

# **DeSoto Independent School District**

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

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**DeSoto Independent School District**  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2019  
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## Certificate of Board

DeSoto Independent School District  
Name of School District

Dallas  
County

057-906  
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 fiscal year ended June 30, 2019 at a meeting of the Board of Trustees of such school district on the 18th day of November, 2019.

Kathy J. Goad  
Signature of Board Secretary

Karen Daniel  
Signature of Board President

## **Financial Section**

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## Independent Auditor's Report

To the Board of Trustees  
DeSoto Independent School District  
DeSoto, Texas

### 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 DeSoto Independent School District (the District), as of and for the year ended June 30, 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 Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Directors  
DeSoto Independent School District

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the District's internal control over financial reporting and on our test 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 the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 13, 2019

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## **Management's Discussion and Analysis**

As management of DeSoto Independent School District (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 fiscal year ended June 30, 2019. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 14.

### **Financial Highlights**

- The District's total net position at June 30, 2019 was (\$78,587,493) (negative net position). Of this amount, (\$112,176,750), represents negative unrestricted net position.
- In The District's total net position decreased by \$8,509,367 during the fiscal year.
- As of June 30, 2019, the District's governmental funds reported combined ending fund balances of \$20,817,469. Approximately 43% of this total amount, \$9,049,634, is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$9,049,634 or 9% of the total general fund expenditures.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 28) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The TEA required schedules and federal awards section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## Reporting the District as a Whole

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

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The statement of net position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the period while the statement of activities includes all revenues and expenses generated by the District's operations during the period. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

The government-wide financial statements of the District are primarily supported by taxes and intergovernmental revenues. The governmental activities of the District include: instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration.

### Reporting the District's Most Significant Funds

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

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the statement of net position and the statement of activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

- Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of students and for a scholarship fund. 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 accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

### Government-Wide Financial Analysis

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

Negative net position of the District's governmental activities decreased from (\$70,078,126) to (\$78,587,493). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was (\$112,176,750) at June 30, 2019.

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

	Governmental Activities June 30, 2019	Governmental Activities June 30, 2018
Current and other assets	\$ 34,441,113	\$ 32,994,256
Capital assets, net	181,153,615	183,382,926
Total assets	215,594,728	216,377,182
Deferred outflows of resources	27,818,146	16,389,744
Long-term liabilities	290,334,868	271,152,096
Other liabilities	12,980,060	14,548,782
Total liabilities	303,314,928	285,700,878
Deferred inflows of resources	18,685,439	17,144,174
Net position		
Net investment in capital assets	27,557,504	37,981,783
Restricted	6,031,753	969,021
Unrestricted	(112,176,750)	(109,028,930)
<b>Total net position</b>	<b>\$ (78,587,493)</b>	<b>\$ (70,078,126)</b>

**Table II**  
**DeSoto Independent School District**  
**Changes in Net Position**

	Governmental Activities Year Ended June 30, 2019	Governmental Activities Year Ended June 30, 2018
Revenues		
Program revenues:		
Charges for services	\$ 1,692,861	\$ 1,870,914
Operating grants and contributions	31,253,259	9,957,721
General revenues:		
Maintenance and operations taxes	35,346,358	31,989,503
Debt service taxes	9,677,665	8,749,337
State aid	45,838,998	49,914,266
Grants and contributions not restricted	12,304	25,419
Investment earnings	348,331	500,462
Miscellaneous	871,087	225,464
Total revenues	125,040,863	103,233,086
Expenses		
Instruction, curriculum and media services	69,554,138	44,863,264
Instructional and school leadership	12,632,785	7,684,305
Student support services	10,570,100	7,039,559
Child nutrition	7,107,547	6,958,196
Extracurricular activities	3,565,402	3,034,528
General administration	5,223,957	4,077,332
Plant maintenance, security, and data processing	13,149,337	11,649,689
Community services	2,956,108	2,233,151
Debt service	8,494,575	10,450,864
Facilities acquisition and construction	120,875	47,431
Juvenile Justice Alternative Education Program	25,230	9,612
Other intergovernmental charges	150,176	132,847
Total expenses	133,550,230	98,180,778
Increase (decrease) in net position	(8,509,367)	5,052,308
Net position at beginning of year before restatement	(70,078,126)	(15,696,710)
Change in accounting principle	-	(59,433,724)
<b>Net position at end of year</b>	<b>\$ (78,587,493)</b>	<b>\$ (70,078,126)</b>

The District showed an increase in revenue of 21.1%. The two major sources of the increase relate to the increase in operating grants and contributions which increased \$21.3 million.

The debt service fund received a contribution of \$8.4 million from the general fund out of fund balance reserves in order to pay for the August 2018 bonded debt's principal and interest payment. This was necessary because the District reduced the interest and sinking tax rate 14 pennies in fiscal year 2015 as part of a tax ratification election that raised the maintenance and operating rate an additional 13 pennies to the maximum allowed by state law. The extra state and local funds raised by the higher maintenance and operating rate and subsequent reduction in interest and sinking tax rate necessitated this action.

The second source of the revenue increase relates to the issuance of Maintenance Tax Notes for \$14.7 million that the District needed to fund current operations and manage the cash flow variances caused by the timing of state and local funds. The notes will be paid back over the next three fiscal years.

The only other change in revenue to note is the increase in the general fund's tax revenues of \$3.36 million with a subsequent decrease of \$4.08 in state aid. As the District's taxable value wealth increases state funding decreases proportionately. The additional decrease in state aid was due to a decrease of students in average daily attendance of 304 or 3.4% as the District continues to experience a decline in enrollment.

The District's maintenance and operations tax rate remained the same at \$1.17 and the debt service tax rate increased from \$0.29 to \$0.32 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$133,550,230. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$45,024,023 because some of the costs were paid by those who directly benefited from the programs (\$1,692,861) or by other governments and organizations that subsidized certain programs with grants and contributions (\$31,253,259) or by State equalization funding (\$45,838,998).

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

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$20,817,469, which is \$2,300,632 more than last year's total of \$18,516,837. Included in this period's total change in fund balance is a decrease of \$4,141,573 in the District's general fund and an increase of \$6,331,899 in the District's debt service fund. The capital projects fund decreased \$35,475 due to construction payments on the new elementary school.

The District amends the budget as needed throughout the year. The final budgeted expenditures increased by \$8,282,596 primarily due as follows:

- \$2.2 million in Instruction for summer school, substitutes, and IB program.
- \$1.4 million in Student Transportation for actual cost of first year operations taken on by the district after the dissolution of Dallas County Schools Transportation services.
- \$1 million increase in General Administration for increase to legal budget and creation of new cabinet positions.
- \$1.9 million in Data Processing services for a district-wide upgrade to wireless access points and infrastructure upgrades.
- \$1 million in Debt Service for first year repayment on Maintenance Note left out of original budget and issuance and subsequent repayment of a \$6 million short term note used for cash flow issues.

## **Capital Assets and Debt Administration**

### **Capital Assets**

At June 30, 2019, the District had \$181,153,615 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$2,229,311, or 1.2%, more than the prior year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### **Debt Administration**

At June 30, 2019, the District had \$224,755,650 in long-term debt outstanding (including accreted interest on capital appreciation bonds) versus \$217,648,878 last year – an increase of \$7,106,772.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

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

The District's maintenance and operations (M&O) tax rate will decrease from \$1.17 to \$1.06835 and the debt service (I&S) tax rate will increase from \$0.32 to \$0.46 per \$100 of taxable valuation for a total tax rate increase of \$0.03835. The Texas legislature passed major tax reform this passed session that accounts for the decline in the M&O tax rate to the new cap for districts that were at \$1.17. The I&S tax rate increased to the level needed to raise enough tax revenue to service the August 2020 debt payment. The loss in general fund tax revenues from the new tax compressed rate will be made up by the state in its increase to the foundation program revenue for each school district.

The District expects a 7.7% decrease in average daily attendance during the 2019-2020 school year. Property values are expected to increase 10%.

Major budget reductions, including a Reduction in Force of approximately 200 positions, had to be put in place when developing the budget for the 2020 fiscal year. The District's general fund had to issue \$14.65 million of maintenance tax notes in fiscal year 2019 to meet its obligations and the impact on the 2020 fiscal year budget saw an increase in debt service of \$5.6 million over the prior year's original budget. The final actual fund balance decreased \$4.1 million, which also put added pressures on the District to reduce its expenditure budget going forward.

As a result of these measures, the District's general fund original budget for revenues exceeds budgeted expenditures for fiscal year 2020 by \$3.8 million.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at DeSoto Independent School District, 200 East Beltline Road, DeSoto, Texas 75115; (972) 223-6666.

## **Basic Financial Statements**

**DeSoto Independent School District**

## Statement of Net Position

June 30, 2019

**Exhibit A-1**

<b>Data Control Codes</b>		<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 22,001,593
1220	Property taxes receivable (delinquent)	1,975,742
1230	Allowance for uncollectible taxes	(722,871)
1240	Due from other governments	11,084,517
1250	Accrued interest	273
1290	Other receivables, net	76,282
1310	Inventories	15,897
1410	Prepays	9,680
	Capital assets	
1510	Land	8,174,624
1520	Buildings, net	164,379,226
1530	Furniture and equipment, net	8,599,765
1000	Total assets	215,594,728
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred loss on bond refundings	6,734,050
1705	Deferred outflows of resources - pensions	18,131,751
1706	Deferred outflows of resources - OPEB	2,952,345
1700	Total deferred outflows of resources	27,818,146
<b>LIABILITIES</b>		
2110	Accounts payable	1,355,831
2140	Accrued interest payable	1,452,965
2150	Payroll deductions and withholdings	806,279
2160	Accrued wages payable	7,738,057
2180	Due to other governments	788,939
2200	Accrued expenses	195,788
2300	Unearned revenue	642,201
	Noncurrent liabilities	
2501	Due within one year	13,471,061
2502	Due in more than one year	211,325,062
2540	Net pension liability (District's share)	30,689,299
2545	Net OPEB liability (District's share)	34,849,446
2000	Total liabilities	303,314,928
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows of resources - pensions	3,245,892
2606	Deferred inflows of resources - OPEB	15,439,547
2600	Total deferred inflows of resources	18,685,439
<b>NET POSITION</b>		
3200	Net investment in capital assets	27,557,504
3820	Restricted for federal and state programs	1,095,753
3850	Restricted for debt service	4,936,000
3900	Unrestricted	(112,176,750)
3000	<b>TOTAL NET POSITION</b>	<b>\$ (78,587,493)</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

# DeSoto Independent School District

## Statement of Activities

For the Year Ended June 30, 2019

## Exhibit B-1

					Net (Expense) Revenue and Changes in Net Position
Data Control Codes	Functions/Programs	1	Program Revenues		6
			3	4	
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
	PRIMARY GOVERNMENT				
	Governmental activities:				
11	Instruction	\$ 67,107,927	\$ 304,295	\$ 12,208,819	\$ (54,594,813)
12	Instructional resources and media	996,846	-	127,444	(869,402)
13	Curriculum and staff development	1,449,365	-	470,042	(979,323)
21	Instructional leadership	5,016,267	-	2,138,442	(2,877,825)
23	School leadership	7,616,518	-	862,327	(6,754,191)
31	Guidance, counseling and evaluation	5,328,221	-	1,353,840	(3,974,381)
32	Social work services	247,660	-	30,781	(216,879)
33	Health services	1,179,404	-	93,135	(1,086,269)
34	Student transportation	3,814,815	-	522,854	(3,291,961)
35	Food services	7,107,547	1,001,466	5,740,758	(365,323)
36	Cocurricular/extracurricular activities	3,565,402	241,744	862,579	(2,461,079)
41	General administration	5,223,957	-	580,860	(4,643,097)
51	Plant maintenance and operations	8,770,286	145,356	1,050,598	(7,574,332)
52	Security and monitoring services	1,181,167	-	112,617	(1,068,550)
53	Data processing services	3,197,884	-	587,877	(2,610,007)
61	Community services	2,956,108	-	1,746,186	(1,209,922)
72	Debt service - interest on long term debt	8,176,344	-	2,728,073	(5,448,271)
73	Debt service - bond issuance cost and fees	318,231	-	-	(318,231)
81	Facilities acquisition and construction	120,875	-	-	(120,875)
	Payments to Juvenile Justice				
95	Alternative Education Program	25,230	-	-	(25,230)
99	Other intergovernmental charges	150,176	-	36,027	(114,149)
TP	TOTAL PRIMARY GOVERNMENT	\$ 133,550,230	\$ 1,692,861	\$ 31,253,259	\$ (100,604,110)
General revenues					
Taxes					
MT	Property taxes, levied for general purposes				\$ 35,346,358
DT	Property taxes, levied for debt service				9,677,665
SF	State aid - formula grants				45,838,998
GC	Grants and contributions not restricted				12,304
IE	Investment earnings				348,331
MI	Miscellaneous local and intermediate revenue				871,087
TR	Total general revenues				92,094,743
CN	Change in net position				(8,509,367)
NB	Net position (deficit) - beginning				(70,078,126)
NE	NET POSITION (DEFICIT) - ENDING				\$ (78,587,493)

The Notes to the Basic Financial Statements are an integral part of this statement.

# DeSoto Independent School District

## Balance Sheet

### Governmental Funds

June 30, 2019

<b>Data Control Codes</b>		<b>10 General Fund</b>	<b>50 Debt Service Fund</b>
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 8,281,213	\$ 11,016,414
1220	Property taxes - delinquent	1,533,684	442,058
1230	Allowance for uncollectible taxes (credit)	(538,076)	(184,795)
1240	Due from other governments	9,487,683	-
1250	Accrued interest	273	-
1260	Due from other funds	1,249,891	20,513
1290	Other receivables	76,282	-
1310	Inventories	15,897	-
1410	Prepays	9,680	-
1000	Total assets	<u>\$ 20,116,527</u>	<u>\$ 11,294,190</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 929,390	\$ 11,276
2140	Interest payable - current	11,741	6,277
2150	Payroll deductions and withholdings payable	806,279	-
2160	Accrued wages payable	7,418,961	-
2170	Due to other funds	20,513	-
2180	Due to other governments	38,588	741,144
2300	Unearned revenues	-	-
2000	Total liabilities	<u>9,225,472</u>	<u>758,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601	Unavailable revenue	<u>1,815,844</u>	<u>222,443</u>
2600	Total deferred inflows of resources	<u>1,815,844</u>	<u>222,443</u>
<b>FUND BALANCES</b>			
Nonspendable			
3410	Inventories	15,897	-
3430	Prepays	9,680	-
Restricted			
3450	Federal or state funds grant restriction	-	-
3480	Retirement of long-term debt	-	10,313,050
Committed			
3545	Other committed fund balance	-	-
3600	Unassigned	<u>9,049,634</u>	<u>-</u>
3000	Total fund balances	<u>9,075,211</u>	<u>10,313,050</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 20,116,527</u></u>	<u><u>\$ 11,294,190</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

60 Capital Projects		Total Nonmajor Funds	Total Governmental Funds
\$	-	\$ 2,467,934	\$ 21,765,561
	-	-	1,975,742
	-	-	(722,871)
	-	1,596,834	11,084,517
	-	-	273
	-	-	1,270,404
	-	-	76,282
	-	-	15,897
	-	-	9,680
<hr/>		<hr/>	
\$	-	\$ 4,064,768	\$ 35,475,485
<hr/>		<hr/>	
\$	-	\$ 415,165	\$ 1,355,831
	-	-	18,018
	-	-	806,279
	-	319,096	7,738,057
	-	1,249,891	1,270,404
	-	9,207	788,939
	-	642,201	642,201
<hr/>		<hr/>	
	-	2,635,560	12,619,729
	-	-	2,038,287
<hr/>		<hr/>	
	-	-	2,038,287
	-	-	15,897
	-	-	9,680
	-	1,095,753	1,095,753
	-	-	10,313,050
	-	333,455	333,455
	-	-	9,049,634
<hr/>		<hr/>	
	-	1,429,208	20,817,469
<hr/>		<hr/>	
\$	-	\$ 4,064,768	\$ 35,475,485
<hr/>		<hr/>	

**DeSoto Independent School District****Exhibit C-2**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position

June 30, 2019

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 20,817,469

The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

40,244

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.

279,037,365

Accumulated depreciation is not reported in the fund financial statements.

(97,883,750)

Bonds and notes payable are not reported in the fund financial statements.

(147,773,904)

Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.

(68,592,047)

Property tax revenue recorded as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.

2,038,287

Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.

(1,434,947)

Bond premiums are not recognized in the fund financial statements.

(8,389,699)

Compensated absences are not recognized in the fund financial statements.

(40,473)

Deferred charges on bond refundings are not recognized in the fund financial statements.

6,734,050

Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$30,689,299, deferred inflows of resources related to TRS in the amount of \$3,245,892, and deferred outflows of resources related to TRS in the amount of \$18,131,751. This results in a net decrease in net position.

(15,803,440)

Included in the items related to debt is the recognition of the District's proportionate share of the TRS-Care net OPEB liability (\$34,849,446) and a deferred inflow of resources (\$15,439,547) and a deferred outflow of resources (\$2,952,345). This results in a net decrease in net position.

(47,336,648)**TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES** \$ (78,587,493)

The Notes to the Basic Financial Statements are an integral part of this statement.

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# DeSoto Independent School District

## Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Fiscal Year Ended June 30, 2019

<b>Data Control Codes</b>		<b>10 General Fund</b>	<b>50 Debt Service Fund</b>
<b>REVENUES</b>			
5700	Total local and intermediate sources	\$ 36,881,837	\$ 9,780,156
5800	State program revenues	49,563,949	2,565,642
5900	Federal program revenues	1,526,635	-
5020	Total revenues	87,972,421	12,345,798
<b>EXPENDITURES</b>			
Current			
0011	Instruction	52,331,863	-
0012	Instructional resources and media services	762,515	-
0013	Curriculum and instructional staff development	790,731	-
0021	Instructional leadership	2,516,078	-
0023	School leadership	6,537,275	-
0031	Guidance, counseling and evaluation services	3,624,383	-
0032	Social work services	247,034	-
0033	Health services	751,656	-
0034	Student (pupil) transportation	4,045,034	-
0035	Food services	58,443	-
0036	Extracurricular activities	2,608,188	-
0041	General administration	4,638,248	-
0051	Facilities maintenance and operations	8,478,963	-
0052	Security and monitoring services	908,888	-
0053	Data processing services	4,707,360	-
0061	Community Services	1,121,071	-
Debt service			
0071	Principal on long term debt	704,848	10,710,000
0072	Interest on long term debt	376,280	3,724,331
0073	Bond issuance cost and fees	229,783	88,448
Capital outlay			
0081	Facilities acquisition and construction	115,354	-
Intergovernmental:			
0095	Payments to Juvenile Justice Alternative Education Program	25,230	-
0099	Other intergovernmental charges	150,176	-
6030	Total expenditures	95,729,401	14,522,779
1100	Excess (deficiency) of revenues over (under) expenditures	(7,756,980)	(2,176,981)
<b>OTHER FINANCING SOURCES (USES)</b>			
7901	Refunding bonds issued	-	2,690,000
7914	Loan proceeds	14,655,000	-
7916	Premium or discount on issuance of bonds	-	312,103
8949	Payment to escrow agent	-	(2,892,223)
7915	Transfers in	-	8,399,000
8911	Transfers out	(11,039,593)	-
7080	Total other financing sources (uses)	3,615,407	8,508,880
1200	Net change in fund balances	(4,141,573)	6,331,899
100	Fund balance - beginning	13,216,784	3,981,151
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 9,075,211</b>	<b>\$ 10,313,050</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

60 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
\$ 4,677	\$ 1,659,216	\$ 48,325,886
-	898,500	53,028,091
-	15,366,254	16,892,889
4,677	17,923,970	118,246,866
-	5,479,092	57,810,955
65,929	32,963	861,407
-	422,788	1,213,519
-	1,826,684	4,342,762
-	52,316	6,589,591
-	904,755	4,529,138
-	172	247,206
-	-	751,656
-	21,648	4,066,682
-	6,808,306	6,866,749
-	611,282	3,219,470
-	6,300	4,644,548
-	-	8,478,963
-	-	908,888
-	4,605	4,711,965
-	1,607,278	2,728,349
-	-	11,414,848
-	-	4,100,611
-	-	318,231
2,614,816	-	2,730,170
-	-	25,230
-	-	150,176
2,680,745	17,778,189	130,711,114
(2,676,068)	145,781	(12,464,248)
-	-	2,690,000
-	-	14,655,000
-	-	312,103
-	-	(2,892,223)
2,640,593	-	11,039,593
-	-	(11,039,593)
2,640,593	-	14,764,880
(35,475)	145,781	2,300,632
35,475	1,283,427	18,516,837
\$ -	\$ 1,429,208	\$ 20,817,469

**DeSoto Independent School District****Exhibit C-4**

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the  
Statement of Activities  
For the Fiscal Year Ended June 30, 2019

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 2,300,632</b>
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net position.	(64,927)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	4,972,087
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(7,201,398)
Current year long-term debt principal payments on bonds payable, maintenance tax notes payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	11,414,848
Current year interest accretion on capital appreciation bonds payable is not recorded in the fund financial statements, but is shown as an increase in accreted interest payable in the government-wide financial statements.	(4,249,317)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. This amount represents the current year decrease in interest p	62,088
Revenues from property taxes are not recognized in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide financial statements.	722,344
Current year amortization of the premium/discount on bonds payable is not recorded in fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	534,800
Current year amortization of the deferred charges on bond refundings is not recognized in the fund financial statements, but is shown as a decrease in deferred outflows of resources in the government-wide financial statements.	(427,862)
The current year issuance of bonds and notes payable is shown as other resources in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(17,345,000)
The premiums on the current year issuance of refunding bonds and regular bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(312,103)
The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements.	2,892,223
The change in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	105,581
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of an increase in deferred outflows \$9,292,659; increase in deferred inflows (\$263,068); and increase in net pension liability (\$11,186,512).	(2,156,921)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of an increase in deferred outflows \$2,516,824; increase in deferred inflows (\$1,278,197); and increase in net OPEB liability (\$995,069).	243,558
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ (8,509,367)</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

**DeSoto Independent School District**

Statement of Net Position

Proprietary Funds

June 30, 2019

**Exhibit D-1**

	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 236,032
Total assets	236,032
<b>LIABILITIES</b>	
Current liabilities	
Accrued expenses	195,788
Total liabilities	195,788
<b>NET POSITION</b>	
Unrestricted net position	40,244
<b>TOTAL NET POSITION</b>	<u>\$ 40,244</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**DeSoto Independent School District****Exhibit D-2**

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 476,622
Total operating revenues	476,622
<b>OPERATING EXPENSES</b>	
Other operating costs	541,549
Total operating expenses	541,549
Operating loss	(64,927)
Net position - beginning	105,171
<b>NET POSITION - ENDING</b>	<u>\$ 40,244</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**DeSoto Independent School District**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

**Exhibit D-3**

	<b>Governmental Activities Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from other funds	\$ 476,622
Cash payments for insurance claims and costs	(438,729)
	<hr/>
Net cash provided by operating activities	37,893
	<hr/>
Net increase in cash and cash equivalents	37,893
	<hr/>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	198,139
	<hr/>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 236,032
	<hr/> <hr/>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (64,927)
Effect of increases and decreases in current assets and liabilities:	
Increase in accrued expenses	102,820
	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 37,893
	<hr/> <hr/>

The Notes to the Basic Financial Statements are an integral part of this statement.

**DeSoto Independent School District**

## Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2019

**Exhibit E-1**

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,630	\$ 94,561
Other receivables	-	18,620
<b>TOTAL ASSETS</b>	35,630	<u>\$ 113,181</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 12,436
Due to student groups	-	100,745
<b>TOTAL LIABILITIES</b>	-	<u>\$ 113,181</u>
<b>NET POSITION</b>		
Unrestricted net position	<u>35,630</u>	
<b>TOTAL NET POSITION</b>	<u>\$ 35,630</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**DeSoto Independent School District**  
Statement of Changes in Fiduciary Fund Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2019

**Exhibit E-2**

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Local and intermediate sources	\$ 1,034
Total additions	1,034
<b>DEDUCTIONS</b>	
Operating costs	300
Total deductions	300
Change in net position	734
Net position - beginning	34,896
<b>NET POSITION - ENDING</b>	<b>\$ 35,630</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### Note 1. Summary of Significant Accounting Policies

DeSoto Independent School District's (the District) combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

##### A. Reporting Entity

The Board of Trustees (the Board), a seven member group, has fiscal accountability 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 (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental reporting entity and has no component units.

##### B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Internal service fund activity has been eliminated to avoid overstating revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities include programs primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** – This fund is the District's primary operating fund. It is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

2. **Debt Service Fund** – This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the general fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** – This fund is established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the debt service fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** – These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Fund** – The District utilizes an internal service fund to account for revenues and expenses related to services provided to parties inside the District on a cost-reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its self-insured workers compensation plan.

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund includes the cost of personal and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. **Private Purpose Trust Fund** – The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's private purpose trust fund is a scholarship fund. These funds are not budgeted.
4. **Agency Funds** – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by the Agency's *Financial Accountability System Resource Guide*.

#### D. Budgetary Control

Formal budgetary accounting is employed for all required governmental funds and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to June 20 of the preceding fiscal year for the subsequent fiscal period beginning July 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the Board unless the intent is to cross fund, function, or increase the overall budget allocations. Control of appropriations by the Board is maintained within funds at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and the food service fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

Appropriated budget funds - food service special revenue fund	\$ 896,277
Nonappropriated budget funds	532,931
<b>All special revenue funds</b>	<b>\$ 1,429,208</b>

## **DeSoto Independent School District**

### Notes to the Basic Financial Statements

#### **E. Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

#### **F. Inventories**

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

#### **G. Interfund Transactions**

Short-term amounts owed between funds are classified as Due from and due to other funds. Interfund transfers arise from the need to move cash.

#### **H. Capital Assets**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at the acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	50 years
Furniture and equipment	10 - 30 years

#### **I. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Payment for unused vacation leave days accumulated locally will be made upon retirement or separation from the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District does not have a liability for unpaid sick leave at year end because the District's policy does not allow payment for unused sick leave not taken upon retirement or termination.

#### **J. Cash and Cash Equivalents**

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

## **DeSoto Independent School District**

### Notes to the Basic Financial Statements

#### **K. Investments**

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

#### **L. Net Position**

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

#### **M. Long-Term Obligations**

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

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

#### **N. Risk Management**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### **O. Estimates**

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

#### **P. 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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### Q. 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.

#### R. Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualify for reporting in this category:

1. **Deferred Outflows of Resources for Refunding Bonds** – reported in the government-wide statement of net position, deferred charges on refundings results from the difference in the carrying amount of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
2. **Deferred Outflows of Resources for Pension** – reported in the government-wide statement of net position, the deferred outflows from the pension plan result from differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, differences between expected and actual economic experiences, changes in the District's proportional share of pension liabilities, and the District's contributions subsequent to the measurement date. The differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows of resources will be amortized over the expected remaining lives of all employees that are provided with pensions through the pension plan.
3. **Deferred Outflows of Resources For OPEB** – reported in the government-wide statement of net position, the deferred outflows from the OPEB plan result from differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, differences between expected and actual economic experiences, changes in the District's proportional share of OPEB liabilities, and the District's contributions subsequent to the measurement date. The differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The remaining pension related deferred outflows of resources will be amortized over the expected remaining lives of all employees that are provided with OPEB through TRS Care.

A deferred inflow of resources is an acquisition of net position that applies to a future period(s). The District has three items that qualify for reporting in this category:

1. **Deferred Inflows of Resources for Unavailable Revenue** – reported in the governmental funds balance sheet, unavailable revenue from property taxes arises from the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

2. **Deferred Inflows of Resources for Pension** – reported in the government-wide statement of net position, the deferred inflows from the pension plan result from changes in actuarial assumptions, differences between expected and actual economic experiences, and changes in the District's proportional share of pension liabilities. The pension related deferred inflows of resources will be amortized over the expected remaining lives of all employees that are provided with pensions through the pension plan.
3. **Deferred Inflows of Resources for OPEB** – reported in the government-wide statement of net position, the deferred inflows from the OPEB plan result from changes in actuarial assumptions, differences between expected and actual economic experiences, and changes in the District's proportional share of OPEB liabilities. The pension related deferred inflows of resources will be amortized over the expected remaining lives of all employees that are provided with OPEB through TRS Care.

### Note 2. Fund Balances

In the fund financial statements, the governmental funds present fund balance as follows:

- **Nonspendable.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being nonspendable as these items are not expected to be converted to cash.
- **Restricted.** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committee.** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board has committed resources for campus activity funds.
- **Assigned.** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board may assign amounts for specific purposes. The District did not have any assigned fund balances as of June 30, 2018.
- **Unassigned.** This classification is the fund equity that is available for any legal purpose. The general fund is the only fund that will have a positive unassigned amount.

The order of spending and availability of fund balances is to reduce funds in the following order: restricted, committed, assigned, and finally unassigned funds

# DeSoto Independent School District

## Notes to the Basic Financial Statements

### Note 3. 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.

#### Cash Deposits

At June 30, 2019, the carrying amount of the District's deposit checking accounts and interest bearing demand accounts was \$3,044,403 and the bank balance was \$4,845,355. The District's cash deposits at June 30, 2019 and during the year ended June 30, 2019 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Depository: Comerica Bank.
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$14,021,927.
- The highest combined balances of cash amounted to \$4,845,355 and occurred on June 30, 2019.
- Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

#### Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

For fiscal year 2019, the District is invested in the following:

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End	Weighted Average Maturity (Days)
Texas CLASS	\$ 2,090,315	AAA/Aam	AAA/Aam	51 days
TexasTERM	18,145	AAA/Aam	AAA/Aam	60 days
TexStar	16,969,338	AAA/Aam	AAA/Aam	15 days
<b>Total cash equivalents</b>	<b>\$ 19,077,798</b>			

## DeSoto Independent School District

### Notes to the Basic Financial Statements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

1. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
2. Level 2 inputs are inputs-other than quoted prices included within Level 1- that are observable for an asset or liability, either directly or indirectly.
3. Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investments in investment pools that are measured at net asset value are exempt from fair value reporting. All other investments are measured at fair value.

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

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

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the Participants), MBIA Municipal Investors Service Corporation as Program Administrator (the Program Administrator) and Wells Fargo Bank Texas, NA as Custodian (the Custodian). Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian, and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the investment policy and investment strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator. The Fund is rated AAA by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

Texas Short Term Asset Reserve Program (TexSTAR) is administered by J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) under an agreement with the TexSTAR board of directors. JPMIM provides investment management services, and FirstSouthwest, a division of HTS, provides participant services and marketing. The fund is rated AAAM by Standard and Poor's Rating Service.

TexasTERM Local Government Investment Pool (TexasTERM) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA). TexasTERM offers a series of professionally managed portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas. An Advisory Board is responsible for the overall management of TexasTERM. With respect to TexasTERM, the Advisory Board's responsibilities include the formulation and implementation of its investment and operating policies. TexasTERM complies with statutory investment restrictions for Texas local governments as provided in the PFIA. The Investment Advisor and Administrator for TexasTERM is PFM Asset Management LLC.

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	\$ 22,001,593
Fiduciary funds	
Cash and cash equivalents	130,191
<b>Total cash and cash equivalents</b>	<b>\$ 22,131,784</b>
Cash on hand	\$ 9,583
Deposits with financial institutions	3,044,403
Cash equivalents	19,077,798
<b>Total cash and cash equivalents</b>	<b>\$ 22,131,784</b>

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table on page 39 presents the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type held by the District.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

2. **Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investments held by third parties were fully collateralized and held in the District's name
3. **Concentration of Credit Risk** – This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk.
4. **Interest Rate Risk** – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge. The money market fund is also fully collateralized by pledged securities.
5. **Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2019, the District was not exposed to foreign currency risk.

#### Note 4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,174,624	\$ -	\$ -	\$ 8,174,624
Construction in progress	29,390,692	-	(29,390,692)	-
Total capital assets not being depreciated	37,565,316	-	(29,390,692)	8,174,624
Capital assets, being depreciated:				
Buildings and improvements	224,355,544	1,078,831	28,166,300	253,600,675
Furniture and equipment	12,144,418	3,893,256	1,224,392	17,262,066
Total capital assets being depreciated	236,499,962	4,972,087	29,390,692	270,862,741
Less accumulated depreciation for:				
Buildings and improvements	(83,167,960)	(6,053,489)	-	(89,221,449)
Furniture and equipment	(7,514,392)	(1,147,909)	-	(8,662,301)
Total accumulated depreciation	(90,682,352)	(7,201,398)	-	(97,883,750)
Total capital assets, being depreciated, net	145,817,610	(2,229,311)	29,390,692	172,978,991
<b>Governmental activities capital assets, net</b>	<b>\$ 183,382,926</b>	<b>\$ (2,229,311)</b>	<b>\$ -</b>	<b>\$ 181,153,615</b>

## DeSoto Independent School District

### Notes to the Basic Financial Statements

Depreciation expense is charged as direct expense to programs of the District as follows:

Governmental activities	
Instruction	\$ 4,104,796
Instructional resources & media services	72,014
Curriculum & staff development	144,028
Instructional leadership	288,056
School leadership	432,084
Guidance, counseling & evaluation services	288,056
Health services	72,014
Student transportation	144,028
Food services	288,056
Cocurricular/extracurricular activities	144,028
General administration	216,042
Plant maintenance and operations	288,056
Security & monitoring services	216,042
Data processing services	432,084
Community services	72,014
	<hr/>
<b>Total depreciation expense - governmental activities</b>	<b>\$ 7,201,398</b>
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#### Note 5. Long-Term Debt

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, maintenance tax notes, and notes payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), 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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

The following is a summary of the changes in the District's long-term debt for the fiscal year ended June 30, 2019:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding July 1, 2018	Issued Current Year	Retired/Refunded	Amounts Outstanding June 30, 2019	Due Within One Year
<b>Bonded indebtedness</b>							
1995 School Building and Refunding Bonds	5.60-6.75%	\$ 27,022,385	\$ 655,000	\$ -	\$ 130,000	\$ 525,000	\$ 120,000
2001 School Building and Refunding Bonds	4.00-5.92%	15,768,251	1,198,966	-	447,724	751,242	397,799
2006 School Building and Refunding Bonds	3.75-5.28%	64,851,130	513,106	-	-	513,106	-
2007 School Building and Refunding Bonds	3.80-4.50%	36,123,829	-	-	-	-	-
2010A Refunding Bonds	0.74-4.84%	8,491,469	3,481,469	-	-	3,481,469	-
2010B Refunding Bonds	0.85-4.06%	31,994,992	25,475,000	-	2,510,000	22,965,000	-
2012 Refunding Bonds	1.08-2.32%	4,995,925	4,520,925	-	600,320	3,920,605	579,752
2013 Refunding Bonds	2.00-4.41%	37,262,193	31,557,193	-	2,040,000	29,517,193	2,315,000
2015A Refunding Bonds	2.00-5.00%	7,640,000	4,725,000	-	3,080,000	1,645,000	-
2015B Refunding Bonds	3.00-5.00%	28,400,000	27,165,000	-	490,000	26,675,000	295,000
2016A Refunding Bonds	2.00-5.00%	1,110,000	1,055,000	-	30,000	1,025,000	15,000
2016B Refunding Bonds	2.00-5.00%	26,750,000	26,750,000	-	-	26,750,000	10,000
2019 Refunding Bonds	4.00%	2,690,000	-	2,690,000	-	2,690,000	-
<b>Total bonded indebtedness</b>			127,096,659	2,690,000	9,328,044	120,458,615	3,732,551
<b>Accreted interest -</b>							
Capital appreciation bonds			68,572,673	4,249,317	4,229,943	68,592,047	4,164,546
Bond premiums			8,612,397	312,102	534,800	8,389,699	-
Maintenance Tax Notes Series 2014			8,215,000	-	470,000	7,745,000	480,000
Maintenance Tax Notes Series 2019			-	14,655,000	-	14,655,000	4,805,000
Note payable			5,152,149	-	236,860	4,915,289	288,964
Net pension liability			19,502,787	14,496,869	3,310,357	30,689,299	-
Net OPEB liability			33,854,377	4,431,087	3,436,018	34,849,446	-
Compensated absences			146,054	37,910	143,491	40,473	-
<b>Total other obligations</b>			144,055,437	38,182,285	12,361,469	169,876,253	9,738,510
<b>Total obligations of District</b>			<u>\$ 271,152,096</u>	<u>\$ 40,872,285</u>	<u>\$ 21,689,513</u>	<u>\$ 290,334,868</u>	<u>\$ 13,471,061</u>

Presented below is a summary of general obligation bond requirements to maturity:

Years Ending June 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2020	\$ 3,732,551	\$ 3,608,253	\$ 7,340,804
2021	6,550,914	3,441,406	9,992,320
2022	5,819,635	3,314,331	9,133,966
2023	5,630,879	3,226,056	8,856,935
2024	5,922,720	3,138,031	9,060,751
2025 - 2029	26,461,848	13,738,480	40,200,328
2030 - 2034	32,724,052	8,978,168	41,702,220
2035 - 2039	30,694,548	3,130,382	33,824,930
2040 - 2042	2,921,468	32,500	2,953,968
<b>Totals</b>	<u>\$ 120,458,615</u>	<u>\$ 42,607,607</u>	<u>\$ 163,066,222</u>

The 1995, 2001, 2006, 2010A, 2012 and 2013 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously through 2040. Interest accrues on these bonds semi-annually even though the interest is not paid until maturity.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General obligation bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement. There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2019.

On May 22, 2019, the District issued Unlimited Tax Refunding Bonds, Series 2019, totaling \$2,690,000. The refunding bonds have an interest rate of 4.00% and mature annually with semi-annual interest payments. The proceeds were used to redeem \$1,275,000 of Refunding Bonds, Series 2010B, and \$1,575,000 of Refunding Bonds, Series 2015A. This advanced refunding resulted in an economic loss of \$93,369 and an increase of debt service payments of \$571,295.

DeSoto Independent School District Limited Maintenance Tax Notes, Tax Credit 2014 were issued by the District on November 20, 2014, with an interest rate of 1.0%. Debt service payments for the notes will be paid from the general fund. The maintenance tax notes were issued under the federal Qualified Zone Academy Bond (QZAB) program. Under this program, proceeds must be used for specified programs and costs.

On April 25, 2019, the District issued Maintenance Tax Notes, Series 2019 with an interest rate from 2%-2%. Debt service payments for the notes will be paid from the general fund, and the note proceeds will be used for day to day operating maintenance costs. The note will be repaid in the general fund with general revenues such as property taxes. The payment requirements for all Maintenance Tax Notes are as follows:

Years Ending June 30,	Maintenance Tax Notes		Total Requirements
	Principal	Interest	
2020	\$ 5,285,000	\$ 427,277	\$ 5,712,277
2021	5,345,000	356,891	5,701,891
2022	5,495,000	212,603	5,707,603
2023	510,000	60,200	570,200
2024	525,000	55,025	580,025
2025 - 2029	2,785,000	193,525	2,978,525
2030 - 2033	2,455,000	49,775	2,504,775
<b>Totals</b>	<b>\$ 22,400,000</b>	<b>\$ 1,355,296</b>	<b>\$ 23,755,296</b>

On June 28, 2017, the District entered into a Note Payable with Government Capital Corporation in order to purchase HVAC mechanical retrofits and energy management controls to be installed at District facilities. The property cost was \$5,094,849 plus an additional \$57,300 in issuance costs, which rolled into the cost of the loan. The total note was \$5,152,149 and is seen as an addition on the long-term debt rollforward. The note requires a total payment of \$433,532 over 15 periods, maturing on October 15, 2032. Debt service payments for the note will be paid from the general fund.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

The payment requirements are as follows:

Years Ending June 30,	Note Payable		Total Requirements
	Principal	Interest	
2020	\$ 288,964	\$ 144,569	\$ 433,533
2021	297,459	136,073	433,532
2022	306,204	127,328	433,532
2023	315,207	118,325	433,532
2024	324,474	109,058	433,532
2025 - 2029	1,771,197	396,464	2,167,661
2030 - 2033	1,611,784	120,333	1,732,117
<b>Totals</b>	<b>\$ 4,915,289</b>	<b>\$ 1,152,150</b>	<b>\$ 6,067,439</b>

### Defeased Bonds Outstanding

In the current year, the District issued refunding bonds to defease certain portions of outstanding bonds to effectively manage cash flow of the District. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the portion of the refunded bonds. Accordingly, the trust account assets and liabilities for the portion of the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until maturity of the earlier issues. On June 30, 2019, \$2,850,000 of bonds outstanding are considered defeased.

### Short-Term Debt

On November 20, 2018, The District issued Tax and Revenue Anticipation Note, Series 2018 in advance of property tax receipt, depositing the proceeds in its general fund. This note was necessary because the District's obligations were due in November 2018, whereas a large portion of the District's revenue was due to be received in April 2019.

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note, Series 2018	\$ -	\$ 6,000,000	\$ (6,000,000)	\$ -

# DeSoto Independent School District

## Notes to the Basic Financial Statements

### Note 6. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2018-19 fiscal period was based was \$3,155,093,553. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the period ended June 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.32 per \$100 valuation, respectively, for a total of \$1.49 per \$100 valuation.

Current tax collections for the period ended June 30, 2019 were 98.15% of the June 30, 2019 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$995,608 and \$257,263 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

### Note 7. Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2019 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2019.

Payable Fund	Receivable Fund	Amount	Primary Purpose
General fund	Debt Service Fund	\$ 20,513	Refund of bond fees
Nonmajor governmental funds	General fund	1,249,891	To cover cash shortage
		<u>\$ 1,270,404</u>	

The detail transfer schedule for the fiscal year ended June 30, 2019 includes the following:

Transfer In	Transfer Out	Amount	Primary Purpose
Capital Projects Fund	General fund	\$ 2,640,593	To cover final capital project costs
Debt Service Fund	General fund	8,399,000	To cover debt service payments
		<u>\$ 11,039,593</u>	

## **DeSoto Independent School District**

### Notes to the Basic Financial Statements

#### **Note 8. Defined Benefit Pension Plan**

##### **A. 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). It is a defined benefit pension plan 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.

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

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

##### **C. Benefits Provided**

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

##### **D. 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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

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

	2016	2017	2018	2019
Member	7.2%	7.7%	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%	6.8%

The contributions amount for the District's fiscal year 2019 are as follows:

Employer contributions	\$ 2,383,056
Member contributions	5,215,920
NECE on-behalf contributions	2,645,138

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 the 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:

1. 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.
2. During a new member's first 90 days of employment.
3. 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.
4. When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

1. 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.
2. 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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### E. 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 rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment 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.

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

## DeSoto Independent School District

### Notes to the Basic Financial Statements

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. developed	13.0%	6.90%	0.90%
Emerging markets	9.0%	8.95%	0.80%
Directional hedge funds	4.0%	3.53%	0.14%
Private equity	13.0%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.0%	1.11%	0.12%
Absolute return	0.0%	0.00%	0.00%
Stable value hedge funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
Real return:			
Global inflation linked bonds	3.0%	0.70%	0.02%
Real assets	14.0%	5.21%	0.73%
Energy and natural resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
Risk parity:			
Risk parity	5.0%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag***	0.0%		-0.79%
<b>Total</b>	<b>100%</b>		<b>7.25%</b>

\* Target allocations are based on the FY2016 policy model

\*\* Capital market assumptions come from Aon Hewitt (2017 Q4)

\*\*\* The volatility drag resulting from the conversion between arithmetic and geometric mean returns

## F. Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	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	\$ 46,317,511	\$ 30,689,299	\$ 18,037,334

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a liability of \$30,689,299 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	\$	30,689,299
State's proportionate share that is associated with the District		43,246,197
		<hr/>
	\$	73,935,496

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 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 0.0557557% an increase of .0037674% from its proportion measured as of August 31, 2017.

#### **Changes since the Prior Actuarial Valuation**

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

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

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

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$6,437,142 and revenue of \$4,280,221 for support provided by the State.

**DeSoto Independent School District**  
Notes to the Basic Financial Statements

At June 30, 2019, the District reported the deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 191,292	\$ (752,994)
Changes in actuarial assumptions	11,064,971	(345,781)
Difference between projected and actual investment earnings	-	(582,307)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,832,984	(1,564,810)
Contributions paid to TRS subsequent to the measurement date	2,042,504	-
	<u>\$ 18,131,751</u>	<u>\$ (3,245,892)</u>

\$2,042,504 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Pension Expense Amount
2020	\$ 3,478,089
2021	2,252,667
2022	1,921,644
2023	2,250,383
2024	1,908,029
Thereafter	1,032,543
<b>Total</b>	<u><u>\$ 12,843,355</u></u>

**Note 9. Defined Other Post-Employment Benefit Plan**

**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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### OPEB Plan Fiduciary Net Position

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

#### Benefits Provided

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

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

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

	<u>Medicare</u>	<u>Non-medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

\* or surviving spouse

#### Contributions

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

## DeSoto Independent School District

### Notes to the Basic Financial Statements

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% 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.

	2019	2018
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%
Employers/District	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

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

District contributions	\$	602,661
Member contributions		440,297
NECE on-behalf contributions (state)		681,213

In addition, the State of Texas contributed \$221,216 and \$190,613, in 2019 and 2018, respectively, for on-behalf payments for Medicare Part D.

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

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

#### Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

## DeSoto Independent School District

### Notes to the Basic Financial Statements

The total OPEB 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
Inflation	2.30%
Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases**	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

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.

#### 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.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### Sensitivity of the Net OPEB Liability

##### Discount Rate

The following table presents the District's proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
	Current	
1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
\$ 41,482,814	\$ 34,849,446	\$ 29,602,024

##### Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
	Current	
1% Decrease	Healthcare Cost Trend Rate	1% Increase
\$ 28,943,032	\$ 34,849,446	\$ 42,628,320

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2019, the District reported a liability of \$33,849,446 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 net OPEB liability	\$ 34,849,446
State's proportionate share of the net OPEB liability associated with the District	49,375,646
<b>Total</b>	<b>\$ 84,225,092</b>

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 employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB 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 OPEB liability was 0.0697953% which was a decrease of 0.0080554% from its proportion measured as of August 31, 2017.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### 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.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,552,432 and revenue of \$1,795,990 for support provided by the State.

At June 30, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,849,331	\$ (549,975)
Changes of assumptions	581,543	(10,470,259)
Net difference between projected and actual earnings on pension plan investments	6,095	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	135	(4,419,313)
District contributions after measurement date	515,241	-
<b>Totals</b>	<b>\$ 2,952,345</b>	<b>\$ (15,439,547)</b>

## DeSoto Independent School District

### Notes to the Basic Financial Statements

\$515,241 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,		
2020	\$	(1,921,327)
2021		(1,921,327)
2022		(1,921,327)
2023		(1,922,479)
2024		(1,923,139)
Thereafter		(3,392,844)
<b>Total</b>	<b>\$</b>	<b>(13,002,443)</b>

#### Note 10. Health Care

During the period ended June 30, 2019, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$351 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

#### Note 11. Workers Compensation

The District participates in the Workers Compensation Solutions Workers Compensation Self-Insurance Joint Fund. Workers Compensation Solutions has performed an evaluation of claims submitted for incidents occurring prior to June 30, 2019, and has projected open claims and incurred but not reported claims will cost \$195,788.

Edwards Risk Management, Inc. provides claims administration. Reinsurance is provided for individual claim losses exceeding \$450,000 and aggregate losses exceeding \$2,000,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

Changes in workers compensation claims liability amounts for the last three fiscal years are represented below:

Fiscal Year	Beginning of Period Claims Liability	Claims and Changes in Estimates	Claims Payments	End of Period Claims Liability
2019	\$ 92,968	\$ (3,407,287)	\$ (3,510,107)	\$ 195,788
2018	26,838	336,386	270,256	92,968
2017	174,181	353,422	500,765	26,838

**DeSoto Independent School District**  
Notes to the Basic Financial Statements

**Note 12. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of June 30, 2019, are summarized below. All federal grants shown below are passed through the Agency and are reported as due from other governments.

Fund	State Entitlements	Federal Government	Local Governments	Total
General	\$ 8,543,893	\$ 943,790	\$ -	\$ 9,487,683
Nonmajor	-	1,596,834	-	1,596,834
<b>Total</b>	<b>\$ 8,543,893</b>	<b>\$ 2,540,624</b>	<b>\$ -</b>	<b>\$ 11,084,517</b>

**Note 13. Litigation and Contingencies**

The District is a party to various legal actions, none of which are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 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 combined financial statements for such contingencies.

Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceed investments that exceed bond issue stated interest rates. The formula is based on a five year history, therefore the exact amount of liability, if any, is unknown until five years from the bond issuance date. This calculation yielded no known material rebate liability as of June 30, 2019.

## DeSoto Independent School District

### Notes to the Basic Financial Statements

#### Note 14. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 35,001,914	\$ 9,581,384	\$ -	\$ -	\$ 44,583,298
Food sales	-	-	-	1,001,466	1,001,466
Investment income	199,139	141,457	4,677	2,859	348,132
Penalties, interest and other tax related income	199,519	57,116	-	-	256,635
Co-curricular student activities	148,223	-	-	185,083	333,306
Other	1,333,042	199	-	469,808	1,803,049
<b>Total</b>	<b>\$ 36,881,837</b>	<b>\$ 9,780,156</b>	<b>\$ 4,677</b>	<b>\$ 1,659,216</b>	<b>\$ 48,325,886</b>

#### Note 15. Unearned and Unavailable Revenue

Unearned and unavailable revenue reported in the governmental funds at June 30, 2018 consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Net tax unavailable revenue	\$ 872,054	\$ 222,443	\$ -	\$ 1,094,497
SHARS unavailable revenue	943,790	-	-	943,790
<b>Total unavailable revenue</b>	<b>\$ 1,815,844</b>	<b>\$ 222,443</b>	<b>\$ -</b>	<b>\$ 2,038,287</b>
Other unearned revenue	\$ -	\$ -	\$ 642,201	\$ -
<b>Total unearned revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 642,201</b>	<b>\$ -</b>

Revenue that is not considered available at year end is reported as a deferred inflow of resources in the governmental funds and is recorded as revenue in the government-wide financial statements. Accordingly, tax and SHARS revenues are reported as revenue in the government-wide financial statements.

#### Note 16. Nonmonetary Transactions

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$749,237. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$749,237 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas

#### Note 17. Subsequent Events

On July 1, 2019, the District entered into a capital lease for 27 school buses in the amount of \$2,779,237.

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## **Required Supplementary Information**

**DeSoto Independent School District**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended June 30, 2019

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
				(GAAP BASIS)	Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 37,231,790	\$ 36,804,799	\$ 36,881,837	\$ 77,038
5800	State program revenues	53,963,245	49,501,729	49,563,949	62,220
5900	Federal program revenues	925,000	1,412,000	1,526,635	114,635
5020	Total revenues	92,120,035	87,718,528	87,972,421	253,893
EXPENDITURES					
	Current				
0011	Instruction	50,936,964	53,174,164	52,331,863	842,301
0012	Instructional resources and media services	897,237	792,528	762,515	30,013
0013	Curriculum and instructional staff development	1,402,358	971,848	790,731	181,117
0021	Instructional leadership	2,717,877	2,766,933	2,516,078	250,855
0023	School leadership	6,219,557	6,597,336	6,537,275	60,061
0031	Guidance, counseling and evaluation services	3,566,995	3,789,482	3,624,383	165,099
0032	Social work services	383,937	382,937	247,034	135,903
0033	Health services	968,527	778,757	751,656	27,101
0034	Student (pupil) transportation	2,718,096	4,126,034	4,045,034	81,000
0035	Food services	-	60,465	58,443	2,022
0036	Extracurricular activities	2,715,896	2,827,877	2,608,188	219,689
0041	General administration	4,045,071	4,998,681	4,638,248	360,433
0051	Facilities maintenance and operations	8,649,027	8,791,659	8,478,963	312,696
0052	Security and monitoring services	749,026	968,055	908,888	59,167
0053	Data processing services	2,782,387	4,813,694	4,707,360	106,334
0061	Community services	978,563	1,292,108	1,121,071	171,037
	Debt service				
0071	Principal on long-term debt	549,800	704,848	704,848	-
0072	Interest on long-term debt	-	376,324	376,280	44
0073	Debt issuance cost and fees	-	234,500	229,783	4,717
	Capital outlay				
0081	Facilities acquisition and construction	-	115,384	115,354	30
	Intergovernmental				
0095	Payments to Juvenile Justice Alternative Education Program	25,000	25,600	25,230	370
0099	Other intergovernmental charges	150,917	150,617	150,176	441
	Total expenditures	90,457,235	98,739,831	95,729,401	3,010,430
1100	Excess (deficiency) of revenues over (under) expenditures	1,662,800	(11,021,303)	(7,756,980)	3,264,323
OTHER FINANCING SOURCES					
7914	Loan proceeds	-	14,655,000	14,655,000	-
8911	Transfers out	-	(11,039,593)	(11,039,593)	-
7080	Total other financing sources (uses)	-	3,615,407	3,615,407	-
1200	Net change in fund balances	1,662,800	(7,405,896)	(4,141,573)	3,264,323
0100	Fund balance - beginning	13,216,784	13,216,784	13,216,784	-
3000	FUND BALANCE - ENDING	\$ 14,879,584	\$ 5,810,888	\$ 9,075,211	\$ 3,264,323

The Notes to the Required Supplementary Information are an integral part of this schedule.

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**DeSoto Independent School District**

Schedule of the District's Proportionate Share of the Net Pension  
Liability of a Cost-Sharing Multiple-Employer Pension Plan  
Teacher Retirement System of Texas  
For the Last Five Fiscal Years

	<b>2019</b>
District's proportion of the net pension liability	0.0557557%
District's proportionate share of net pension liability	\$ 30,689,299
State's proportionate share of the net pension liability associated with the District	<u>43,246,197</u>
<b>TOTALS</b>	<u><u>\$ 73,935,496</u></u>
District's covered payroll	\$ 59,229,279
District's proportionate share of the net pension liability as a percentage of its covered payroll	51.81%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

**Note:** GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2018 - the period from September 1, 2017 - August 31, 2018.

**Note:** Ten years of data is not available.

2018	2017	2016	2015
0.0609946%	0.0519883%	0.0498181%	0.0336442%
\$ 19,502,787	\$ 19,645,607	\$ 17,610,035	\$ 8,986,830
28,317,789	33,950,679	31,354,989	25,809,819
\$ 47,820,576	\$ 53,596,286	\$ 48,965,024	\$ 34,796,649
\$ 60,949,899	\$ 55,996,281	\$ 51,070,870	\$ 47,685,980
32.00%	35.08%	34.48%	18.85%
82.17%	78.00%	78.43%	83.25%

## DeSoto Independent School District

### Schedule of the District's Contributions to the Teacher Retirement System of Texas Pension Plan For the Last Five Fiscal Years

	<u>2019</u>
<b>TRS</b>	
Contractually required contribution	\$ 2,383,056
Contributions in relation to contractually required contribution	<u>(2,383,056)</u>
<b>CONTRIBUTIONS DEFICIENCY (EXCESS)</b>	<u><u>\$ -</u></u>
District's covered payroll	\$ 64,244,575
Contributions as a percentage of covered payroll	3.71%

**Note:** GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

**Note:** Ten years of data is not available.

# Exhibit G-3

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,863,057	\$ 1,255,991	\$ 1,622,610	\$ 1,342,111
<u>(1,863,057)</u>	<u>(1,255,991)</u>	<u>(1,622,610)</u>	<u>(1,342,111)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,288,941	\$ 60,392,297	\$ 54,874,390	\$ 49,824,480
3.14%	2.08%	2.96%	2.69%

**DeSoto Independent School District****Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB  
 Liability of a Cost-Sharing Multiple-Employer OPEB Plan  
 Teacher Retirement System of Texas  
 For the Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0697953%	0.0778508%
District's proportionate share of net OPEB liability	\$ 34,849,446	\$ 33,854,377
State's proportionate share of the net OPEB liability associated with the District	<u>49,375,646</u>	<u>47,618,752</u>
<b>TOTALS</b>	<u><u>\$ 84,225,092</u></u>	<u><u>\$ 81,473,129</u></u>
District's covered payroll	\$ 59,229,279	\$ 60,949,899
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.84%	55.54%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

**Note:** GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2018 through the period from September 1, 2017 - August 31, 2018.

**Note:** Ten years of data is not available.

**DeSoto Independent School District****Exhibit G-5**Schedule of the District's Contributions to the  
Teacher Retirement System of Texas OPEB Plan  
For the Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
<b>TRS</b>		
Contractually required contribution	\$ 602,661	\$ 499,063
Contributions in relation to contractually required contribution	<u>(602,661)</u>	<u>(499,063)</u>
<b>CONTRIBUTIONS DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 64,244,575	\$ 59,288,941
Contributions as a percentage of covered payroll	0.94%	0.84%

**Note:** GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

**Note:** Ten years of data is not available.

## **DeSoto Independent School District**

### Notes to the Required Supplementary Information

#### **Note 1. Budgetary Data**

##### **A. Budgetary Information**

The official budget was prepared for adoption for the general, child nutrition, and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
2. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
3. Prior to the expenditures of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for the organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

## **Combining Schedules**

# DeSoto Independent School District

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

<b>Data Control Codes</b>		<b>203 Child Care Development Block Grant</b>	<b>211 ESEA 1, A Improving Basic Program</b>	<b>224 IDEA - Part B Formula</b>	<b>225 IDEA - Part B Preschool</b>	<b>226 IDEA - Part B Discretionary</b>
	<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 57,177	\$ 4,675	\$ 12,000
1240	Due from other governments	-	359,903	82,786	-	8,846
1000	<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 359,903</u>	<u>\$ 139,963</u>	<u>\$ 4,675</u>	<u>\$ 20,846</u>
	<b>LIABILITIES</b>					
2110	Accounts payable	\$ -	\$ 47,364	\$ 18,446	\$ -	20,846
2160	Accrued wages payable	-	76,958	121,517	-	-
2170	Due to other funds	-	235,581	-	-	-
2180	Due to other governments	-	-	-	4,675	-
2300	Unearned revenues	-	-	-	-	-
2000	Total liabilities	-	359,903	139,963	4,675	20,846
	<b>FUND BALANCES</b>					
	Restricted					
3450	Federal or state funds grant restriction	-	-	-	-	-
	Committed					
3545	Other committed fund balance	-	-	-	-	-
3000	Total fund balances	-	-	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 359,903</u>	<u>\$ 139,963</u>	<u>\$ 4,675</u>	<u>\$ 20,846</u>

<b>240</b> <b>National</b> <b>Breakfast and</b> <b>Lunch Program</b>	<b>244</b> <b>Career and</b> <b>Technical -</b> <b>Basic Grant</b>	<b>255</b> <b>ESEA II, A</b> <b>Training and</b> <b>Recruiting</b>	<b>263</b> <b>Title III, A</b> <b>English Lang.</b> <b>Acquisition</b>	<b>269</b> <b>A2 &amp; E2</b>	<b>274</b> <b>GEAR UP</b>	<b>288</b> <b>Investing in</b> <b>Innovation</b> <b>Grant</b>
\$ 940,244	\$ -	\$ -	\$ -	\$ -	\$ 72,843	\$ -
-	-	64,262	23,302	548,222	-	-
<u>\$ 940,244</u>	<u>\$ -</u>	<u>\$ 64,262</u>	<u>\$ 23,302</u>	<u>\$ 548,222</u>	<u>\$ 72,843</u>	<u>\$ -</u>
\$ 35,273	\$ -	\$ 2,659	\$ 4,130	\$ 35,575	\$ 4,968	\$ -
8,694	-	-	-	30,282	15,575	-
-	-	61,603	19,172	482,365	-	-
-	-	-	-	-	-	-
-	-	-	-	-	52,300	-
<u>43,967</u>	<u>-</u>	<u>64,262</u>	<u>23,302</u>	<u>548,222</u>	<u>72,843</u>	<u>-</u>
896,277	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>896,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 940,244</u>	<u>\$ -</u>	<u>\$ 64,262</u>	<u>\$ 23,302</u>	<u>\$ 548,222</u>	<u>\$ 72,843</u>	<u>\$ -</u>

**DeSoto Independent School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds – Continued  
June 30, 2019

<b>Data Control Codes</b>		<b>289 Other Federal Grants</b>	<b>352 Title IV, B 21st Century</b>	<b>385 Visually Impaired SSVI</b>	<b>397 Teacher Training Reimbursement</b>	<b>410 State Textbook Fund</b>
	<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 4,532	\$ -	\$ 977	\$ 10,130	\$ 921,640
1240	Due from other governments	61,589	447,924	-	-	-
1000	<b>TOTAL ASSETS</b>	<b>\$ 66,121</b>	<b>\$ 447,924</b>	<b>\$ 977</b>	<b>\$ 10,130</b>	<b>\$ 921,640</b>
	<b>LIABILITIES</b>					
2110	Accounts payable	\$ 6,625	\$ 7,180	\$ -	\$ -	\$ 204,608
2160	Accrued wages payable	-	66,070	-	-	-
2170	Due to other funds	54,964	374,674	-	-	-
2180	Due to other governments	4,532	-	-	-	-
2300	Unearned revenues	-	-	977	7,850	519,836
2000	Total liabilities	66,121	447,924	977	7,850	724,444
	<b>FUND BALANCES</b>					
	Restricted					
3450	Federal or state funds grant restriction	-	-	-	2,280	197,196
	Committed					
3545	Other committed fund balance	-	-	-	-	-
3000	Total fund balances	-	-	-	2,280	197,196
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 66,121</b>	<b>\$ 447,924</b>	<b>\$ 977</b>	<b>\$ 10,130</b>	<b>\$ 921,640</b>

<b>429 Other State Special Revenue Funds</b>	<b>461 Campus Activity Funds</b>	<b>481 Meadows Foundation Grant</b>	<b>483 McCowan MS Grant</b>	<b>499 STEM Grant</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 39,202	\$ 382,478	\$ 5,077	\$ 3,324	\$ 13,635	\$ 2,467,934
-	-	-	-	-	1,596,834
<u>\$ 39,202</u>	<u>\$ 382,478</u>	<u>\$ 5,077</u>	<u>\$ 3,324</u>	<u>\$ 13,635</u>	<u>\$ 4,064,768</u>
\$ -	\$ 27,491	\$ -	\$ -	\$ -	\$ 415,165
-	-	-	-	-	319,096
-	21,532	-	-	-	1,249,891
-	-	-	-	-	9,207
39,202	-	5,077	3,324	13,635	642,201
39,202	49,023	5,077	3,324	13,635	2,635,560
-	-	-	-	-	1,095,753
-	333,455	-	-	-	333,455
-	333,455	-	-	-	1,429,208
<u>\$ 39,202</u>	<u>\$ 382,478</u>	<u>\$ 5,077</u>	<u>\$ 3,324</u>	<u>\$ 13,635</u>	<u>\$ 4,064,768</u>

# DeSoto Independent School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2019

Data Control Codes	203 Child Care Development Block Grant	211 ESEA 1, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES</b>					
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-	-
5900 Federal program revenues	120,894	1,477,224	1,707,775	4,294	20,846
5020 Total revenues	120,894	1,477,224	1,707,775	4,294	20,846
<b>EXPENDITURES</b>					
Current					
0011 Instruction	69,114	1,186,121	686,204	4,294	20,846
0012 Instructional resources and media service	32,963	-	-	-	-
0013 Curriculum and instructional staff development	18,645	162,489	50,723	-	-
0021 Instructional leadership	-	8,073	78,135	-	-
0023 School leadership	-	52,316	-	-	-
0031 Guidance, counseling and evaluation services	-	-	892,713	-	-
0032 Social work services	172	-	-	-	-
0034 Student (pupil) transportation	-	21,648	-	-	-
0035 Food services	-	-	-	-	-
0036 Extracurricular activities	-	-	-	-	-
0041 General administration	-	-	-	-	-
0051 Facilities maintenance and operations	-	-	-	-	-
0053 Data processing services	-	-	-	-	-
0061 Community services	-	46,577	-	-	-
Capital outlay					
0081 Facilities acquisition and construction	-	-	-	-	-
6030 Total expenditures	120,894	1,477,224	1,707,775	4,294	20,846
1200 Net change in fund balance	-	-	-	-	-
0100 Fund balance - beginning	-	-	-	-	-
4000 <b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>240</b> <b>National</b> <b>Breakfast and</b> <b>Lunch Program</b>	<b>244</b> <b>Career and</b> <b>Technical -</b> <b>Basic Grant</b>	<b>255</b> <b>ESEA II, A</b> <b>Training and</b> <b>Recruiting</b>	<b>263</b> <b>Title III, A</b> <b>English Lang.</b> <b>Acquisition</b>	<b>269</b> <b>A2 &amp; E2</b>	<b>274</b> <b>GEAR UP</b>	<b>288</b> <b>Investing in</b> <b>Innovation</b> <b>Grant</b>
\$ 1,004,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142,490	-	-	-	-	-	-
5,591,027	97,274	148,557	47,938	3,135,803	887,581	483,944
6,737,842	97,274	148,557	47,938	3,135,803	887,581	483,944
-	97,274	-	15,133	2,295,406	307,581	175,872
-	-	-	-	-	-	-
-	-	148,298	32,805	8,253	-	270
-	-	259	-	821,239	577,545	267,886
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,808,306	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6,300	-	-
-	-	-	-	-	-	-
-	-	-	-	4,605	-	-
-	-	-	-	-	2,455	39,916
-	-	-	-	-	-	-
6,808,306	97,274	148,557	47,938	3,135,803	887,581	483,944
(70,464)	-	-	-	-	-	-
966,741	-	-	-	-	-	-
\$ 896,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# DeSoto Independent School District

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2019

<b>Data Control Codes</b>		<b>289 Other Federal Grants</b>	<b>352 Title IV, B 21st Century</b>	<b>385 Visually Impaired SSVI</b>	<b>397 Teacher Training Reimbursement</b>	<b>410 State Textbook Fund</b>
<b>REVENUES</b>						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	749,237
5900	Federal program revenues	116,095	1,514,558	-	-	-
5020	Total revenues	116,095	1,514,558	-	-	749,237
<b>EXPENDITURES</b>						
Current						
0011	Instruction	30,506	-	-	-	552,041
0012	Instructional resources and media service	-	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-	-
0021	Instructional leadership	73,547	-	-	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling and evaluation services	12,042	-	-	-	-
0032	Social work services	-	-	-	-	-
0034	Student (pupil) transportation	-	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	-	1,514,558	-	-	-
Capital outlay						
0081	Facilities acquisition and construction	-	-	-	-	-
6030	Total expenditures	116,095	1,514,558	-	-	552,041
1200	Net change in fund balance	-	-	-	-	197,196
0100	Fund balance - beginning	-	-	-	2,280	-
4000	<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,280</b>	<b>\$ 197,196</b>

<b>429 Other State Special Revenue Funds</b>	<b>461 Campus Activity Funds</b>	<b>481 Meadows Foundation Grant</b>	<b>483 McCowan MS Grant</b>	<b>499 STEM Grant</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,772	\$ 651,119	\$ -	\$ -	\$ -	\$ 1,659,216
6,773	-	-	-	-	898,500
-	-	-	-	12,444	15,366,254
10,545	651,119	-	-	12,444	17,923,970
6,773	20,788	-	-	11,139	5,479,092
-	-	-	-	-	32,963
-	-	-	-	1,305	422,788
-	-	-	-	-	1,826,684
-	-	-	-	-	52,316
-	-	-	-	-	904,755
-	-	-	-	-	172
-	-	-	-	-	21,648
-	-	-	-	-	6,808,306
-	611,282	-	-	-	611,282
-	-	-	-	-	6,300
-	-	-	-	-	-
-	-	-	-	-	4,605
3,772	-	-	-	-	1,607,278
-	-	-	-	-	-
10,545	632,070	-	-	12,444	17,778,189
-	19,049	-	-	-	145,781
-	314,406	-	-	-	1,283,427
\$ -	\$ 333,455	\$ -	\$ -	\$ -	\$ 1,429,208

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## **Required T.E.A. Schedules**

**DeSoto Independent School District**

Schedule of Revenues, Expenditures and Changes in Fund Balance

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended June 30, 2019

<b>Last Ten Years</b>	<b>(1) (2) Tax Rates</b>		<b>(3) Assessed/ Appraised Value for School Tax Purposes Combined 2010 and prior</b>
	<b>Maintenance</b>	<b>Debt Service</b>	
2010 and prior years	Various	Various	2,105,349,551
2011	1.040000	0.450000	2,096,688,182
2012	1.040000	0.400000	2,066,718,966
2013	1.040000	0.400000	2,093,189,363
2014	1.040000	0.430000	2,216,234,188
2015	1.170000	0.290000	2,382,114,141
2016	1.170000	0.320000	2,541,291,208
2017	1.170000	0.320000	2,793,082,299
2018	1.170000	0.320000	3,155,093,553
2019	1.170000	0.320000	
<b>1000 TOTALS</b>			

**Exhibit J-1**

(10)	(20)	(31)	(32)	(40)	(50)
Beginning Balance July 1, 2018	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance June 30, 2019
\$ 285,458	\$ -	\$ 18,892	\$ 5,604	\$ (22,487)	\$ 238,475
48,581	-	2,608	1,129	(6,189)	38,655
52,784	-	3,179	1,223	(3,018)	45,364
76,493	-	5,495	2,113	(2,930)	65,955
91,425	-	26,348	11,401	25,014	78,690
125,270	-	37,727	15,599	35,128	107,072
155,139	-	54,596	13,532	34,796	121,807
246,625	-	37,081	9,191	(19,118)	181,235
604,341	-	149,342	40,846	(149,459)	264,694
-	45,139,476	34,668,352	9,481,942	(155,387)	833,795
<u>\$ 1,686,116</u>	<u>\$ 45,139,476</u>	<u>\$ 35,003,620</u>	<u>\$ 9,582,580</u>	<u>\$ (263,650)</u>	<u>\$ 1,975,742</u>

**DeSoto Independent School District****Exhibit J-2**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budgetary Comparison Schedule – Child Nutrition Program  
 For the Fiscal Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive of (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 958,525	\$ 920,510	\$ 1,004,325	\$ 83,815
5800	State program revenues	133,190	142,822	142,490	(332)
5900	Federal program revenues	5,293,035	5,614,750	5,591,027	(23,723)
5020	Total revenues	6,384,750	6,678,082	6,737,842	59,760
EXPENDITURES					
0035	Food services	6,627,282	7,037,651	6,808,306	229,345
6030	Total expenditures	6,627,282	7,037,651	6,808,306	229,345
1200	Net change in fund balance	(242,532)	(359,569)	(70,464)	289,105
0100	Fund balance - beginning	966,741	966,741	966,741	-
3000	FUND BALANCE - ENDING	\$ 724,209	\$ 607,172	\$ 896,277	\$ 289,105

# DeSoto Independent School District

# Exhibit J-3

## Schedule of Revenues, Expenditures, and Changes in Fund Balance Budgetary Comparison Schedule – Debt Service Fund For the Fiscal Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive of (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 9,942,961	\$ 9,793,236	\$ 9,780,156	\$ (13,080)
5800	State program revenues	2,506,592	2,766,079	2,565,642	(200,437)
5020	Total revenues	12,449,553	12,559,315	12,345,798	(213,517)
EXPENDITURES					
Debt service					
0071	Principal on long term debt	14,439,131	14,550,611	10,710,000	3,840,611
0072	Interest on long term debt	-	-	3,724,331	(3,724,331)
0073	Bond issuance cost and fees	-	-	88,448	(88,448)
6030	Total expenditures	14,439,131	14,550,611	14,522,779	27,832
1100	Excess (deficiency) of revenues over (under) expenditures	(1,989,578)	(1,991,296)	(2,176,981)	(185,685)
OTHER FINANCING SOURCES (USES)					
7901	Refunding bonds issued	-	2,690,000	2,690,000	-
7915	Transfers in	-	8,399,000	8,399,000	-
7916	Premium or discount on issuance of bonds	-	312,103	312,103	-
8949	Payment to escrow agent	-	(2,892,223)	(2,892,223)	-
7080	Total other financing sources (uses)	-	8,508,880	8,508,880	-
1200	Net change in fund balance	(1,989,578)	(1,991,296)	(2,176,981)	(185,685)
0100	Fund balance - beginning	3,981,151	3,981,151	3,981,151	-
3000	FUND BALANCE - ENDING	\$ 1,991,573	\$ 10,498,735	\$ 10,313,050	\$ (185,685)

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## **Federal Awards Section**

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

To the Board of Trustees  
DeSoto Independent School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeSoto Independent School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2019-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 matter that is required to be reported under *Government Auditing Standards*.

### **The District's Response to Findings**

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 13, 2019

**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
in Accordance with the Uniform Guidance**

To the Board of Trustees  
DeSoto Independent School District DeSoto, Texas

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

We have audited DeSoto Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and 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 the 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 (CFR) 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 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 District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control over Compliance**

Management of the 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 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 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 13, 2019

**DeSoto Independent School District**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

**Section 1. Summary of Auditor's Results**

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u>    X    </u> Yes	<u>          </u> None reported
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>    X    </u> No

**Federal and State Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<u>          </u> Yes	<u>    X    </u> None reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u>          </u> Yes	<u>    X    </u> No
--------------------------------------------------------------------------------------------------------	-----------------------	---------------------

Identification of major federal programs:  
84.027A - IDEA B  
10.553, 10.555 and 10.558 - Child Nutrition Cluster

Dollar threshold use to distinguish between Type A and Type B programs?	<u>\$750,000</u> – Federal
-------------------------------------------------------------------------	----------------------------

Auditee qualified as low-risk auditee?	<u>          </u> Yes	<u>    X    </u> No
----------------------------------------	-----------------------	---------------------

## **DeSoto Independent School District**

Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2019

### **Section 2. Financial Statement Findings**

#### **Finding 2019-001 – Significant Deficiency in Internal Control over Human Resources procedures – Change in employee status.**

*Criteria:* The human resources department enters all changes to employee status, such as change in employment status, change in pay rate and change in job position, in a timely and accurate manner.

*Condition:* Presently, controls over entering changes in employee status do not appear to be working as designed.

*Context:* We observed the following items when testing changes in employee status:

**1. Employee Termination.** During our walkthrough of controls over termination of employees, we noted one employee was terminated on March 8, 2019, but was not terminated in the District's accounting software until May 24, 2019.

**2. Employee Job Position Change.** During our testing of internal controls over payroll, we noted one employee changed from a high school position to a middle school position, which have different work-day totals. As a result, the employee was underpaid every pay period, however the amount owed to the employee was paid on the last paycheck of the school year from a compensating control from the District's accounting software.

*Effect or Potential Effect:* Without sufficient procedures over changes in employee status, errors are not detected timely, and the financial statements may be materially misstated.

*Cause:* The District's human resources office does not have sufficient controls in place over changes in employee status changes. The District had significant management turnover in the human resources office in fiscal year 2019.

*Recommendation:* Document the processes over changes in employee status change and implement a review process.

*View of Responsible Officials:* See corrective action plan prepared by the District.

### **Section 3. Federal Awards Findings**

None

## **DeSoto Independent School District**

Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2019

### **Section 4. Schedule of Prior Audit Findings and Questioned Costs**

#### **Finding 2018-001 – Material Weakness in Internal Control over Financial Reporting – Fiscal Year End Closing Procedures**

Condition: Presently, the CFO does not adequately review fiscal year end reconciliations, and there were several audit adjustments.

Corrective Action: The District's new Superintendent and interim CFO, both in place after fiscal year end, are working together to reorganize and properly staff the Business Office with qualified individuals that will have the depth of knowledge to remedy all of these findings and strongly concur with the audit recommendation.

Status: No issues noted in the current year audit.

#### **Finding 2018-002 – Significant Deficiency in Internal Control over Financial Reporting – Expense Reimbursement Process**

Condition: Expenses were reimbursed without proper documentation.

Corrective Action: All reimbursements will only occur after proper documentation has been submitted.

Status: No issues noted in the current year audit.

#### **Finding 2018-003 – Significant Deficiency in Internal Control over Financial Reporting – Attendance Reports did not have evidence of review or approval**

Condition: The approval process described above was eliminated in the current fiscal year.

Corrective Action Planned: The District started a review process that is evidenced by the supervisor signing off on the attendance report.

Status: No issues noted in the current year audit.

#### **Finding 2018-004 – Compliance Finding – Expenditures Exceeded Amended Budget**

Condition: Expenditures exceeded the final amended budget in four functions in the general fund and one function in the child nutrition fund.

Corrective Action Planned: The District began monitoring budgets and preparing monthly budget amendments for the Board of Trustees' approval to minimize any function being overspent at year end. The District has a very detailed purchasing procedures manual and has expressed the expectation to all budget managers that they will comply to encumbering funds by issuance of a purchase order when appropriate which ensures budgeted funds are available for their acquisition of supplies, materials, or services.

Status: No issues noted in the current year audit.

#### **Finding 2018-005 – Significant Deficiency in Internal Control over Compliance**

Condition: During our testing of suspension and debarment, we were unable to verify that the District checked for suspension and debarment.

## **DeSoto Independent School District**

### **Schedule of Findings and Questioned Costs – Continued For the Fiscal Year Ended June 30, 2019**

Corrective Action Planned: The District will comply with this requirement and check for and document all vendor searches to assure current approved vendors and potential new vendors have not been suspended or debarred.

Status: No issues noted in the current year audit.

#### **Corrective Action Plan (prepared by the District)**

##### **Finding 2019-001 – Significant Deficiency in Internal Control over Human Resources procedures – Change in employee status.**

Corrective Action Planned: Employees of the District who resign of their own accord are required to submit a letter of resignation to the school principal or human resources (HR) and upload their resignation into the Employee Self Service System. The termination process will allow termination/separation notification to HR and supervisor to prevent overpayment of wages not earned.

HR internal processing includes a termination checklist to ensure termination dates are in the system so there would not be additional wages paid. At the time of the error, there was one individual that processed terminations and separations were not required to go through the system. Since then we have had several employees trained to process terminations.

Anticipated completion date: Immediately

Auditee contact person: Chief of Human Resources

**DeSoto Independent School District**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2019

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct programs:			
Academies for Academic Enhancement and Excellence	84.165A	U165A170043	\$ 3,216,213
Gear Up	84.334S	P334A140055	887,581
Investing in Innovation Fund	84.411C	U411C150127	519,044
Total direct programs			4,622,838
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101057906	26,934
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057906	1,588,937
Total Title I, Part A			1,615,871
Special Education Cluster (IDEA):			
IDEA - Part B, Formula*	84.027A	186600010579066000	100,120
IDEA - Part B, Formula*	84.027A	196600010579066000	1,607,655
IDEA - Part B, Preschool*	84.173A	196610010579066000	4,527
IDEA - Part B, Discretionary*	84.027A	196600060579066000	23,632
Total Special Education Cluster (IDEA)			1,735,934
Career and Technical - Basic Grant	84.048A	19420006057906	108,238
Title III, Part A - Limited English Proficient	84.365A	18671001057906	4,800
Title III, Part A - English Language Acquisition	84.365A	19671001057906	46,127
Total Title III, Part A			50,927
21st Century	84.287	196950247110007	1,514,558
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	19694501057906	158,595
ESEA, Title IV, Part A	84.424A	18680101057906	21,783
Summer School LEP	84.369A	69551802	4,833
Workforce Innovation and Opportunity Act (WIOA) Cluster:			
2016-2018 Adult Program	17.258	173918017110010	93,102
Total WIOA Cluster			93,102
Total passed through State Department of Education			5,303,841
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>9,926,679</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through State Department of Education:			
Child Care and Development Block Grant Cluster:			
Child Care and Development Block Grant	93.575	173921017110012	138,512
Total passed through State Department of Education			138,512
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>138,512</b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**DeSoto Independent School District****Exhibit K-1**Schedule of Expenditures of Federal Awards – Continued  
For the Fiscal Year Ended June 30, 2019

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the State Department of Agriculture: National School Lunch Prog. - Non-Cash Assistance*	10.555	71301801	\$ 406,332
Passed through the Texas Department of Education: Child Nutrition Cluster:			
National School Breakfast Program*	10.553	71401801	1,304,931
National School Lunch Program - Cash Assistance*	10.555	71301801	3,240,656
Total Child Nutrition Cluster			4,951,919
Passed through the State Department of Agriculture: Child & Adult Care Food Program - Cash Assistance	10.558	CEID: 00277	639,108
Total passed through the State Department of Agriculture			5,591,027
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			5,591,027
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 15,656,218

\* Denotes major federal program

## DeSoto Independent School District

### Notes to the Schedule of Expenditures of Federal Awards

The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The District participates in numerous State and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

The following table reconciles total expenditures per the schedule of expenditures of federal awards (Exhibit K-1) to the federal program revenues per Exhibit C-3:

Total expenditures of federal awards per Exhibit K-1	\$	15,656,218
SHARS revenue		940,359
JROTC		296,312
		<hr/>
<b>Total federal programs revenue per Exhibit C-3</b>	<b>\$</b>	<b>16,892,889</b>
		<hr/> <hr/>

The District has elected not to use the 10% de minimis indirect cost rate.

**DeSoto Independent School District**  
Schedule of Required Responses to Selected  
School FIRST Indicators (Unaudited)  
For the Fiscal Year Ended June 30, 2019

**Exhibit L-1**

<b>Data Control Codes</b>		<b>Response</b>
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 on the financial statements as a whole?	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 government 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	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	\$ 68,592,047
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 30,689,299