<u>\$ 307,573</u>
-	-	-	-	1,601
1,565	-	-	-	11,540
2,456	-	2,500	3,410	64,768
170	-	-	-	630
<u>4,191</u>	<u>-</u>	<u>2,500</u>	<u>3,410</u>	<u>78,539</u>
-	-	-	25,190	25,190
-	-	-	25,190	25,190
-	-	-	-	7,511
-	-	-	-	112,611
-	-	-	83,722	83,722
-	-	-	83,722	203,844
<u>\$ 4,191</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 112,322</u>	<u>\$ 307,573</u>

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

Data Control Codes	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income
<b>REVENUES</b>				
5700	\$ 48,058	\$ -	\$ -	\$ -
5800	9,790	-	-	-
5900	357,923	21,421	102,283	40,186
5020	<u>415,771</u>	<u>21,421</u>	<u>102,283</u>	<u>40,186</u>
<b>EXPENDITURES</b>				
Current:				
0011	-	21,421	80,644	32,761
0013	-	-	-	7,425
0034	-	-	21,639	-
0035	376,695	-	-	-
Debt Service:				
0071	-	-	-	-
0072	-	-	-	-
6030	<u>376,695</u>	<u>21,421</u>	<u>102,283</u>	<u>40,186</u>
1100	39,076	-	-	-
1200	39,076	-	-	-
0100	81,046	-	-	-
3000	<u>\$ 120,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

289 ESEA IV, A Subpart I SSAE	410 State Textbook Fund	429 TXVSN Grant to Rural Schools	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 151,214	\$ 199,272
-	96,754	8,136	222,361	337,041
11,525	-	-	-	533,338
11,525	96,754	8,136	373,575	1,069,651
11,525	96,754	8,136	-	251,241
-	-	-	-	7,425
-	-	-	-	21,639
-	-	-	-	376,695
-	-	-	273,000	273,000
-	-	-	74,914	74,914
11,525	96,754	8,136	347,914	1,004,914
-	-	-	25,661	64,737
-	-	-	25,661	64,737
-	-	-	58,061	139,107
\$ -	\$ -	\$ -	\$ 83,722	\$ 203,844

**REQUIRED TEA SCHEDULES**

CHILTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2019

Last Ten Years Ended August 31	1	2	3
	Maintenance	Debt Service	Net Assessed/Appraised Value For School Tax Purposes
2010 and prior years	various	various	\$ various
2011	1.040000	0.200000	42,272,581
2012	1.040000	0.200000	47,787,129
2013	1.040000	0.200000	48,925,865
2014	1.040000	0.200000	50,364,614
2015	1.040000	0.200000	60,784,034
2016	1.040000	0.200000	61,025,039
2017	1.040000	0.254100	57,308,649
2018	1.040000	0.229000	60,722,637
2019 (School year under audit)	1.040000	0.229000	67,204,571
<b>1000 TOTALS</b>			

10 Beginning Balance 9/1/2018	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2019
\$ 53,752	\$ -	\$ 759	\$ 156	\$ (1,819)	\$ 51,018
7,611	-	237	46	(378)	6,951
6,819	-	278	53	(210)	6,278
8,302	-	329	63	(304)	7,606
11,011	-	856	165	(259)	9,731
12,759	-	809	156	(260)	11,534
14,520	-	180	35	(1,886)	12,419
19,962	-	477	116	(3,909)	15,460
32,105	-	7,109	1,565	(5,456)	17,975
-	852,826	664,236	146,260	(6,814)	35,516
<u>\$ 166,841</u>	<u>\$ 852,826</u>	<u>\$ 675,270</u>	<u>\$ 148,615</u>	<u>\$ (21,295)</u>	<u>\$ 174,487</u>

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

EXHIBIT J-4

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 40,000	\$ 41,600	\$ 48,058	\$ 6,458
5800	State program revenues	9,473	9,473	9,790	317
5900	Federal program revenues	294,000	349,400	357,923	8,523
5020	Total revenues	343,473	400,473	415,771	15,298
	EXPENDITURES				
	Current:				
0035	Food services	321,224	385,224	376,695	8,529
6030	Total expenditures	321,224	385,224	376,695	8,529
1100	Excess (deficiency) of revenues over expenditures	22,249	15,249	39,076	23,827
1200	Net change in fund balances	22,249	15,249	39,076	23,827
0100	Fund balances--beginning	81,046	81,046	81,046	
3000	Fund balances--ending	\$ 103,295	\$ 96,295	\$ 120,122	\$ 23,827

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

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 137,100	\$ 147,100	\$ 151,214	\$ 4,114
5800	State program revenues	224,000	224,000	222,361	(1,639)
5900	Federal program revenues			-	-
5020	Total revenues	361,100	371,100	373,575	2,475
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on long-term debt	273,000	273,000	273,000	-
0072	Interest on long-term debt	71,548	81,548	74,914	6,634
0073	Bond issuance costs and fees	-	-	-	-
6030	Total expenditures	344,548	354,548	347,914	6,634
1100	Excess (deficiency) of revenues over expenditures	16,552	16,552	25,661	9,109
<b>OTHER FINANCING SOURCES (USES) :</b>					
7915	Transfers in			-	-
7080	Total other financing sources and (uses)	-	-	-	-
1200	Net change in fund balances	16,552	16,552	25,661	9,109
0100	Fund balances--beginning	58,061	58,061	58,061	
3000	Fund balances--ending	\$ 74,613	\$ 74,613	\$ 83,722	\$ 9,109



**COMPLIANCE SECTION**

# Paul J. Christensen & Associates, LLC

## *Certified Public Accountants*

2110 Austin Avenue  
Waco, Texas 76701  
(254)752-3436  
FAX (254)752-3463  
<http://www.waco-cpa.com>

Paul J. Christensen, C.P.A.  
Gary L. Sauls, C.P.A.  
Andrew W. Sauls, C.P.A.

### 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  
Chilton Independent School District  
Chilton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chilton Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Chilton Independent School District's basic financial statements, and have issued our report thereon dated January 27, 2020.

#### **Internal Control over Financial Reporting**

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



Paul J. Christensen & Associates, LLC

Waco, Texas  
January 27, 2020

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

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

N/A.