

DRISCOLL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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DRISCOLL INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2019

BOARD OF TRUSTEES

VERONICA RAMON	PRESIDENT
LALA ZUNIGA	VICE-PRESIDENT
CINDY LOPEZ	SECRETARY
JOHANNA SCHUBERT	MEMBER
GLORIA OLIVAREZ	MEMBER
MIKE ZAMORA	MEMBER
TYLER STOKES	MEMBER

OTHER OFFICIALS

DR. CYNTHIA M. GARCIA	SUPERINTENDENT
ANNETTE VASQUEZ	BUSINESS MANAGER

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

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	14	A-1
Statement of Activities.....	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	17	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Net Position - Internal Service Fund.....	20	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	21	D-2
Statement of Cash Flows - Proprietary Funds.....	22	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	E-1
Notes to the Financial Statements	24	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	49	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System.....	51	G-2
Schedule of District's Contributions - Teacher Retirement System.....	52	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - TRS-Care OPEB Plan.....	53	G-4
Schedule of District's Contributions - TRS-Care OPEB Plan.....	54	G-5
Notes to Required Supplementary Information.....	55	

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	56	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	58	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	59	J-3
Debt Service Fund.....	60	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61	
Schedule of Findings and Questioned Costs	63	
Summary Schedule of Prior Audit Findings.....	64	
Corrective Action Plan.....	65	

Introductory Section

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CERTIFICATE OF BOARD

Driscoll Independent School District
Name of School District

Nueces
County

178905
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 period ended August 31, 2019, at a meeting of the board of trustees of such school district on the 10th day of December, 2019.

Cindy Lopez
Board Secretary

Veronica Ramon
Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Driscoll Independent School District
P. O. Box 238
Driscoll, Texas 78351

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2019, Driscoll Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2019, Driscoll Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Driscoll Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

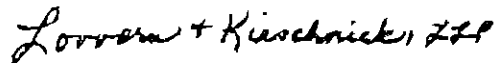
The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of Driscoll Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Driscoll Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 6, 2019

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Management's Discussion and Analysis

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Management's Discussion and Analysis

This section of Driscoll Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

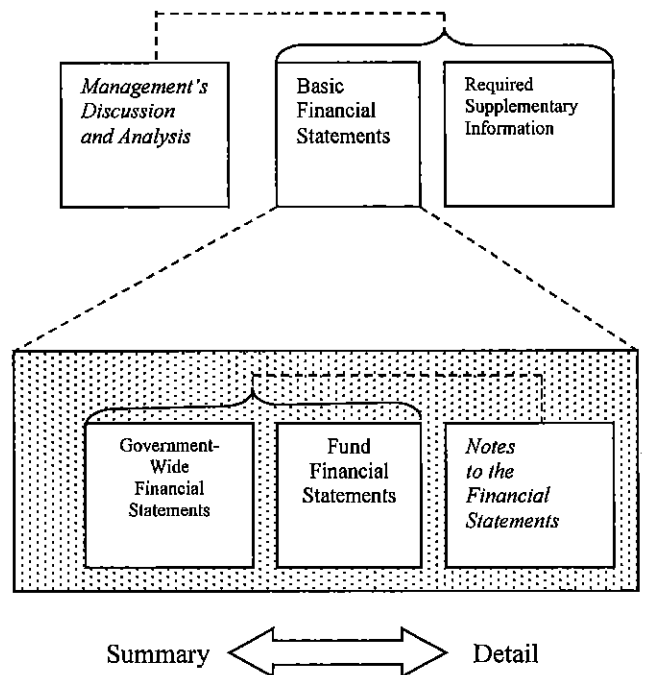
- The District's total combined net position was \$8,803,783 at August 31, 2019.
- During the year, the District's expenses were \$1,295,554 less than the \$6,402,639 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$5,107,085, or 17.4% lower than last year, but no new programs were added this year.
- The general fund reported a fund balance this year of \$5,709,851 which is a \$1,340,210 or 30.7% increase over last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-Wide and Fund Financial Statements				
<i>Type of Statements</i>	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statement</i>	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of Fiduciary net position
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	*Statement of changes in fiduciary net position
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's *combined* net position was \$8,803,783 on August 31, 2019.

Table A-1
The District's Net Position

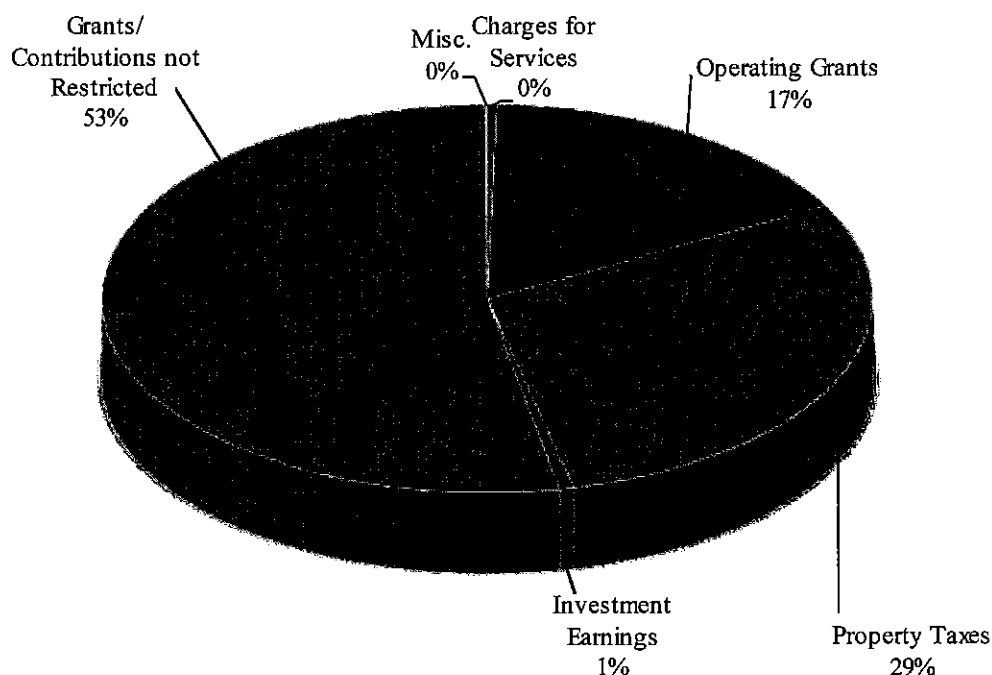
	Governmental Activities		% Change
	2019	2018	
Current and other assets	\$ 7,089,169	\$ 5,530,771	28.18%
Capital and non-current assets	12,169,709	12,574,231	-3.22%
Total Assets	19,258,878	18,105,002	6.37%
Deferred Outflow of Resources	-	8,974	-100.00%
Deferred Outflow Related to Pensions	507,446	193,877	161.74%
Deferred Outflow Related to OPEB	119,810	18,896	534.05%
Total Deferred Outflows of Resources	627,256	221,747	182.87%
Current liabilities	775,546	732,546	5.87%
Long-term liabilities	7,493,088	7,767,151	-3.53%
Net Pension Liability	977,424	564,719	73.08%
Net OPEB Liability	1,354,421	1,175,858	15.19%
Total Liabilities	10,600,479	10,240,274	3.52%
Deferred Inflows Related to Pensions	53,571	86,382	-37.98%
Deferred Inflows Related to OPEB	428,301	491,864	-12.92%
Total Deferred Inflows of Resources	481,872	578,246	-16.67%
Net position			
Net investment in			
capital assets	4,757,637	4,811,776	-1.13%
Restricted	104,563	46,129	126.68%
Unrestricted	3,941,583	2,650,324	48.72%
Total Net Position	\$ 8,803,783	\$ 7,508,229	17.26%

The \$3,941,583 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position

The District's total revenues were \$6,402,639. A significant portion, 53%, of the District's revenues comes from grants and contributions (See Figure A-3); 29% comes from property taxes, while 17% relates to operating grants.

Figure 1:
District Sources of Revenue for Fiscal Year



The total cost of all programs and services was \$5,107,085; 50% of these costs were for instructional and student services and 4% were for intergovernmental charges.

Governmental Activities

Property tax rates increased slightly to \$1.06 per \$100 valuation. However, property valuations increased by \$17.1 million.

Current and other assets increased \$1,558,398, or 28.2% from the previous year due to significant increases in cash and cash equivalents as well as due from other governments. Capital assets decreased \$404,522 due to depreciation of buildings and improvements. Long-term liabilities saw a decrease of \$274,063, or 3.5% from prior year.

Table A-2
The District's Revenues and Expenses

	Governmental Activities		Total % Changes
	2019	2018*	
Revenues:			
Program Revenues:			
Charges for service	\$ 27,312	\$ 40,122	-31.93%
Operating grants and contributions	1,061,562	766,072	38.57%
General Revenues:			
Maintenance and operations taxes	1,241,405	920,758	34.82%
Debt service taxes	643,349	584,043	10.15%
Grants and contributions not restricted to specific functions	3,387,904	2,935,426	15.41%
Investment earnings	36,092	27,882	29.45%
Miscellaneous	5,015	23,178	-78.36%
Total Revenue	6,402,639	5,297,481	20.86%
Expenses:			
Instruction, curriculum and media services	\$ 2,528,778	\$ 1,981,071	27.65%
Instructional and school leadership	251,945	206,761	21.85%
Student support services	333,140	260,036	28.11%
Child nutrition	296,392	253,245	17.04%
Cocurricular activities	75,115	62,463	20.26%
General administration	392,430	312,744	25.48%
Plant maintenance, security & data processing	708,468	694,992	1.94%
Community services	16,529	15,321	7.88%
Debt services	291,650	295,395	-1.27%
Capital outlay	6,500	4,589	41.64%
Bond Issuance Costs and Fees	2,700	2,900	-6.90%
Intergovernmental charges	203,438	259,525	-21.61%
Total Expenses	5,107,085	4,349,042	17.43%
Increase in net position before transfers and special items	1,295,554	948,439	36.60%
Net position (deficit) at beginning of year	7,508,229	8,622,244	-12.92%
Prior Period Adjustment	-	(2,062,093)	100.00%
Net position(deficit) at end of year	\$ 8,803,783	\$ 7,508,590	17.25%

- The cost of all *governmental* activities this year was \$5,107,085.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,884,754.
- Some of the cost was paid by those who directly benefited from the programs, \$27,312, or by grants and contributions of \$1,061,562.

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

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2019	2018*		2019	2018*	
Instruction	\$ 2,441,889	\$ 1,913,217	27.63%	\$ 1,935,750	\$ 1,558,466	24.21%
General administration	392,430	312,744	25.48%	380,345	304,941	24.73%
Plant maintenance	666,600	659,383	1.09%	643,149	651,274	-1.25%
Contracted instructional services between schools	203,438	259,525	-21.61%	203,438	259,525	-21.61%

*The functional expenses reported for 2018 in Tables A-2 and A-3 were significantly reduced due to negative NECE expenses due to changes in benefits within the TRS-care plan.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types total \$6,312,147, an increase of 18.4% compared to the preceding year. State program revenues increased by \$448,536, or 14.3%, which is primarily the result of an increase in foundation school programs and teacher retirement, while the property tax rate remained the same. Federal revenues increased by \$158,647, or 33.6%.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$335,658 below final budget amounts. The most significant positive variance resulted from plant maintenance and operations costs being much lower than anticipated. Staffing is budgeted for full employment throughout the year.

Resources available were \$1,578,584 above the final budgeted amount. As noted earlier:

- Property tax collections were \$149,053 more than expected.
- State funding was more than final budget amounts for the current year by \$1,340,577 as a result of higher foundation school programs at year end then what was originally estimated and federal funds remained stable, only slightly decreasing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$15,652,255 in a broad range of capital assets, including land, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions less reductions) of \$40,017, or 0.26% over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total % Change
	2019	2018	
Land	\$ 47,851	\$ 47,851	0.00%
Construction in progress	-	-	0.00%
Buildings and improvements	14,342,259	14,342,259	0.00%
Equipment	602,067	602,067	0.00%
Vehicles	660,078	620,061	6.45%
Totals at historical cost	<u>15,652,255</u>	<u>15,612,238</u>	0.26%
 Total accumulated depreciation	<u>3,482,545</u>	<u>3,038,006</u>	14.63%
Net capital assets	<u>\$ 12,169,710</u>	<u>\$ 12,574,232</u>	-3.22%

Long-Term Obligations

The District had the following obligations at August 31, 2019:

Table A-5
The District's Long-Term Obligations

	2019	2018	Total % Change
Current Interest Bonds	\$ 5,715,000	\$ 5,780,000	-1.12%
Capital Appreciation Bonds	1,278,306	1,278,306	0.00%
Refunding bonds	285,000	553,000	-48.46%
	<u>7,278,306</u>	<u>7,611,306</u>	-4.38%
 Bond Premium and Discount	133,767	160,135	-16.47%
Net Pension Liability	977,424	564,719	73.08%
Net OPEB Liability	1,354,421	1,175,858	15.19%
Bond Accretion on CAP Bonds	440,739	355,066	24.13%
Total long-term obligations	10,184,657	9,867,084	3.22%
Less: Current liability portion	359,723	359,367	0.10%
Long-Term Obligations	<u>\$ 9,824,934</u>	<u>\$ 9,507,717</u>	3.34%

The District doesn't anticipate issuing any new obligations of any kind during the next year. Additional information regarding the District's Long-Term Obligations can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2019 tax year property tax assessments will be up by \$702,861 or 0.67% from the 2018 tax year, primarily due to higher oil and gas reserves from the prior year.
- General operating fund spending per student decreases in the 2019 budget from \$12,068 to \$19,603. This is a 62.4% increase.
- The district's 2019 refined average daily attendance is expected to decrease to 250 students.

These indicators were taken into account when adopting the general fund budget for 2019-2020. Amounts available for appropriation in the general fund budget are \$3,969,171, an increase of 19.5% over the final 2018 budget of \$3,322,134. Property tax revenue is budgeted to decrease by 16.1% due to assessed values remaining nearly stable. State revenue is expected to increase as the property tax revenue increases.

Expenditures are budgeted to increase by 16.2% to \$4,096,789 from prior year actual expenditures. The largest increase is in the area of instruction. The District has added no new major programs or initiatives to the 2019-2020 budget.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same by the close of 2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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

Data Control Codes		1		Governmental Activities
ASSETS:				
1110	Cash and Cash Equivalents	\$	5,919,998	
1225	Property Taxes Receivable (Net)		123,109	
1240	Due from Other Governments		1,039,076	
1290	Other Receivables (Net)		6,986	
Capital Assets:				
1510	Land		47,851	
1520	Buildings and Improvements, Net		11,747,363	
1530	Furniture and Equipment, Net		374,495	
1000	Total Assets		<u>19,258,878</u>	
DEFERRED OUTFLOWS OF RESOURCES:				
1705	Deferred Outflow Related to Pensions		507,446	
1706	Deferred Outflow Related to OPEB		119,810	
1700	Total Deferred Outflows of Resources		<u>627,256</u>	
LIABILITIES:				
2110	Accounts Payable		70,073	
2140	Interest Payable		9,426	
2165	Accrued Liabilities		336,323	
Noncurrent Liabilities:				
2501	Due Within One Year		359,724	
2502	Due in More Than One Year		7,493,088	
2540	Net Pension Liability		977,424	
2545	Net OPEB Liability		1,354,421	
2000	Total Liabilities		<u>10,600,479</u>	
DEFERRED INFLOWS OF RESOURCES:				
2605	Deferred Inflow Related to Pensions		53,571	
2606	Deferred Inflow Related to OPEB		428,301	
2600	Total Deferred Inflows of Resources		<u>481,872</u>	
NET POSITION:				
3200	Net Investment in Capital Assets		4,757,637	
Restricted For:				
3820	State and Federal Programs		102,757	
3840	Other		1,806	
3900	Unrestricted		3,941,583	
3000	Total Net Position	\$	<u>8,803,783</u>	

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,441,889	\$ --	\$ 506,139	\$ (1,935,750)
12	Instructional Resources and Media Services	49,377	--	2,057	(47,320)
13	Curriculum and Staff Development	37,512	--	26,166	(11,346)
21	Instructional Leadership	1,797	--	--	(1,797)
23	School Leadership	250,148	--	10,673	(239,475)
31	Guidance, Counseling, & Evaluation Services	89,352	--	4,284	(85,068)
32	Social Work Services	15,218	--	553	(14,665)
33	Health Services	61,954	--	141,452	79,498
34	Student Transportation	166,616	--	5,436	(161,180)
35	Food Service	296,392	17,392	274,197	(4,803)
36	Cocurricular/Extracurricular Activities	75,115	2,102	14,887	(58,126)
41	General Administration	392,430	950	11,135	(380,345)
51	Facilities Maintenance and Operations	666,600	--	23,451	(643,149)
52	Security and Monitoring Services	3,591	--	--	(3,591)
53	Data Processing Services	38,277	--	303	(37,974)
61	Community Services	16,529	6,868	2,228	(7,433)
72	Interest on Long-term Debt	291,650	--	38,601	(253,049)
73	Bond Issuance Costs and Fees	2,700	--	--	(2,700)
81	Capital Outlay	6,500	--	--	(6,500)
99	Other Intergovernmental Charges	203,438	--	--	(203,438)
TG	Total Governmental Activities	<u>5,107,085</u>	<u>27,312</u>	<u>1,061,562</u>	<u>(4,018,211)</u>
TP	Total Primary Government	<u>\$ 5,107,085</u>	<u>\$ 27,312</u>	<u>\$ 1,061,562</u>	<u>(4,018,211)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,241,405
DT	Property Taxes, Levied for Debt Service				643,349
IE	Investment Earnings				36,092
GC	Grants and Contributions Not Restricted to Specific Programs				3,387,904
MI	Miscellaneous				5,015
TR	Total General Revenues				<u>5,313,765</u>
CN	Change in Net Position				1,295,554
NB	Net Position - Beginning				7,508,229
NE	Net Position - Ending				<u>\$ 8,803,783</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 5,118,281	\$ 281,084	\$ 485,746	\$ 5,885,111
1225 <i>Taxes Receivable, Net</i>	86,471	36,638	--	123,109
1240 <i>Due from Other Governments</i>	951,655	31,694	55,727	1,039,076
1260 <i>Due from Other Funds</i>	6,588	--	--	6,588
1290 <i>Other Receivables</i>	6,986	--	--	6,986
1000 Total Assets	<u>6,169,981</u>	<u>349,416</u>	<u>541,473</u>	<u>7,060,870</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 63,412	\$ --	\$ 6,661	\$ 70,073
2150 <i>Payroll Deductions & Withholdings</i>	2,260	--	--	2,260
2160 <i>Accrued Wages Payable</i>	283,494	--	17,997	301,491
2170 <i>Due to Other Funds</i>	--	5,750	--	5,750
2200 <i>Accrued Expenditures</i>	24,493	--	72	24,565
2000 Total Liabilities	<u>373,659</u>	<u>5,750</u>	<u>24,730</u>	<u>404,139</u>
DEFERRED INFLOWS OF RESOURCES:				
2601 <i>Unavailable Revenue - Property Taxes</i>	86,471	36,637	--	123,108
2600 Total Deferred Inflows of Resources	<u>86,471</u>	<u>36,637</u>	<u>--</u>	<u>123,108</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	102,759	102,759
3480 <i>Retirement of Long-Term Debt</i>	--	307,029	--	307,029
3490 <i>Other Restrictions of Fund Balance</i>	--	--	1,806	1,806
Committed Fund Balances:				
3510 <i>Construction</i>	--	--	385,699	385,699
3545 <i>Other Committed Fund Balance</i>	--	--	25,869	25,869
Assigned Fund Balances:				
3590 <i>Other Assigned Fund Balance</i>	--	--	610	610
3600 Unassigned	<u>5,709,851</u>	<u>--</u>	<u>--</u>	<u>5,709,851</u>
3000 Total Fund Balances	<u>5,709,851</u>	<u>307,029</u>	<u>516,743</u>	<u>6,533,623</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 6,169,981</u>	<u>\$ 349,416</u>	<u>\$ 541,473</u>	<u>\$ 7,060,870</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 6,533,623
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,169,709
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	123,108
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	26,042
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,278,306)
Payables for bond interest which are not due in the current period are not reported in the funds.	(9,426)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(977,424)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(53,571)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	507,446
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(440,739)
Bond premiums are amortized in the SNA but not in the funds.	(133,767)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,354,421)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(428,301)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	119,810
Net position of governmental activities - Statement of Net Position	\$ <u>8,803,783</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 1,286,533	\$ 650,226	\$ 160,192	\$ 2,096,951
5800 <i>State Program Revenues</i>	3,475,231	38,601	70,340	3,584,172
5900 <i>Federal Program Revenues</i>	138,954	--	492,070	631,024
5020 <i>Total Revenues</i>	<u>4,900,718</u>	<u>688,827</u>	<u>722,602</u>	<u>6,312,147</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,746,254	--	344,020	2,090,274
0012 <i>Instructional Resources and Media Services</i>	42,698	--	--	42,698
0013 <i>Curriculum and Staff Development</i>	7,506	--	26,172	33,678
0021 <i>Instructional Leadership</i>	1,613	--	--	1,613
0023 <i>School Leadership</i>	213,589	--	--	213,589
0031 <i>Guidance, Counseling, & Evaluation Services</i>	76,389	--	358	76,747
0032 <i>Social Work Services</i>	12,988	--	--	12,988
0033 <i>Health Services</i>	52,638	--	286	52,924
0034 <i>Student Transportation</i>	183,113	--	--	183,113
0035 <i>Food Service</i>	--	--	255,055	255,055
0036 <i>Cocurricular/Extracurricular Activities</i>	53,301	--	12,020	65,321
0041 <i>General Administration</i>	341,277	--	--	341,277
0051 <i>Facilities Maintenance and Operations</i>	576,384	--	11,467	587,851
0052 <i>Security and Monitoring Services</i>	3,224	--	--	3,224
0053 <i>Data Processing Services</i>	34,129	--	--	34,129
0061 <i>Community Services</i>	3,754	--	10,804	14,558
0071 <i>Principal on Long-term Debt</i>	--	333,000	--	333,000
0072 <i>Interest on Long-term Debt</i>	--	223,790	--	223,790
0073 <i>Bond Issuance Costs and Fees</i>	--	2,700	--	2,700
0081 <i>Capital Outlay</i>	6,500	--	--	6,500
0099 <i>Other Intergovernmental Charges</i>	203,438	--	--	203,438
6030 <i>Total Expenditures</i>	<u>3,558,795</u>	<u>559,490</u>	<u>660,182</u>	<u>4,778,467</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>1,341,923</u>	<u>129,337</u>	<u>62,420</u>	<u>1,533,680</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	1,713	1,713
8911 <i>Transfers Out</i>	(1,713)	--	--	(1,713)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(1,713)</u>	<u>--</u>	<u>1,713</u>	<u>--</u>
1200 <i>Net Change in Fund Balances</i>	<u>1,340,210</u>	<u>129,337</u>	<u>64,133</u>	<u>1,533,680</u>
0100 <i>Fund Balances - Beginning</i>	4,369,641	177,692	452,610	4,999,943
3000 <i>Fund Balances - Ending</i>	<u>\$ 5,709,851</u>	<u>\$ 307,029</u>	<u>\$ 516,743</u>	<u>\$ 6,533,623</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds \$ 1,533,680

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	40,017
The depreciation of capital assets used in governmental activities is not reported in the funds.	(444,539)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,847)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	333,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(85,673)
(Increase) decrease in accrued interest from beginning of period to end of period.	434
The net revenue (expense) of internal service funds is reported with governmental activities.	(10,486)
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	17,379
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	60,359
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(126,684)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	37,980
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(52,066)

Change in net position of governmental activities - Statement of Activities \$ 1,295,554

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2019**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	ASSETS:		
	Current Assets:		
1110	Cash and Cash Equivalents	\$ 34,887	
	Total Current Assets	34,887	
1000	Total Assets	34,887	
	LIABILITIES:		
	Current Liabilities:		
2170	Due to Other Funds	\$ 838	
2200	Accrued Expenses	8,007	
	Total Current Liabilities	8,845	
2000	Total Liabilities	8,845	
	NET POSITION:		
3900	Unrestricted	26,042	
3000	Total Net Position	\$ 26,042	

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

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

		Nonmajor Internal Service Fund	
<u>Data Control Codes</u>		<u>Insurance Fund</u>	
OPERATING EXPENSES:			
6400	<i>Other Operating Costs</i>	\$	10,486
6030	Total Expenses		<u>10,486</u>
1300	Change in Net Position		(10,486)
0100	Total Net Position - Beginning		36,528
3300	Total Net Position - Ending	\$	<u>26,042</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2019

	Enterprise Funds Nonmajor Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ --
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(10,486)
Net Cash Provided (Used) by Operating Activities	<u>(10,486)</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,486)
Cash and Cash Equivalents at Beginning of Year	45,373
Cash and Cash Equivalents at End of Year	<u>\$ 34,887</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (10,486)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Interfund Receivables</i>	--
<i>Increase (Decrease) in Interfund Payables</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	--
Total Adjustments	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,486)</u>

The accompanying notes are an integral part of this statement.

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

<u>Data Control Codes</u>		<u>Agency Funds</u>
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 7,397
1290	<i>Other Receivables</i>	811
1000	Total Assets	<u>8,208</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 8,208
2000	Total Liabilities	<u>8,208</u>
NET POSITION:		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for taxes collected for the purpose of debt service, and related debt service expenditures.

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, with the exception of property taxes which are considered immaterial. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available

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

when they become due or past due and receivable within the current period. The assessed value of the roll on January 1, 2018, upon which the levy for the 2019 fiscal year was based, was \$116,956,836.

The tax rates assessed for the year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.06 and \$.549463 per \$100 valuation, respectively, for a total of \$1.609463 per \$100 valuation.

Current tax collections for the year ended August 31, 2019, were 95.0% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on the rates adopted for the year of the levy.

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

Delinquent Taxes Receivable

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District:

	Balance 09/01/18	Current Year Levy	Total Collections	Yearly Adjustments	Balance 08/31/19
Delinquent Taxes Receivable	\$ 217,695	\$ 1,852,755	\$ 1,852,132	\$ (8,472)	\$ 209,846
Allowance for Uncollectible Taxes	(86,738)				(86,738)
Net Delinquent Taxes Receivable	<u>\$ 130,957</u>	<u>\$ 1,852,755</u>	<u>\$ 1,852,132</u>	<u>\$ (8,472)</u>	<u>\$ 123,108</u>

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

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

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors ; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2019.

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Compensated Absences

At August 31, 2019, the District had no liability for accrued sick leave or vacation leave.

h. Interfund Activity

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

i. Use of Estimates

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

j. Data Control Codes

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

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

statewide database for policy development and funding plans.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

l. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the

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

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.

At August 31, 2019, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	977,424

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

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

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

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

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

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

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

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
In the General Fund and Child Nutrition Funds, certain functional expenditures exceeded the appropriated amounts.	In the future, the budget will be amended before overspending.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,552,208 and the bank balance was \$5,548,341. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers

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

acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexStar Investment Pool (Rated AAA)	less than 1 year	\$ 188,388
Lone Star Investment Pool (Rated (AAAm)	less than 1 year	186,799
Total Investments		<u>\$ 375,187</u>

Due to the highly liquid nature of these investments, the amounts are included in cash and cash equivalents on the face of the financial statements.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star or TexStar are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexStar requires two signatures from authorized representatives in order to be processed.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexSTAR

The District invests in the Texas Short Term Asset Reserve Program (TexSTAR), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 47,851	\$ --	\$ --	\$ 47,851
Construction in progress	--	--	--	--
Total capital assets not being depreciated	47,851	--	--	47,851
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,342,259	--	--	14,342,259
Equipment	602,067	--	--	602,067
Vehicles	620,061	40,017	--	660,078
Total capital assets being depreciated	15,564,387	40,017	--	15,604,404
Less accumulated depreciation for:				
Buildings and improvements	(2,215,778)	(379,119)	--	(2,594,897)
Equipment	(294,099)	(47,389)	--	(341,488)
Vehicles	(528,129)	(18,031)	--	(546,160)
Total accumulated depreciation	(3,038,006)	(444,539)	--	(3,482,545)
Total capital assets being depreciated, net	12,526,381	(404,522)	--	12,121,859
Governmental activities capital assets, net	\$ 12,574,232	\$ (404,522)	\$ --	\$ 12,169,710

Depreciation was charged to functions as follows:

Instruction	\$ 233,741
Instructional Resources and Media Services	4,813
Curriculum and Staff Development	3,834
Instructional Leadership	184
School Leadership	23,464
Guidance, Counseling, & Evaluation Services	8,367
Social Work Services	1,427
Health Services	5,817
Student Transportation	18,031
Food Services	26,524
Extracurricular Activities	7,246
General Administration	38,109
Plant Maintenance and Operations	67,109
Security and Monitoring Services	367
Data Processing Services	3,874
Community Services	1,632
	<u>\$ 444,539</u>

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

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Internal Service Fund	\$ 838	Short-term loans
General Fund	Debt Service Fund	5,750	Short-term loans
	Total	<u>\$ 6,588</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 1,713	Supplement other funds sources
	Total	<u>\$ 1,713</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/18	Issued	Retired	Amounts Outstanding 8/31/19	Amounts Due Within One Year
Bonds and Notes:							
Unlimited Tax							
Current	2.0%						
Interest Bonds	to						
Series 2013	4.0%	6,185,000 \$	5,780,000 \$	--	\$ 65,000	\$ 5,715,000	\$ 60,000
Unlimited Tax							
Capital							
Appreciation	5.05%						
Bonds Series	to						
2013	5.31%	1,278,306	1,278,306	--	--	1,278,306	--
Unlimited Tax							
Refunding Bonds							
Series 2016	3.00%	1,065,000	553,000	--	268,000	285,000	285,000
Sub-Totals			<u>7,611,306</u>	<u>--</u>	<u>333,000</u>	<u>7,278,306</u>	<u>345,000</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT

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

Bond Premium on Issuance	160,134		26,367	133,767	14,723
Bond Accretion on Capital Appreciation Bonds	355,066	85,673	--	440,739	--
Net Pension Liability	564,719	472,526	59,821	977,424	--
Net OPEB Liability	1,175,858	197,276	18,713	1,354,421	--
	<u>\$ 9,867,083</u>	<u>\$ 755,475</u>	<u>\$ 437,901</u>	<u>\$ 10,184,657</u>	<u>\$ 359,723</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities				
	Principal	Interest	Principal	Interest	Total
2020	\$ 285,000	\$ 8,550	\$ 60,000	\$ 205,900	\$ 559,450
2021	--	--	325,000	204,700	529,700
2022	--	--	330,000	194,950	524,950
2023	--	--	340,000	185,050	525,050
2024	--	--	350,000	174,850	524,850
2025-2029	--	--	1,960,000	680,525	2,640,525
2030-2034	--	--	2,350,000	289,200	2,639,200
2035-2039	--	--	797,295	1,847,705	2,645,000
2040-2044	--	--	481,011	1,623,989	2,105,000
Totals	<u>\$ 285,000</u>	<u>\$ 8,550</u>	<u>\$ 6,993,306</u>	<u>\$ 5,406,869</u>	<u>\$ 12,693,725</u>

Defeased Bonds Outstanding

The District had no defeased bonds outstanding as of August 31, 2019.

3. SEC Exemptive Relief

On February 9, 1996, TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities. The District qualifies for this exemption.

G. Risk Management

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

Unemployment Compensation

During the year ended August 31, 2019, Driscoll ISD 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. All

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

districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation pool members.

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

Workers' Compensation

The District has established the Worker's Compensation fund to account for and finance workers compensation claims. It is a modified self-insurance plan known as School Comp. The plan began September 1, 2018 and ended September 1, 2019. The District's maximum financial exposure for the plan year is \$27,280. Any costs above \$27,280 for the 2018-2019 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$350,000. Costs for any one claim above the self-insured retention are the shared responsibility of the remaining School Comp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and aggregate stop-loss attachment at \$1,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participated in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$26,042 at 8/31/19, and is reported as reserved Net Assets of the Worker's Compensation Internal Service Fund. The claims liability of \$8,007 reported in the fund at 8/31/19, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the insurance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities during the past two years are:

	Year Ended 8/31/19	Year Ended 8/31/18
Unpaid claims, beginning of year	\$ 8,007	\$ 8,007
Current year claims and changes in estimate	10,486	5,802
Claim payments	(10,486)	(5,802)
Unpaid claims, end of year	\$ 8,007	\$ 8,007

H. Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more

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

of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 in (1.) above.

4. Contributions

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

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

Contribution Rates

	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%

The contribution amounts for the District's fiscal year 2019 are as follows:

District's 2019 Employer Contributions	\$ 69,349
District's 2019 Member Contributions	\$ 180,897
2018 NECE On-Behalf Contributions (state)	\$ 115,417

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

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

Appropriations Act (GAA).

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

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

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

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

5. Actuarial Assumptions

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

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

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

6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Rate of Return As of August 31, 2018			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.2%
* Target allocation are based on the FY 2016 policy model.			
** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

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

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 1,475,167	\$ 977,424	\$ 574,471

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

At August 31, 2019, the District reported a liability of \$977,424 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 977,424
State's proportionate share that is associated with District	<u>1,886,984</u>
Total	<u>\$ 2,864,408</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0017758%, which was an increase (decrease) of 0.0000096% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$321,385 and revenue of \$186,761 for support provided by the State.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,092	\$ 23,982
Changes in actuarial assumptions	352,408	11,013
Difference between projected and actual investment earnings	--	18,546
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	80,647	30
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	68,299	--
Total	<u>\$ 507,446</u>	<u>\$ 53,571</u>

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

Year Ended August 31	Pension Expense Amount
2020	\$ 101,105
2021	\$ 62,076
2022	\$ 52,441
2023	\$ 70,598
2024	\$ 60,405
Thereafter	\$ 38,951

1. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS

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

pension plan. Optional dependent coverage is available for an additional fee.

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

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

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

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75 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		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions	\$	20,323
District's 2019 Member Contributions	\$	15,275
2018 NECE On-Behalf Contributions (state)	\$	24,854

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

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

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

5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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

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

Additional Actuarial Methods and Assumptions:

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

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

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

*** Includes inflation at 2.5%.

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

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 1,612,227	\$ 1,354,421	\$ 1,150,481

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

At August 31, 2019, the District reported a liability of \$1,354,421 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	\$ 1,354,421
State's proportionate share that is associated with the District	\$ 1,801,462
Total	\$ 3,155,883

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

At August 31, 2018 the District's proportion of the collective net OPEB liability was 0.0027126%, which was an increase (decrease) of 0.0000086% from its proportion measured as of August 31, 2017.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 1,124,869	\$ 1,354,421	\$ 1,656,747

9. Changes Since the Prior Actuarial Valuation

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

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

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

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

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

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

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

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

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

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$100,025 and revenue of

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

\$65,526 for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 71,874	\$ 21,375
Changes in actuarial assumptions	22,602	406,926
Differences between projected and actual investment earnings	237	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	4,684	--
Contributions paid to TRS subsequent to the measurement date	20,413	
Total	\$ 119,810	\$ 428,301

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

Year ended August 31,	Amount
2020	\$ (52,723)
2021	\$ (52,723)
2022	\$ (52,723)
2023	\$ (52,768)
2024	\$ (52,794)
Thereafter	\$ (65,173)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$8,453.

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$123 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2019, and terms of coverage and premium costs are included in the contractual provisions.

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

Latest financial statements for the Aetna are available for the year ended December 31, 2018, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

L. Concentration of Risk

The District is located within Nueces County, Texas and it derives approximately 30% of all revenue from property taxes and related penalties and interest. The District's top ten taxpayers have a total taxable property value of \$49,832,669 or 42.6% of the total property tax value of \$116,956,836. All of the top ten taxpayers are oil and gas related.

Taxpayer	Taxable Value	Percent of Total Taxable Value
DCP South Central Texas LLC	\$ 18,058,680	15.4%
Urban Oil & Gas Group LLC	15,008,072	12.8%
Net Mexico Pipeline Partners	4,322,330	3.7%
Valley Crossing Pipeline LLC	2,578,440	2.2%
Houston Pipeline Company LP	2,513,520	2.1%
Union Pacific RR Company	2,485,530	2.1%
AEP Texas Inc.	1,865,860	1.6%
Driscoll Children's Hospital	1,113,047	1.0%
Lobo Pipelining Company LLC	1,023,020	0.9%
Urban Oil & Gas Group	864,170	0.7%
Total Top Ten	\$ 49,832,669	42.6%
Total All Taxpayers	\$ 116,956,836	100.0%

M. 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 Capital Programs. Amounts due from federal and state governments as of August 31, 2019, are reported on the financial statements as Due from Other Governments and are summarized below:

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

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal/State Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 951,655	\$ --	\$ --	\$ 951,655
Debt Service	--	31,694	--	31,694
Other Governmental	--	55,727	--	55,727
Total	\$ 951,655	\$ 87,421	\$ --	\$ 1,039,076

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2019:

General Fund

Unassigned: 5,709,851

Total General Fund fund balance 5,709,851

Debt Service Fund

Restricted
Retirement of Long-Term Debt 307,029

Total Debt Service Fund fund balance 307,029

Other Governmental Funds

Restricted:
Child Nutrition 82,595
State Textbook Fund 20,164
Monsanto Grant Fund 1,806
104,565

Committed:
Construction 385,699
Campus Activity Funds 25,869
411,568

Assigned:
UIL/Teacher Training 610

Total Other Governmental Fund fund balance 516,743

Total Governmental fund balance \$ 6,533,623

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Required Supplementary Information

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,137,480	\$ 1,137,480	\$ 1,286,533	\$ 149,053
5800	State Program Revenues	2,134,654	2,134,654	3,475,231	1,340,577
5900	Federal Program Revenues	50,000	50,000	138,954	88,954
5020	Total Revenues	3,322,134	3,322,134	4,900,718	1,578,584
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,627,670	1,844,670	1,746,254	98,416
0012	Instructional Resources and Media Services	37,003	43,709	42,698	1,011
0013	Curriculum and Staff Development	18,858	18,858	7,506	11,352
	Total Instruction & Instr. Related Services	1,683,531	1,907,236	1,796,458	110,778
Instructional and School Leadership:					
0021	Instructional Leadership	2,800	2,800	1,613	1,187
0023	School Leadership	191,121	219,676	213,589	6,087
	Total Instructional & School Leadership	193,921	222,476	215,202	7,274
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	65,545	75,709	76,389	(680)
0032	Social Work Services	11,170	13,077	12,988	89
0033	Health Services	46,831	54,457	52,638	1,819
0034	Student (Pupil) Transportation	218,081	210,683	183,113	27,570
0036	Cocurricular/Extracurricular Activities	51,662	53,788	53,301	487
	Total Support Services - Student (Pupil)	393,289	407,713	378,429	29,284
Administrative Support Services:					
0041	General Administration	301,537	351,609	341,277	10,332
	Total Administrative Support Services	301,537	351,609	341,277	10,332
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	668,733	717,103	576,384	140,719
0052	Security and Monitoring Services	7,700	7,700	3,224	4,476
0053	Data Processing Services	33,957	39,382	34,129	5,253
	Total Support Services - Nonstudent Based	710,390	764,185	613,737	150,448
Ancillary Services:					
0061	Community Services	5,500	5,500	3,754	1,746
	Total Ancillary Services	5,500	5,500	3,754	1,746
Capital Outlay:					
0081	Capital Outlay	--	--	6,500	(6,500)
	Total Capital Outlay	--	--	6,500	(6,500)
0099	Other Intergovernmental Charges	235,732	235,732	203,438	32,294
	Total Intergovernmental Charges	235,732	235,732	203,438	32,294
6030	Total Expenditures	3,523,900	3,894,453	3,558,795	335,658
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(201,766)	(572,319)	1,341,923	1,914,242

DRISCOLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	Other Financing Sources (Uses):				
8911	<i>Transfers Out</i>	--	--	(1,713)	(1,713)
7080	Total Other Financing Sources and (Uses)	--	--	(1,713)	(1,713)
1200	Net Change in Fund Balance	(201,766)	(572,319)	1,340,210	1,912,529
0100	Fund Balance - Beginning	4,369,641	4,369,642	4,369,641	(1)
3000	Fund Balance - Ending	\$ 4,167,875	\$ 3,797,323	\$ 5,709,851	\$ 1,912,528

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

EXHIBIT G-2

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0017758%	0.0017661%	0.0017269%	0.0015614%	0.0012874%
District's proportionate share of the net pension liability (asset)	\$ 977,424	\$ 564,719	\$ 652,558	\$ 551,934	\$ 343,883
State's proportionate share of the net pension liability (asset) associated with the District	1,886,984	1,224,863	1,430,764	1,332,489	1,074,803
Total	\$ 2,864,408	\$ 1,789,582	\$ 2,083,322	\$ 1,884,423	\$ 1,418,686
District's covered-employee payroll	\$ 2,243,942	\$ 2,246,866	\$ 2,117,668	\$ 1,912,482	\$ 1,884,239
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.56%	25.13%	30.81%	28.86%	18.25%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT G-3

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 68,299	\$ 59,202	\$ 57,479	\$ 54,860	\$ 46,080
Contributions in relation to the contractually required contribution	(68,299)	(59,202)	(57,479)	(54,860)	(46,080)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,416,573	\$ 2,243,942	\$ 2,246,866	\$ 2,117,668	\$ 1,912,482
Contributions as a percentage of covered-employee payroll	2.83%	2.64%	2.56%	2.59%	2.41%

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended	
	2018	2017
District's proportion of the collective net OPEB liability	0.002712591%	0.002703976%
District's proportionate share of the collective net OPEB liability	\$ 1,354,421	\$ 1,175,858
State proportionate share of the collective net OPEB liability associated with the District	\$ 1,801,462	\$ 1,727,806
Total	<u>\$ 3,155,883</u>	<u>\$ 2,903,664</u>
District's covered-employee payroll	\$ 2,243,942	\$ 2,246,866
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.36%	52.33%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

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

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

	Fiscal Year Ended	
	2019	2018
Statutorily or contractually required District contribution	\$ 20,413	\$ 18,712
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(20,413)	(18,712)
Contribution deficiency (excess)	\$ --	\$ --
District's covered-employee payroll	\$ 2,420,513	\$ 2,243,942
Contributions as a percentage of covered-employee payroll	0.84%	0.83%

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2019

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Supplementary Information

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT

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

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
2011		1.04		.21		138,390,038
2012		1.04		.225		123,998,758
2013		1.04		.225		130,251,779
2014		1.04		.225		114,764,080
2015		1.04		.515		114,073,848
2016		1.04		.585		94,881,208
2017		1.04		.6662		84,326,019
2018		1.04		.6598		89,443,404
2019 (School Year Under Audit)		1.06		.5495		116,956,836

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 54,321	\$ --	\$ 769	\$ 152	\$ (1,860)	\$ 51,540
7,958	--	367	74	--	7,517
7,005	--	758	164	--	6,083
10,449	--	768	166	--	9,515
10,861	--	38	8	--	10,815
13,665	--	795	394	--	12,476
14,349	--	252	142	(1,561)	12,394
25,623	--	3,501	2,242	(1,894)	17,986
73,464	--	27,777	17,621	(3,158)	24,908
--	1,852,755	1,182,950	613,194	1	56,612
<u>\$ 217,695</u>	<u>\$ 1,852,755</u>	<u>\$ 1,217,975</u>	<u>\$ 634,157</u>	<u>\$ (8,472)</u>	<u>\$ 209,846</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

DRISCOLL INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)	\$ 5,709,851
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	793,895
8	Estimate of delayed payments from state sources (58XX)	983,349
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	55,727
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	1,832,971
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,876,880

If Item 13 is a Positive Number

Explanation of need for and/or projected use of net positive

Unassigned General Fund Fund Balance:

The District will utilize the funds for capital improvements, as well as set some funds aside for unforeseen expenses.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 32,100	\$ 32,100	\$ 17,392	\$ (14,708)
5800	State Program Revenues	11,500	11,500	9,394	(2,106)
5900	Federal Program Revenues	192,500	192,500	264,803	72,303
5020	Total Revenues	<u>236,100</u>	<u>236,100</u>	<u>291,589</u>	<u>55,489</u>
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	<u>231,550</u>	<u>245,984</u>	<u>255,055</u>	<u>(9,071)</u>
	Total Support Services - Student (Pupil)	<u>231,550</u>	<u>245,984</u>	<u>255,055</u>	<u>(9,071)</u>
6030	Total Expenditures	<u>231,550</u>	<u>245,984</u>	<u>255,055</u>	<u>(9,071)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>4,550</u>	<u>(9,884)</u>	<u>36,534</u>	<u>46,418</u>
1200	Net Change in Fund Balance	<u>4,550</u>	<u>(9,884)</u>	<u>36,534</u>	<u>46,418</u>
0100	Fund Balance - Beginning	46,061	46,061	46,061	--
3000	Fund Balance - Ending	<u>\$ 50,611</u>	<u>\$ 36,177</u>	<u>\$ 82,595</u>	<u>\$ 46,418</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-4
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 561,375	\$ 561,375	\$ 650,226	\$ 88,851
5800	State Program Revenues	36,568	36,568	38,601	2,033
5020	Total Revenues	597,943	597,943	688,827	90,884
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	333,000	333,000	333,000	--
0072	Interest on Long-Term Debt	223,790	223,790	223,790	--
0073	Bond Issuance Costs and Fees	3,000	3,000	2,700	300
	Total Debt Service	559,790	559,790	559,490	300
6030	Total Expenditures	559,790	559,790	559,490	300
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	38,153	38,153	129,337	91,184
1200	Net Change in Fund Balance	38,153	38,153	129,337	91,184
0100	Fund Balance - Beginning	177,692	177,692	177,692	--
3000	Fund Balance - Ending	\$ 215,845	\$ 215,845	\$ 307,029	\$ 91,184

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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
Driscoll Independent School District
P. O. Box 238
Driscoll, Texas 78351

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Driscoll Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Driscoll Independent School District's basic financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Driscoll Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Driscoll Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Driscoll Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 6, 2019

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

 Yes

 X No

One or more significant deficiencies identified that
are not considered to be material weaknesses?

 Yes

 X None Reported

Noncompliance material to financial
statements noted?

 Yes

 X No

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings or questioned costs in the prior year.		

DRISCOLL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

There were no findings or questioned costs in the current year.