

DECATUR INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2019*

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

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*Introductory Section*

CERTIFICATE OF BOARD

Decatur Independent School District  
Name of School District

Wise  
County

249-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 16<sup>th</sup> day of January, 2020.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

*Financial Section*



**SNOWGARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

To the Board of Trustees  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

**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 Decatur 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 Decatur Independent School District as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

The other supplementary information, except for Exhibit J-2, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020 on our consideration of Decatur 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 Decatur Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams  
January 13, 2020

## Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements, which follow this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$5,850,478 (*net position*). Of this amount, negative \$11,708,923 is *unrestricted net position*.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,643,445. Approximately 49% of this total amount, \$10,170,460, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,170,460, or 34% of the total general fund expenditures.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund, and food service fund. A

budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 13-18 of this report.

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has no enterprise funds. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its health insurance. The basic proprietary financial statements can be found on pages 19-21 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position can be found on page 22.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-49 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 50-56 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,850,478 as of August 31, 2019.

#### The District's Net Position

	August 31, 2019	August 31, 2018
Current assets	\$ 23,954,408	\$ 21,678,156
Capital assets	72,904,480	76,652,008
Total assets	<u>96,858,888</u>	<u>98,330,164</u>
Deferred outflows of resources		
Deferred loss on refunding	725,386	778,304
Deferred outflow related to pensions	5,165,545	1,965,509
Deferred outflow related to OPEB	1,968,598	163,745
Total deferred outflows of resources	<u>7,859,529</u>	<u>2,907,558</u>
Current liabilities	2,627,636	2,270,166
Long-term liabilities outstanding	91,249,105	87,897,660
Total liabilities	<u>93,876,741</u>	<u>90,167,826</u>
Deferred inflows of resources		
Deferred gain on refunding	757,088	393,669
Deferred inflow related to pensions	520,210	803,981
Deferred inflow related to OPEB	3,713,900	3,955,551
Total deferred inflows of resources	<u>4,991,198</u>	<u>5,153,201</u>
Net position:		
Net investment in capital assets	13,989,581	13,646,084
Restricted	3,569,820	3,123,296
Unrestricted	(11,708,923)	(10,852,685)
Total net position	<u>\$ 5,850,478</u>	<u>\$ 5,916,695</u>

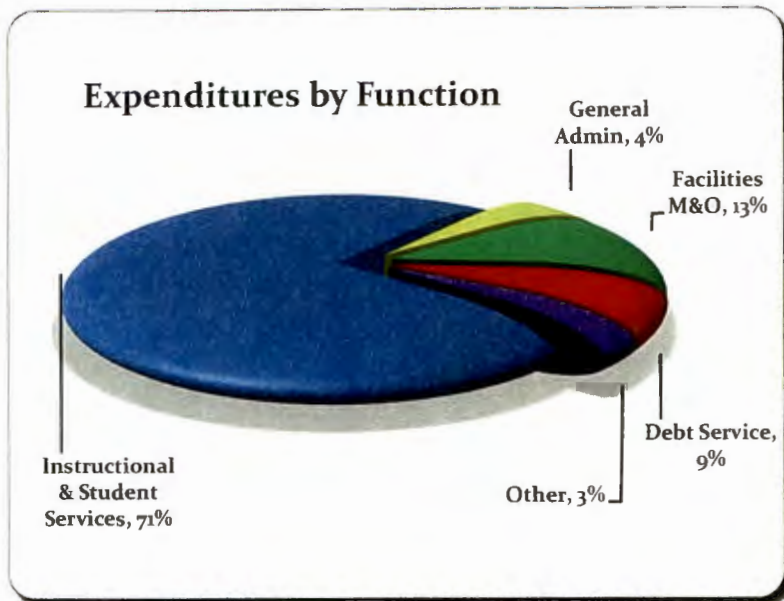
Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) is \$13,989,581. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate

these liabilities. An additional portion of the District's net position, \$3,569,820, represents resources that are subject to external restrictions on how they may be used. The amount of these restricted assets includes: (1) federal and state programs of \$58,866, (2) debt service of \$3,279,770, (3) scholarships of \$187,700, and (4) other purposes of \$43,484. The remaining balance of unrestricted net position is negative \$11,708,923. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are in excess of currently available resources.

**Governmental activities.** The District's total net position increased \$220,228. The total cost of all *governmental activities* this year was \$42,688,347. The amount that our taxpayers paid for these activities through property taxes was \$28,701,220 or 67%.

**Changes in the District's Net Position**

	Fiscal Year August 31, 2019	Fiscal Year August 31, 2018
Revenues:		
Program revenues		
Charges for services	\$ 958,281	\$ 835,646
Operating grants and contributions	5,052,828	(1,684,265)
General revenues		
Property taxes	28,701,220	25,861,420
State grants	6,890,064	7,228,055
Other	1,306,182	1,020,956
Total revenues	<u>42,908,575</u>	<u>33,261,812</u>
Expenses:		
Instruction	21,383,975	15,208,716
Instruction resources and media services	756,189	486,272
Curriculum and staff development	525,246	388,963
Instructional leadership	295,791	174,744
School leadership	2,525,896	1,297,989
Guidance, counseling and evaluation services	1,199,925	695,887
Health services	342,517	226,457
Student transportation	1,260,526	750,789
Food service	2,038,447	1,535,048
Cocurricular/Extracurricular activities	1,419,812	1,016,115
General administration	1,681,262	1,039,446
Facilities maintenance and operations	5,040,979	3,986,990
Security and monitoring services	253,412	155,454
Data processing services	332,157	282,462
Community Services	13,948	12,310
Debt service-interest on long-term debt	2,727,700	2,705,881
Debt service-bond issuance costs	216,323	145,950
Capital Outlay	154,400	68,730
Contracted instructional services between schools	-	945
Payments related to shared service arrangements	126,973	139,758
Other Intergovernmental Charges	392,869	352,308
Total expenses	<u>42,688,347</u>	<u>30,671,214</u>
Changes in net position	220,228	2,590,598
Net position - beginning	5,916,695	19,907,505
Prior period adjustment	(286,445)	(16,581,408)
Net position - beginning, as restated	5,630,250	3,326,097
Net position - ending	<u>\$ 5,850,478</u>	<u>\$ 5,916,695</u>



## Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,643,445, an increase of \$2,638,585. Approximately 49% of this total amount (\$10,170,460) constitutes *unassigned fund balance*.

Nonspendable fund balance for inventories is \$79,049. The remainder of fund balance is restricted or *committed* to indicate that it is not available for new spending because it has already been *restricted* to pay (1) federal/state funds grant restrictions (\$58,866), (2) to pay debt service (\$3,156,900), and (3) other fund balance restrictions (\$231,184), and committed for (1) construction (\$6,600,376), (2) for self-insurance (\$100,000), and (3) other commitments (\$246,610).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,170,460, out of a total fund balance of \$10,297,002. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 34% of the total general fund expenditures. Total general fund balance represents the same percentage, 34%, of the total general fund expenditures.

The fund balance of the District's general fund increased \$2,656,671 during the current fiscal year. Key factors in this increase are:

- The District had budgeted additional positions for growth that were not required to be added for the 18-19 school year.
- The District received additional SHARS revenue from the payment of the 2017 Cost Report.
- During FY18-19, the District changed property and casualty insurance carriers. This switch required the district to only have to pay 4 months of premiums since the policy coverage dates changed.
- Included in the FY18-19 budget was a potential transfer out to the local construction fund, the transfer was not needed.

The debt service fund has a total fund balance of \$3,156,900, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$547,394.

The capital projects fund has a total fund balance of \$6,600,376 consisting fully of committed funds. The net decrease in fund balance during the period was \$696,487.

### General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following category:

- In September, 2018 Decatur High School was flooded and the water had to be remediated. The budget was amended for the insurance proceeds to repair the damage.
- Due to a Texas Supreme Court decision, the District was required to refund property taxes to certain taxpayers for Heavy Equipment Compressors.
- The District amended the budget for post district expenditures for extra-curricular activities.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$778,284 primarily related to greater revenue in local and intermediate sources, as well as, state program revenues; and
- Actual expenditures were lower than budgeted by \$1,290,943 primarily due to instruction and plant maintenance and operations.

**Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2019, amounts to \$72,904,480 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset events during the year included completion of the High School library bistro and the purchase of two 14-passenger buses.

As of the last rating, November 2010, the outstanding unlimited tax supported debt of the District was rated "AA-" by S&P and "Aa3" by Moody's, without regard to credit enhancement. At the time of the last bond refinancing, December 2010, the District did not qualify for the guarantee of the Permanent School Fund of the State of Texas due to legislative limitations on the fund.

**Districts Capital Assets (net of depreciation)**

	August 31, 2019	August 31, 2018
Land	\$ 1,998,567	\$ 1,998,567
Buildings and improvements	67,110,778	69,997,239
Furniture and equipment	3,795,135	4,337,208
Construction in progress	-	318,994
Total at historical cost	\$ 72,904,480	\$ 76,652,008

Additional information on the District's capital assets can be found in Note D on pages 31-32 of this report.

**Long-term debt.** As of August 31, 2019, the District had total general obligation bonded debt outstanding of \$53,192,612, a decrease of \$5,260,000 from the prior year. The District refunded certain maturities of the Series 2009 Refunding Bonds by the issuance of the Series 2019 Refunding Bonds (\$9,860,000 par and \$1,833,894 premium). Accretion on CABs increased \$1,016,810 for fiscal year 2019, resulting in an ending balance of \$11,129,049. The premium on bonds is \$5,690,585, an increase of \$1,070,339 from the previous year.

The net pension liability for fiscal year 2019 had an ending balance of \$9,492,339, derived from GASB 68 and an increase of \$4,235,988 from the prior year. And finally, the net OPEB liability for fiscal year 2019 had an ending balance of \$11,744,520, derived from GASB 75 and an increase of \$2,288,310 from the prior year.

State statutes limit the amount of general obligation debt a government entity may issue up to 10% of its total assessed valuation. The current debt limitation for the District is \$223,966,038, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note F on pages 33-34 of this report.

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

- The District's 2019-2020 M&O tax rate is \$0.97, which represents a 7 percent decrease over the prior year. The District's I&S rate was \$0.24.
- The District increased teacher salaries by \$2,450 per step. This represents an actual gain of \$2,600 to \$2,750, depending on step. The cost of this increase is anticipated to be approx. \$589,000 for the year.
- The District's student attendance rate remains stable at the 96% percent level.
- The District's enrollment increased by approximately 70 students in 2018-2019. Enrollment for 2019-2020 is expected to increase by approximately 50 students.
- The District's taxable valuation has increased by 11% bringing the total taxable value to approximately \$2.56 billion.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, Decatur I.S.D., 307 S. Cates Street, Decatur, Texas, 76234.



**DECATUR**  
INDEPENDENT  
SCHOOL DISTRICT

*Basic Financial Statements*



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

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,854,974
1120	<i>Current Investments</i>	19,161,983
1225	<i>Property Taxes Receivable (Net)</i>	591,360
1240	<i>Due from Other Governments</i>	1,177,703
1267	<i>Due from Fiduciary</i>	84,771
1290	<i>Other Receivables (Net)</i>	786
1300	<i>Inventories</i>	79,049
1410	<i>Unrealized Expenses</i>	3,782
Capital Assets:		
1510	<i>Land</i>	1,998,567
1520	<i>Buildings and Improvements, Net</i>	67,110,778
1530	<i>Furniture and Equipment, Net</i>	3,795,135
1000	Total Assets	<u>96,858,888</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	<i>Deferred Loss on Refunding Bonds</i>	725,386
	<i>Deferred Outflow Related to Pensions</i>	5,165,545
	<i>Deferred Outflow Related to OPEB</i>	1,968,598
1700	Total Deferred Outflows of Resources	<u>7,859,529</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	867,006
2140	<i>Interest Payable</i>	80,388
2165	<i>Accrued Liabilities</i>	1,659,031
2300	<i>Unearned Revenue</i>	21,211
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,633,953
2502	<i>Due in More Than One Year</i>	67,378,293
2540	<i>Net Pension Liability</i>	9,492,339
2545	<i>Net OPEB Liability</i>	11,744,520
2000	Total Liabilities	<u>93,876,741</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Gain on Refunding Bonds</i>	757,088
	<i>Deferred Inflow Related to Pensions</i>	520,210
	<i>Deferred Inflow Related to OPEB</i>	3,713,900
2600	Total Deferred Inflows of Resources	<u>4,991,198</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	13,989,581
Restricted For:		
3820	Federal and State Programs	58,866
3850	Debt Service	3,279,770
3880	Scholarships	187,700
3890	Other Purposes	43,484
3900	Unrestricted	(11,708,923)
3000	Total Net Position	<u>\$ 5,850,478</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 21,383,975	\$ 115,366	\$ 2,269,123	\$ (18,999,486)	
12	Instructional Resources and Media Services	756,189	56,021	53,658	(646,510)	
13	Curriculum and Staff Development	525,246	--	104,079	(421,167)	
21	Instructional Leadership	295,791	--	22,887	(272,904)	
23	School Leadership	2,525,896	2,179	224,300	(2,299,417)	
31	Guidance, Counseling, & Evaluation Services	1,199,925	5,594	401,319	(793,012)	
33	Health Services	342,517	--	27,210	(315,307)	
34	Student Transportation	1,260,526	--	93,357	(1,167,169)	
35	Food Service	2,038,447	659,542	1,031,782	(347,123)	
36	Cocurricular/Extracurricular Activities	1,419,812	94,991	109,186	(1,215,635)	
41	General Administration	1,681,262	--	125,885	(1,555,377)	
51	Facilities Maintenance and Operations	5,040,979	24,588	330,600	(4,685,791)	
52	Security and Monitoring Services	253,412	--	13,955	(239,457)	
53	Data Processing Services	332,157	--	22,537	(309,620)	
61	Community Services	13,948	--	186	(13,762)	
72	Interest on Long-term Debt	2,727,700	--	95,795	(2,631,905)	
73	Bond Issuance Costs and Fees	216,323	--	--	(216,323)	
81	Capital Outlay	154,400	--	--	(154,400)	
93	Payments Related to Shared Services Arrangements	126,973	--	126,969	(4)	
99	Other Intergovernmental Charges	392,869	--	--	(392,869)	
TG	Total Governmental Activities	<u>42,688,347</u>	<u>958,281</u>	<u>5,052,828</u>	<u>(36,677,238)</u>	
TP	Total Primary Government	<u>\$ 42,688,347</u>	<u>\$ 958,281</u>	<u>\$ 5,052,828</u>	<u>(36,677,238)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				22,812,717	
DT	Property Taxes, Levied for Debt Service				5,888,503	
IE	Investment Earnings				560,703	
GC	Grants and Contributions Not Restricted to Specific Programs				6,890,064	
MI	Miscellaneous				745,479	
TR	Total General Revenues				<u>36,897,466</u>	
CN	Change in Net Position				220,228	
NB	Net Position - Beginning				5,916,695	
PA	Prior Period Adjustment				(286,445)	
	Net Position - Beginning, as Restated				5,630,250	
NE	Net Position - Ending				<u>\$ 5,850,478</u>	

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2019**

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 300	\$ 853,229
1120 <i>Current Investments</i>	11,844,709	2,103,728
1225 <i>Taxes Receivable</i>	686,299	179,478
1230 <i>Allowance for Uncollectible Taxes (credit)</i>	(217,809)	(56,608)
1240 <i>Due from Other Governments</i>	963,536	95,795
1260 <i>Due from Other Funds</i>	124,521	104,148
1290 <i>Other Receivables</i>	298	--
1300 <i>Inventories</i>	26,542	--
1410 <i>Unrealized Expenditures</i>	3,782	--
1000 <b>Total Assets</b>	<u>\$ 13,432,178</u>	<u>\$ 3,279,770</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 435,489	\$ --
2160 <i>Accrued Wages Payable</i>	1,567,603	--
2170 <i>Due to Other Funds</i>	663,594	--
2300 <i>Unearned Revenue</i>	--	--
2000 <b>Total Liabilities</b>	<u>2,666,686</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Property Taxes</i> 468,490	122,870
2600 <b>Total Deferred Inflows of Resources</b>	<u>468,490</u>	<u>122,870</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	26,542	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	3,156,900
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	--	--
3540 <i>Self-Insurance</i>	100,000	--
3545 <i>Other Committed Fund Balance - Campus Activity</i>	--	--
3600 <b>Unassigned</b>	10,170,460	--
3000 <b>Total Fund Balances</b>	<u>10,297,002</u>	<u>3,156,900</u>
4000 <b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<u>\$ 13,432,178</u>	<u>\$ 3,279,770</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,649,829	\$ 351,233	\$ 2,854,591
5,043,120	170,426	19,161,983
--	--	865,777
--	--	(274,417)
--	118,372	1,177,703
--	172,891	401,560
--	488	786
--	52,507	79,049
--	--	3,782
<u>\$ 6,692,949</u>	<u>\$ 865,917</u>	<u>\$ 24,270,814</u>
\$ 92,573	\$ 121,936	\$ 649,998
--	91,428	1,659,031
--	42,175	705,769
--	21,211	21,211
<u>92,573</u>	<u>276,750</u>	<u>3,036,009</u>
--	--	591,360
--	--	591,360
--	52,507	79,049
--	58,866	58,866
--	--	3,156,900
--	231,184	231,184
6,600,376	--	6,600,376
--	--	100,000
--	246,610	246,610
--	--	10,170,460
<u>6,600,376</u>	<u>589,167</u>	<u>20,643,445</u>
<u>\$ 6,692,949</u>	<u>\$ 865,917</u>	<u>\$ 24,270,814</u>

**DECATUR 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	\$ 20,643,445
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.	72,904,480
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	591,360
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	172,355
Payables for bond principal which are not due in the current period are not reported in the funds.	(53,192,612)
Payables for bond interest which are not due in the current period are not reported in the funds.	(80,388)
Deferred loss on refunding bonds is not reported in the funds.	725,386
Deferred gain on refunding bonds is not reported in the funds.	(757,088)
Recognition of the District's proportionate share of the GASB 68 net pension liability is not reported in the funds.	(9,492,339)
Deferred Resource Inflows related to the GASB 68 pension plan are not reported in the funds.	(520,210)
Deferred Resource Outflows related to the GASB 68 pension plan are not reported in the funds.	5,165,545
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(11,129,049)
Bond premiums are amortized in the SNA but not in the funds.	(5,690,585)
Recognition of the District's proportionate share of the GASB 75 net OPEB liability is not reported in the funds.	(11,744,520)
Deferred Resource Inflows related to the GASB 75 OPEB plan are not reported in the funds.	(3,713,900)
Deferred Resource Outflows related to the GASB 75 OPEB plan are not reported in the funds.	<u>1,968,598</u>
Net position of governmental activities - Statement of Net Position	\$ <u><u>5,850,478</u></u>

The accompanying notes are an integral part of this statement.

**DECATUR 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
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 24,544,594	\$ 6,160,771
5800 <i>State Program Revenues</i>	8,227,907	95,795
5900 <i>Federal Program Revenues</i>	522,877	--
5020 <i>Total Revenues</i>	<u>33,295,378</u>	<u>6,256,566</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	16,950,087	--
0012 <i>Instructional Resources and Media Services</i>	598,203	--
0013 <i>Curriculum and Staff Development</i>	380,392	--
0021 <i>Instructional Leadership</i>	249,382	--
0023 <i>School Leadership</i>	2,099,484	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	673,569	--
0033 <i>Health Services</i>	287,550	--
0034 <i>Student Transportation</i>	1,072,649	--
0035 <i>Food Service</i>	2,372	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,327,967	--
0041 <i>General Administration</i>	1,427,871	--
0051 <i>Facilities Maintenance and Operations</i>	4,348,169	--
0052 <i>Security and Monitoring Services</i>	225,931	--
0053 <i>Data Processing Services</i>	287,106	--
0061 <i>Community Services</i>	2,435	--
0071 <i>Principal on Long-term Debt</i>	--	3,830,000
0072 <i>Interest on Long-term Debt</i>	--	1,864,462
0073 <i>Bond Issuance Costs and Fees</i>	--	216,323
0081 <i>Capital Outlay</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--
0099 <i>Other Intergovernmental Charges</i>	392,869	--
6030 <i>Total Expenditures</i>	<u>30,326,036</u>	<u>5,910,785</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>2,969,342</u>	<u>345,781</u>
Other Financing Sources and (Uses):		
7911 <i>Debt Issued - Refunding Bonds</i>	--	9,860,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,833,894
8949 <i>Other Uses - Payment to Refunded Bond Escrow Agent</i>		(11,492,281)
8949 <i>Prior Year Property Tax Refunds</i>	(312,671)	
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(312,671)</u>	<u>201,613</u>
1200 <i>Net Change in Fund Balances</i>	2,656,671	547,394
0100 <i>Fund Balances - Beginning</i>	7,640,331	2,609,506
3000 <i>Fund Balances - Ending</i>	<u>\$ 10,297,002</u>	<u>\$ 3,156,900</u>

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 304,178	\$ 1,052,677	\$ 32,062,220
--	260,958	8,584,660
--	1,969,877	2,492,754
<u>304,178</u>	<u>3,283,512</u>	<u>43,139,634</u>
383,390	779,755	18,113,232
--	44,510	642,713
--	72,313	452,705
--	--	249,382
--	33,364	2,132,848
--	328,490	1,002,059
--	--	287,550
--	--	1,072,649
--	1,757,100	1,759,472
--	--	1,327,967
--	--	1,427,871
55,334	--	4,403,503
--	--	225,931
--	--	287,106
--	10,000	12,435
--	--	3,830,000
--	--	1,864,462
--	--	216,323
561,941	--	561,941
--	126,973	126,973
--	--	392,869
<u>1,000,665</u>	<u>3,152,505</u>	<u>40,389,991</u>
<u>(696,487)</u>	<u>131,007</u>	<u>2,749,643</u>
--	--	9,860,000
--	--	1,833,894
--	--	(11,492,281)
--	--	(312,671)
--	--	(111,058)
<u>(696,487)</u>	<u>131,007</u>	<u>2,638,585</u>
7,296,863	458,160	18,004,860
<u>\$ 6,600,376</u>	<u>\$ 589,167</u>	<u>\$ 20,643,445</u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ 2,638,585
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	603,354
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,064,437)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(783,866)
Payment to escrow agent for refunding bonds is reported in the funds but not in the SOA.	11,492,281
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,830,000
Bond premiums are amortized in the SOA but not in the funds.	414,068
The accretion of interest on capital appreciation bonds is not reported in the funds.	(1,016,810)
(Increase) decrease in accrued interest from beginning of period to end of period.	8,635
The net revenue (expense) of internal service funds is reported with governmental activities.	55,428
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	23,402
Interest paid in defeasance of bonds payable is reported in the SOA but not in the funds.	(239,615)
Deferred loss on refunding bonds is amortized in the SOA but not in the funds.	(52,918)
Proceeds of bonds do not provide revenue in the SOA but are reported as current resources in the funds.	(9,860,000)
Premiums on issuance of bonds are reported in the funds but not in the SOA.	(1,833,894)
Pension contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction to the NPL.	(581,130)
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows.	
These pension contributions made after the measurement date of the plan increased ending net position.	639,191
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded.	
The net pension expense decreased net position.	(810,240)
OPEB contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability.	(162,265)
GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows.	
These OPEB contributions made after the measurement date of the plan increased ending net position.	173,444
The proportionate share of the TRS-Care expense on the plan as a whole had to be recorded.	
The net OPEB expense decreased net position.	<u>(252,985)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>220,228</u></u>

The accompanying notes are an integral part of this statement.



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

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	<b>ASSETS:</b>		
	Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 383	
	<i>Receivables:</i>		
1260	<i>Due from Other Funds</i>		388,980
	Total Current Assets		<u>389,363</u>
1000	Total Assets		<u>389,363</u>
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2110	<i>Accounts Payable</i>		217,008
	Total Current Liabilities		<u>217,008</u>
2000	Total Liabilities		<u>217,008</u>
	<b>NET POSITION:</b>		
3900	<i>Unrestricted</i>		172,355
3000	Total Net Position	\$	<u><u>172,355</u></u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Nonmajor Internal Service Fund
		<u>Insurance Fund</u>
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 238,020
5020	Total Revenues	<u>238,020</u>
	<b>OPERATING EXPENSES:</b>	
6400	<i>Other Operating Costs</i>	182,592
6030	Total Expenses	<u>182,592</u>
1300	Change in Net Position	55,428
0100	Total Net Position - Beginning	116,927
3300	Total Net Position - Ending	\$ <u>172,355</u>

The accompanying notes are an integral part of this statement.

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	Internal Service Funds
	-- <u>          </u> --
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ 119,685
<i>Other Operating Cash Receipts (Payments)</i>	<u>(201,128)</u>
Net Cash Provided (Used) by Operating Activities	<u>          (81,443)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(81,443)
Cash and Cash Equivalents at Beginning of Year	81,826
Cash and Cash Equivalents at End of Year	<u>\$ <u>          383</u></u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 55,428
Change in Assets and Liabilities:	
<i>(Increase) in Interfund Receivables</i>	(118,215)
<i>(Decrease) in Accounts Payable</i>	(18,304)
<i>(Decrease) in Interfund Payables</i>	<u>(352)</u>
Total Adjustments	<u>(136,871)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ <u>          (81,443)</u></u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Funds
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 384,003
1000	Total Assets	<u>384,003</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2150	<i>Payroll Deduction &amp; Withholdings</i>	6,479
2170	<i>Due to Other Funds</i>	84,771
2190	<i>Due to Student Groups</i>	292,753
2000	Total Liabilities	<u>384,003</u>
<b>NET POSITION:</b>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

## DECATUR 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 Decatur 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.

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.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed. Inventories include paper and food supplies.

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

d. Capital Assets

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

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>
Building & Improvements	5 - 40
Equipment	3 - 15

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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. 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.

h. Use of Estimates

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

i. Data Control Codes

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

j. 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.



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

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

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.

k. 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.

l. Fund Balance Flow Assumptions

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

4. Pensions

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

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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 standard. 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.

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:

Violation

Debt Service Fund total actual expenditures exceeded final budgeted amounts.

Action Taken

The District will closely review approved budget amounts adopted by the School Board and propose amendments for unexpected resource needs during the year to prevent overspending.

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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 \$3,014,318 and the bank balance was \$3,595,262. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

The District's investment at August 31, 2019 is shown below:

Investment or Investment Type	Maturity	Fair Value
TexPool - LGIP	Wtd Avg = 38 days	\$ 19,161,982
Total Investments		\$ <u>19,161,982</u>

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.

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexPool - LGIP	AAAm
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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.

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.

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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.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79 for use of amortized cost. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org). There are no limitations or restrictions on withdrawals.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,998,567	\$ --	\$ --	\$ 1,998,567
Construction in progress	32,549	--	32,549	--
Total capital assets not being depreciated	<u>2,031,116</u>	<u>--</u>	<u>32,549</u>	<u>1,998,567</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	111,805,560	440,090	--	112,245,650
Equipment	9,997,638	195,813	--	10,193,451
Total capital assets being depreciated	<u>121,803,198</u>	<u>635,903</u>	<u>--</u>	<u>122,439,101</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,808,321)	(3,326,551)	--	(45,134,872)
Equipment	(5,660,430)	(737,886)	--	(6,398,316)
Total accumulated depreciation	<u>(47,468,751)</u>	<u>(4,064,437)</u>	<u>--</u>	<u>(51,533,188)</u>
Total capital assets being depreciated, net	<u>74,334,447</u>	<u>(3,428,534)</u>	<u>--</u>	<u>70,905,913</u>
Governmental activities capital assets, net	<u>\$ 76,365,563</u>	<u>\$ (3,428,534)</u>	<u>\$ 32,549</u>	<u>\$ 72,904,480</u>

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Depreciation was charged to functions as follows:

Instruction	\$ 2,215,094
Instructional Resources and Media Services	78,176
Curriculum and Staff Development	55,065
Instructional Leadership	30,334
School Leadership	259,429
Social Work Services	121,885
Health Services	34,976
Student Transportation	130,472
Food Services	204,539
Extracurricular Activities	161,252
General Administration	173,679
Plant Maintenance and Operations	535,620
Security and Monitoring Services	27,481
Data Processing Services	34,922
Community Services	1,513
	<u>\$ 4,064,437</u>

\*Beginning Balances include prior period adjustments to remove capital assets previously reported as Construction in Progress in the prior year report. The Construction in Progress projects were cancelled during the current year; therefore, the assets associated with the project should have never been recorded and were removed. The Beginning Balances, except for Construction in Progress, agree to Note D - Capital Assets in the Fiscal Year 2018 audit report. See Prior Period Adjustment footnote for additional information.

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:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 42,174	For transfer of federal, state, & local receipts
General Fund	Trust & Agency Funds	82,346	Short-term loans
Special Revenue Funds	General Fund	172,891	For transfer of federal, state, & local receipts
Debt Service Fund	General Fund	104,148	Short-term loans
Internal Service Fund	General Fund	386,555	Short-term loans
Internal Service Fund	Trust & Agency Funds	2,425	Short-term loans
	Total	<u>\$ 790,539</u>	

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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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:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 58,452,612	\$ 9,860,000	\$ (15,120,000)	\$ 53,192,612	\$ 2,633,953
Accumulated Accretion CABs	10,112,239	1,016,810	--	11,129,049	--
Premium (unamortized)	4,620,246	1,833,894	(763,555)	5,690,585	--
Net Pension Liability *	5,256,351	4,816,945	(580,957)	9,492,339	--
Net OPEB Liability *	9,456,210	2,450,575	(162,265)	11,744,520	--
<b>Total governmental activities</b>	<b>\$ 87,897,658</b>	<b>\$ 19,978,224</b>	<b>\$ (16,626,777)</b>	<b>\$ 91,249,105</b>	<b>\$ 2,633,953</b>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 2,633,953	\$ 3,060,623	\$ --	\$ --	\$ 5,694,576
2021	2,629,018	3,071,656	--	--	5,700,674
2022	2,643,218	3,071,382	--	--	5,714,600
2023	2,983,738	3,067,162	--	--	6,050,900
2024	3,071,138	3,031,237	--	--	6,102,375
2025-2029	16,814,472	14,244,579	--	--	31,059,051
2030-2034	18,792,075	7,954,175	--	--	26,746,250
2035-2039	3,625,000	90,625	--	--	3,715,625
<b>Totals</b>	<b>\$ 53,192,612</b>	<b>\$ 37,591,439</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 90,784,051</b>

The Unlimited Tax School Building Bonds Series 2004 interest rate is 5.00% and matures in August 2031.

The Unlimited Tax School Building Bonds Series 2013 interest rate is 5.00% and matures in August 2019.

The Unlimited Tax School Building and Refunding Bonds Series 2015 interest rate ranges from 2.00% to 5.00% and matures in February 2035.

The Unlimited Tax Refunding Bonds Series 2016 interest rate is 4.00% and matures in August 2034.

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The Unlimited Tax Refunding Bonds Series 2017 interest rate is 4.00% and matures in August 2032.

The Unlimited Tax Refunding Bonds Series 2018 interest rate ranges from 2.00% to 4.00% and matures in August 2030.

The Unlimited Tax Refunding Bonds Series 2019 interest rate ranges from 2.50% to 5.00% and matures in August 2030.

For the year ended August 31, 2019 the District did not have any direct borrowings or direct placements as defined by GASB No. 88. Additionally, the District did not have any lines of credit, assets of which are pledged as collateral for debt, or debt with terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2019.

3. Current Refunding of Debt

As a result of the current refunding of principal maturities from the Unlimited Tax Refunding Bonds, Series 2009 by the issuance of the Unlimited Tax Refunding Bonds, Series 2019, the District decreased its total debt service requirements by \$1,563,124, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,567,063.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019, as follows:

<u>Year Ending August 31,</u>	
2020	\$ 20,125
2021	2,972
Total Minimum Rentals	\$ <u>23,097</u>
Rental Expenditures in 2019	\$ <u>54,397</u>

H. 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 the year ended August 31, 2019, the District carried insurance through various plans described below. There were no significant reductions in any coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

Property Casualty Program

During the year ended August 31, 2019 Decatur ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All Districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through reinsurance contracts for claims in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to help determine the reserve adequacy. As of August 31, 2019, the Fund carries a total of \$12,704,162 in current loss reserves, including \$3,410,312 for claims incurred but not yet reported. Losses and reserves are based on estimates, and could be more or less than originally estimated.



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The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements are available for inspection at the Fund's administrative offices.

**Workers' Compensation**

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$99,335 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2019, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 8/31/2019	Year Ended 8/31/2018
Unpaid claims, beginning of year	\$ 235,312	\$ 207,563
Incurred claims	98,005	174,969
Claim payments	(116,308)	(147,220)
Unpaid claims, end of fiscal year	<u>\$ 217,009</u>	<u>\$ 235,312</u>

**Unemployment Compensation**

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

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

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

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I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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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.

<b>Contribution Rates</b>		2018	2019
Member		7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)		6.8%	6.8%
Employers		6.8%	6.8%
District's 2019 Employer Contributions		\$ 639,191	
District's 2019 Member Contributions		\$ 1,613,943	
2018 NECE On-Behalf Contributions (state)		\$ 962,721	

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

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

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

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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.

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6. Discount Rate

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

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Rate of Return</b>			
<b>As of August 31, 2018</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
<b>Total</b>	<b>100.0%</b>		<b>7.1%</b>

\* 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.

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7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 14,326,213	\$ 9,492,339	\$ 5,579,028

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 \$9,492,339 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	\$ 9,492,339
State's proportionate share that is associated with District	<u>15,739,834</u>
Total	<u>\$ 25,232,173</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 0.0172455%. which was an increase of 0.000806% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation -**

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$1,557,824 and revenue of \$1,557,824 for support provided by the State.

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

(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,167	\$ 232,904
Changes in actuarial assumptions	3,422,445	106,951
Difference between projected and actual investment earnings	--	180,110
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,044,742	245
Contributions paid to TRS subsequent to the measurement date	639,191	--
Total	\$ 5,165,545	\$ 520,210

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	\$ 1,059,662
2021	680,632
2022	575,276
2023	661,271
2024	626,439
Thereafter	402,864

J. 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.

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

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



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Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions	\$	173,444
District's 2019 Member Contributions	\$	136,241
2018 NECE On-Behalf Contributions (state)	\$	229,168

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 |                         |

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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 fiscal year 2019, decreasing 0.5% per year to 4.50% for fiscal year 2027 and later years.

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

6. Discount Rate

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

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% 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	\$ 13,980,014	\$ 11,744,520	\$ 9,976,100

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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 \$11,744,520 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	\$ 11,744,520
State's proportionate share that is associated with the District	<u>15,610,543</u>
Total	<u>\$ 28,355,063</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District contributions to OPEB 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 District's proportion of the collective net OPEB liability was 0.0235215%, which was an increase of 0.0017763% 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	\$ 9,754,015	\$ 11,744,520	\$ 14,366,058

9. Changes Since the Prior Actuarial Valuation

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

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

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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 \$604,192 and revenue of \$604,192 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 623,238	\$ 185,346
Changes in actuarial assumptions	195,984	3,528,554
Differences between projected and actual investment earnings	2,054	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	973,878	--
Contributions paid to TRS subsequent to the measurement date	173,444	
<b>Total</b>	<b>\$ 1,968,598</b>	<b>\$ 3,713,900</b>

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

Year ended August 31,	Amount
2020	\$ (341,087)
2021	(341,087)
2022	(341,087)
2023	(341,475)
2024	(341,697)
Thereafter	(212,313)

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 \$62,010.

K. 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 \$366 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements for the Company are available for their year ended and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

## DECATUR INDEPENDENT SCHOOL DISTRICT

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### L. 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.

### M. Shared Services Arrangements

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for visual impaired services with the following school districts:

#### Member Districts

Aledo ISD	Parker County Co-op
Azle ISD	Springtown ISD
Castleberry ISD	Weatherford ISD
Decatur ISD	White Settlement ISD
Lake Worth ISD	Wise County Co-op
Palo Pinto County Co-op	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Peaster ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for deaf education with the following school districts:

#### Member Districts

Denton ISD  
Decatur ID  
Gainesville ISD  
Lake Dallas SD  
Lewisville ISD  
Little Elm ISD  
Northwest ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Denton ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

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

N. Subsequent Events

The District evaluated subsequent events through January 13, 2020, the date the financial statements were available to be issued and nothing significant requiring disclosure was noted.

O. Prior Period Adjustment

During fiscal year 2019, the District decided to not complete a capital outlay project that was started in fiscal year 2018 and was in Construction in Progress as of August 31, 2018. Due to this change, the District had a prior period adjustment to remove the Construction in Progress asset from the general ledger, which resulted in a decrease of \$286,445 in the net position in the government-wide statement of activities and a restated beginning net position of \$5,630,250.

P. Other Restrictions of Fund Balance

The other restrictions of fund balance consisted of the following:

<u>Fund</u>		
Special Revenue Fund	\$ 12,834	Eloise James Scholarship
Special Revenue Fund	17,161	C.G. Rann Scholarship
Special Revenue Fund	122,630	Rann Scholarship
Special Revenue Fund	3,141	Conoco Grant
Special Revenue Fund	39,137	Miles Foundation Grant
Special Revenue Fund	1,207	Devon Energy Corporation Grant
Special Revenue Fund	500	Miscellaneous Grants
Special Revenue Fund	34,574	Education Foundation Grants
	<u>\$ 231,184</u>	

### *Required Supplementary Information*

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



**DECATUR 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	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 23,796,021	\$ 24,044,963	\$ 24,544,594	\$ 499,631
5800	State Program Revenues	7,986,631	7,986,631	8,227,907	241,276
5900	Federal Program Revenues	300,000	485,500	522,877	37,377
5020	Total Revenues	<u>32,082,652</u>	<u>32,517,094</u>	<u>33,295,378</u>	<u>778,284</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	17,575,539	17,575,539	16,950,087	625,452
0012	Instructional Resources and Media Services	623,921	623,921	598,203	25,718
0013	Curriculum and Staff Development	377,455	397,455	380,392	17,063
	Total Instruction & Instr. Related Services	<u>18,576,915</u>	<u>18,596,915</u>	<u>17,928,682</u>	<u>668,233</u>
Instructional and School Leadership:					
0021	Instructional Leadership	274,008	274,008	249,382	24,626
0023	School Leadership	2,163,799	2,163,799	2,099,484	64,315
	Total Instructional & School Leadership	<u>2,437,807</u>	<u>2,437,807</u>	<u>2,348,866</u>	<u>88,941</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	687,791	687,791	673,569	14,222
0033	Health Services	297,317	297,317	287,550	9,767
0034	Student (Pupil) Transportation	1,050,864	1,075,864	1,072,649	3,215
0035	Food Services	5,000	5,000	2,372	2,628
0036	Cocurricular/Extracurricular Activities	1,173,414	1,332,584	1,327,967	4,617
	Total Support Services - Student (Pupil)	<u>3,214,386</u>	<u>3,398,556</u>	<u>3,364,107</u>	<u>34,449</u>
Administrative Support Services:					
0041	General Administration	1,389,333	1,429,333	1,427,871	1,462
	Total Administrative Support Services	<u>1,389,333</u>	<u>1,429,333</u>	<u>1,427,871</u>	<u>1,462</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,534,567	4,788,509	4,348,169	440,340
0052	Security and Monitoring Services	198,000	226,000	225,931	69
0053	Data Processing Services	330,841	330,841	287,106	43,735
	Total Support Services - Nonstudent Based	<u>5,063,408</u>	<u>5,345,350</u>	<u>4,861,206</u>	<u>484,144</u>
Ancillary Services:					
0061	Community Services	2,000	2,500	2,435	65
	Total Ancillary Services	<u>2,000</u>	<u>2,500</u>	<u>2,435</u>	<u>65</u>
0099	Other Intergovernmental Charges	366,518	406,518	392,869	13,649
	Total Intergovernmental Charges	<u>366,518</u>	<u>406,518</u>	<u>392,869</u>	<u>13,649</u>
6030	Total Expenditures	<u>31,050,367</u>	<u>31,616,979</u>	<u>30,326,036</u>	<u>1,290,943</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	1,032,285	900,115	2,969,342	2,069,227

**DECATUR INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**EXHIBIT G-1**  
Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
	Other Financing Sources (Uses):				
8911	Transfers Out	(1,032,285)	(116,519)	--	116,519
8949	Prior Year Property Tax Refunds	--	(783,596)	(312,671)	470,925
7080	Total Other Financing Sources and (Uses)	(1,032,285)	(900,115)	(312,671)	587,444
1200	Net Change in Fund Balance	--	--	2,656,671	2,656,671
0100	Fund Balance - Beginning	7,640,331	7,640,331	7,640,331	--
3000	Fund Balance - Ending	\$ 7,640,331	\$ 7,640,331	\$ 10,297,002	\$ 2,656,671

**DECATUR INDEPENDENT SCHOOL DISTRICT**

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.017%	0.016%	0.016%	0.017%	0.011%	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 9,492,339	\$ 5,256,353	\$ 6,045,159	\$ 5,828,359	\$ 2,856,515	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	15,739,834	9,550,009	11,785,897	11,480,735	10,026,339	--	--	--	--	--
<b>Total</b>	<b>\$ 25,232,173</b>	<b>\$ 14,806,362</b>	<b>\$ 17,831,056</b>	<b>\$ 17,309,094</b>	<b>\$ 12,882,854</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 19,351,672	\$ 18,828,808	\$ 18,348,343	\$ 17,996,213	\$ 17,808,034	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.05%	27.92%	32.95%	32.39%	16.04%	--	--	--	--	--
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.

\*\* This schedule displays amounts based off of the measurement year (Fiscal Year 2019 displays Measurement Year 2018 amounts).

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 639,191	\$ 581,130	\$ 509,287	\$ 488,222	\$ 271,122	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(639,191)	(581,130)	(509,287)	(488,222)	(271,122)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 20,960,301	\$ 19,351,672	\$ 18,348,343	\$ 17,996,213	\$ 17,808,034	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.05%	3.00%	2.78%	2.71%	1.52%	--	--	--	--	--

\* 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.

\*\* This schedule displays amounts for the fiscal year (Fiscal Year 2019 displays amounts for the current fiscal year not the measurement year).

**DECATUR 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	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective net OPEB liability	0.024%	0.022%	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 11,744,520	\$ 9,456,210	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	16,610,543	14,873,486	--	--	--	--	--	--	--	--
Total	<u>\$ 28,355,063</u>	<u>\$ 24,329,696</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 19,351,672	\$ 18,828,808	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.69%	50.22%	--	--	--	--	--	--	--	--
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.

\*\* This schedule displays amounts based off of the measurement year.

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

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required District contribution	\$ 173,444	\$ 162,265	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(173,444)	(162,265)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 20,960,301	\$ 19,351,672	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.83%	0.84%	--	--	--	--	--	--	--	--

\* 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.

\*\* This schedule displays amounts for the fiscal year (Fiscal Year 2019 displays amounts for the current fiscal year not the measurement year).

## DECATUR 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 legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). 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 20 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 and OPEB Plans

##### *Changes of benefit terms*

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

Change of benefit terms that affected the measurement of the total net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

##### *Changes of assumptions*

Changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

### *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.



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

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2010 and Prior Years	\$ Various	\$ Various	\$ Various
2011	1.04	.260	2,300,214,846
2012	1.04	.260	2,192,024,538
2013	1.04	.260	2,278,497,385
2014	1.04	.260	2,231,104,000
2015	1.04	.250	2,276,939,070
2016	1.04	.290	2,255,784,737
2017	1.04	.300	1,859,082,836
2018	1.04	.300	1,921,465,149
2019 (School Year Under Audit)	1.04	.265	2,239,660,383

1000 Totals

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

Column 20, the current year's levy is the ending levy provided by Wise County Appraisal District and Wise County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on the current year total levy divided by current year total rate. This amount includes adjustments for frozen values.

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
\$ 124,342	\$ --	\$ 2,872	\$ 683	\$ (22,707)	\$ 98,080
30,859	--	3,090	771	(50)	26,948
23,455	--	1,380	345	(576)	21,154
226,897	--	4,903	1,226	(195,529)	25,239
214,081	--	13,798	3,450	(159,951)	36,882
244,391	--	18,948	4,554	(179,618)	41,271
276,404	--	28,477	7,941	(187,336)	52,650
308,006	--	113,374	32,704	(98,302)	63,626
516,221	--	201,823	58,218	(161,184)	94,996
--	29,227,568	23,156,951	5,900,573	234,887	404,931
<u>\$ 1,964,656</u>	<u>\$ 29,227,568</u>	<u>\$ 23,545,616</u>	<u>\$ 6,010,465</u>	<u>\$ (770,366)</u>	<u>\$ 865,777</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**DECATUR 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)	\$ 10,297,002
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	26,542
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)	100,000
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)	2,527,170
7	Estimate of two months' average cash disbursements during the fiscal year	5,054,340
8	Estimate of delayed payments from state sources (58XX)	963,536
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)	--
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)	8,671,588
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,625,414

The District plans to use the excess fund balance to upgrade facilities.

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

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 802,667	\$ 814,085	\$ 11,418
5800 <i>State Program Revenues</i>	38,113	37,219	(894)
5900 <i>Federal Program Revenues</i>	964,868	959,758	(5,110)
5020 Total Revenues	<u>1,805,648</u>	<u>1,811,062</u>	<u>5,414</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,805,648	1,749,339	56,309
Total Support Services - Student (Pupil)	<u>1,805,648</u>	<u>1,749,339</u>	<u>56,309</u>
6030 Total Expenditures	<u>1,805,648</u>	<u>1,749,339</u>	<u>56,309</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	61,723	61,723
1200 Net Change in Fund Balance	--	61,723	61,723
0100 Fund Balance - Beginning	42,468	42,468	--
3000 Fund Balance - Ending	<u>\$ 42,468</u>	<u>\$ 104,191</u>	<u>\$ 61,723</u>

**DECATUR INDEPENDENT SCHOOL DISTRICT**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-4

Data Control Codes	1 <u>Budget</u>	2 <u>Actual</u>	3 Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 5,736,873	\$ 6,160,771	\$ 423,898
5800 State Program Revenues	--	95,795	95,795
5020 Total Revenues	<u>5,736,873</u>	<u>6,256,566</u>	<u>519,693</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 Principal on Long-Term Debt	3,660,000	3,830,000	(170,000)
0072 Interest on Long-Term Debt	2,036,557	1,864,462	172,095
0073 Bond Issuance Costs and Fees	15,000	216,323	(201,323)
Total Debt Service	<u>5,711,557</u>	<u>5,910,785</u>	<u>(199,228)</u>
6030 Total Expenditures	<u>5,711,557</u>	<u>5,910,785</u>	<u>(199,228)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	25,316	345,781	320,465
Other Financing Sources (Uses):			
7911 Debt Issued - Refunding Bonds	--	9,860,000	9,860,000
7916 Premium or Discount on Issuance of Bonds	--	1,833,894	1,833,894
Other Uses - Payment to Refunded Bond			
8949 Escrow Agent	--	(11,492,281)	(11,492,281)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>201,613</u>	<u>201,613</u>
1200 Net Change in Fund Balance	25,316	547,394	522,078
0100 Fund Balance - Beginning	2,609,506	2,609,506	--
3000 Fund Balance - Ending	<u>\$ 2,634,822</u>	<u>\$ 3,156,900</u>	<u>\$ 522,078</u>



**SNOWGARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

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 Decatur Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Decatur Independent School District's basic financial statements, and have issued our report thereon dated January 13, 2020.

**Internal Control Over Financial Reporting**

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

We noted certain matters that we reported to management of Decatur Independent School District in a separate letter dated January 13, 2020.

## 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,



Snow Garrett Williams

January 13, 2020



**SNOWGARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Decatur Independent School District  
307 S. Cates Street  
Decatur, Texas 76234

Members of the Board of Trustees:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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



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

In our opinion, the Decatur Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2020.

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

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

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

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

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

Respectfully submitted,



Snow Garrett Williams  
January 13, 2020

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?     Yes   X   No

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

Noncompliance material to financial statements noted?    Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?    Yes   X   No

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

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

Version of compliance supplement used in audit: August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?   X   Yes     No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

No corrective action plan needed.

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

**EXHIBIT K-1**  
 Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
U. S. Department of Agriculture			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401901	\$ 166,161
National School Lunch Program	10.555	71301901	691,255
Total Passed Through State Department of Education			<u>857,416</u>
Passed Through State Department of Agriculture			
Commodity Supplemental Food Program (Non-cash)	10.555	11011A	102,342
Total Passed Through State Department of Agriculture			<u>102,342</u>
Total U. S. Department of Agriculture			<u>959,758</u>
Total Child Nutrition Cluster			<u>959,758</u>
<b>FOREST SERVICE SCHOOLS AND ROADS CLUSTER:</b>			
U. S. Department of Agriculture			
Passed Through Wise County:			
Schools and Roads - Grants to Counties	10.666	DECISD	26,464
Total U. S. Department of Agriculture			<u>26,464</u>
Total Forest Service Schools and Roads Cluster			<u>26,464</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
U. S. Department of Education			
Passed Through State Department of Education:			
IDEA-B Formula	84.027	206600012499056600	12,967
IDEA-B Formula	84.027	186600012499056600	88,167
IDEA-B Formula	84.027	196600012499056600	403,587
Total CFDA Number 84.027			<u>504,721</u>
IDEA-B Preschool	84.173	206610012499056610	1,021
IDEA-B Preschool	84.173	186610012499056610	8,108
IDEA-B Preschool	84.173	196610012499056610	10,200
Total CFDA Number 84.173			<u>19,329</u>
Total Passed Through State Department of Education			<u>524,050</u>
Passed Through Education Service Center 20			
IDEA-B Discretionary - Evaluation Capacity Grant	84.027	2265431911001	20,000
Total Passed Through Education Service Center 20			<u>20,000</u>
Total U. S. Department of Education			<u>544,050</u>
Total Special Education (IDEA) Cluster			<u>544,050</u>
<b>OTHER PROGRAMS:</b>			
U. S. Department of Education			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	20610101249905	27,048
ESEA Title I Part A - Improving Basic Programs	84.010	19610101249905	268,432
Total CFDA Number 84.010a			<u>295,480</u>
Career and Technical - Basic Grant	84.048	20420006249905	1,668
Career and Technical - Basic Grant	84.048	19420006249905	29,968
Total CFDA Number 84.048			<u>31,636</u>

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

**EXHIBIT K-1**  
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	20671001249905	4,015
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	19671001249905	41,644
Total CFDA Number 84.365			<u>45,659</u>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	20694501249905	<del>8,969</del>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	19694501249905	63,350
Total CFDA Number 84.367			<u>72,313</u>
<i>Summer School LEP</i>	84.369	69551802	2,503
<i>Title IV, Part A, Subpart 1</i>	84.424	19680101220919	18,478
Total Passed Through State Department of Education			<u>466,069</u>
Total U. S. Department of Education			<u>466,069</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,996,341</u></u>

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

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

**DECATUR INDEPENDENT SCHOOL DISTRICT**

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

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 11,129,049
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 9,492,339
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ --

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