

CALLEN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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CALALLEN INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2019

BOARD OF TRUSTEES

JASON FLOYD	PRESIDENT
LANA CARR	VICE-PRESIDENT
LORI JO WALKER	SECRETARY
BILL KELLY	TREASURER
ALLEN LIBBE	MEMBER
ROYCE CAMERON	MEMBER
HEATHER LUCKENBACH	MEMBER

OTHER OFFICIALS

ARTURO ALMENDAREZ, ED.D.	SUPERINTENDENT
KELSEY RAMOS	DIRECTOR OF FINANCE

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Net Position - Internal Service Fund.....	20	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	21	D-2
Statement of Cash Flows - Proprietary Funds.....	22	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	E-1
Notes to the Financial Statements	24	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	49	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System.....	51	G-2
Schedule of District's Contributions - Teacher Retirement System.....	52	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - TRS-Care OPEB Plan.....	53	G-4
Schedule of District's Contributions - TRS-Care OPEB Plan.....	54	G-5
Notes to Required Supplementary Information.....	55	

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	56	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	58	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	59	J-3
Debt Service Fund.....	60	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	63	
Schedule of Findings and Questioned Costs	65	
Summary Schedule of Prior Audit Findings.....	66	
Corrective Action Plan.....	67	
Schedule of Expenditures of Federal Awards	68	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	69	

Introductory Section

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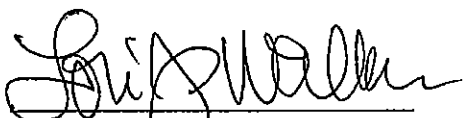
CERTIFICATE OF BOARD

Calallen Independent School District
Name of School District


Nueces
County

178-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) 7 approved Ø disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 9th day of December, 2019.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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

Independent Auditor's Report

To the Board of Trustees
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calallen Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of Calallen Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calallen Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
November 26, 2019

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Management's Discussion and Analysis

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**CALALLEN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2019
UNAUDITED**

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

FINANCIAL HIGHLIGHTS

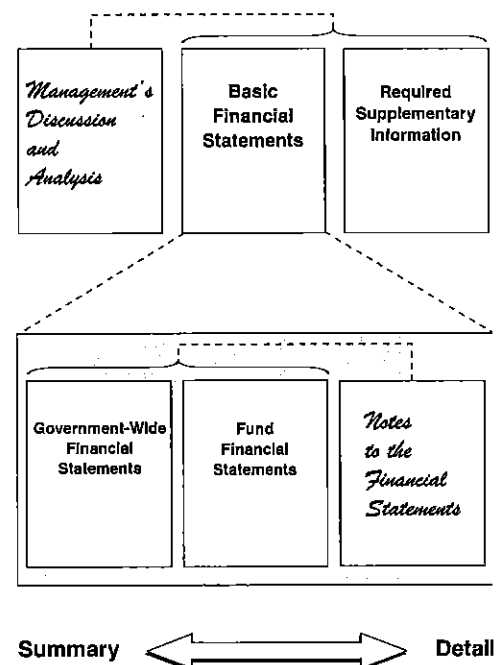
- The District's total combined net position was \$12,846,363 at August 31, 2019.
- During the year, the District's expenses were \$51,216,045 which was \$5,730,699 less than the \$56,946,744 generated in taxes, program revenues generated by charges for services, program revenues generated by operating grants and contributions, and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$17,819,524.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$12.8 million at August 31, 2019. (See Table A-1.)

Table A-1
Calallen Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Current Assets:			
Cash and Cash Equivalents	51.4	52.2	-1.5%
Property Taxes Receivable (Net)	0.8	0.6	33.3%
Due from Other Governments	2.1	2.0	5.0%
Other Assets	0.2	0.1	100.0%
Inventories, at Cost	0.2	0.2	0.0%
Total Current Assets	54.7	55.1	-0.7%
Noncurrent Assets:			
Land	1.2	1.2	0.0%
Buildings, Furniture, and Equipment, Net	58.4	59.9	-2.5%
Construction in Progress	9.6	1.8	433.3%
Total Noncurrent Assets	69.2	62.9	10.0%
Total Assets	123.9	118.0	5.0%
Deferred Outflows of Resources:			
Deferred Charge for Refundings	1.1	1.2	-8.3%
Deferred Outflow Related to Pensions	6.9	2.9	137.9%
Deferred Outflow Related to OPEB	1.6	0.3	433.3%
Total Deferred Outflows of Resources	9.6	4.4	118.2%
Current Liabilities:			
Accounts Payable	2.4	0.8	200.0%
Interest Payable	0.1	0.1	0.0%
Accrued Liabilities	1.9	1.8	5.6%
Due to Other Governments	0.1	0.7	-85.7%
Unearned Revenue	0.2	0.2	0.0%
Total Current Liabilities	4.7	3.6	30.6%
Long-Term Liabilities:			
Due within One Year	2.4	2.4	0.0%
Due in More Than One Year	75.6	78.0	-3.1%
Net Pension Liability	12.4	7.0	77.1%
Net OPEB Liability	18.8	16.4	14.6%
Total Liabilities	113.9	107.4	6.1%
Deferred Inflow of Resources:			
Deferred Inflow Related to Pensions	0.7	1.0	-30.0%
Deferred Inflow Related to OPEB	6.0	6.9	-13.0%
Total Deferred Inflow of Resources	6.7	7.9	-15.2%
Net Position:			
Net Investment in Capital Assets	22.0	20.0	10.0%
Restricted For:			
State and Federal Programs	0.2	0.2	0.0%
Debt Service	0.6	0.3	100.0%
Unrestricted	(10.0)	(13.4)	25.4%
Total Net Position	12.8	7.1	80.3%

The \$0.8 million of restricted net position is restricted for use in the other state and federal programs and debt service. The (\$10.0) million of unrestricted net position represents resources available to fund the programs of the District next year.

Revenue/Expense Analysis

The District's total revenues were \$56.9 million. A significant portion, 40.0%, of the District's revenue came from taxes. 31.5% of the revenue came from State aid not restricted to specific programs. 18.6% of the revenue came from operating grants and contributions that are tied to specific programs. Only 2.2% of the District's revenue came from charges for services. 3.1% of the District's revenue came from investment earnings and other miscellaneous revenues and 4.6% came from Chapter 313 payments.

The total cost of all programs and services was \$51.2 million; 53.3% of these costs were directly related to student instructional services.

Governmental Activities

- Property tax revenue increased due to an increase in property values.
- Investment earnings increased due to increased cash balances invested.

Table A-2
Changes in Calallen Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2019	2018*	2019-2018
Program Revenues:			
Charges for Services	1.3	1.3	0.0%
Operating Grants and Contributions	10.6	6.1	73.8%
General Revenues:			
Property Taxes	23.0	21.6	6.5%
State Aid – Formula	17.9	8.3	115.7%
Chapter 313 Payments	2.6	5.8	-55.2%
Other	1.5	0.8	87.5%
Total Revenues	56.9	43.9	29.6%
Expenses:			
Instruction	26.8	16.1	66.5%
Instructional Resources and Media Services	0.5	0.3	66.7%
Curriculum Dev. and Instructional Staff Dev.	0.8	0.5	60.0%
Instructional Leadership	0.9	0.5	80.0%
School Leadership	2.1	1.3	61.5%
Guidance, Counseling and Evaluation Services	2.1	1.3	61.5%
Health Services	0.5	0.3	66.7%
Student (Pupil) Transportation	1.4	0.9	55.6%
Food Services	2.6	2.0	30.0%
Curricular/Extracurricular Activities	1.7	1.2	41.7%
General Administration	1.4	1.0	40.0%
Plant Maintenance & Operations	6.1	4.6	32.8%
Security & Monitoring Services	0.2	0.2	0.0%
Data Processing Services	0.2	0.1	100.0%
Interest on Long-Term Debt	2.8	2.7	3.7%
Payment to Shared Services Arrangements	0.8	0.1	700.0%
Other Intergovernmental Charges	0.3	0.3	0.0%
Total Expenses	51.2	33.4	53.3%
Increase (Decrease) in Net Position	5.7	10.5	-45.7%

- The cost of all *governmental* activities this year was \$51.2 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$23.0 million.
- Some of the cost was paid by those who directly benefited from the programs \$1.3 million, or
- By grants and contributions \$10.6 million.

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

Table A-3
Net Cost of Selected Calallen Independent School District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2019	2018*	% Change	2019	2018*	% Change
Instruction	26.8	16.1	66.5%	21.1	12.6	67.5%
School Leadership	2.1	1.3	61.5%	1.7	1.1	54.5%
Guidance, Counseling, & Evaluation	2.1	1.3	61.5%	1.6	0.9	77.8%
Extracurricular Activities	1.7	1.2	41.7%	1.3	0.9	44.4%
General Administration	1.4	1.0	40.0%	1.2	0.9	33.3%
Plant Maintenance & Operations	6.1	4.6	32.6%	5.4	4.2	28.6%

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$55.5 million. The increase of \$4.2 from FY2018 is primarily attributable to an increase in tax and state revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Even with adjustments, actual expenditures were \$3,058,862 less than the final budget amounts in the General Fund. During the 2018-2019 year, the District saw savings for several reasons: constant monitoring of staff requirements and replacements, conservative use of substitutes, limits on overtime pay, monitoring of electricity usage, lower than expected insurance premiums, and technology procurements resulting in lower than budgeted prices.

Resources available were \$4,606,299 above the final budgeted amount in General Fund. This variance is attributed to using conservative estimates for forecasting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$112.9 million in a broad range of capital assets, including land, equipment, buildings, vehicles, and construction in progress. (See Table A-4.)

Table A-4
Calallen Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Land	1.2	1.2	0.0%
Buildings and improvements	94.2	93.8	0.4%
Vehicles	3.4	3.3	3.0%
Equipment	4.2	4.2	0.0%
Intangibles	0.3	0.3	0.0%
Construction in progress	9.6	1.8	433.3%
Totals at historical cost	112.9	104.6	7.9%
Total accumulated depreciation	43.7	41.7	4.8%
Net capital assets	69.2	62.9	10.0%

Long-Term Obligations

At year-end the District had \$78.1 million in bonds outstanding as shown in Table A-5. The District's bonds presently carry an enhanced rating of "Aaa" and an underlying rating of "A1" from Moody's Investor Services. More detailed information about the District's obligations is presented in the notes to the financial statements.

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

Table A-5
Calallen Independent School District's Long-Term Obligations
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Bonds payable	78.1	80.4	-2.9%
Net pension liability	12.4	7.0	77.1%
Net OPEB Liability	18.8	16.4	14.6%
Total Long-Term Obligations	109.3	103.8	5.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As is the case in most of Texas, the local economy remains strong. The area's strengths are tied to the port, pipeline activity, refining industry, and agriculture. Our local District's property values continue to increase, and in 2019 property value growth increased 7% over 2018. The District is now partnered with three entities through Chapter 313 Value Limitation Agreements. One was signed just this past year and two others have been in existence since 2013. These agreements continue to provide a significant positive financial impact on the District.

House Bill 3 (HB3) passed by the 86th Legislature in 2019 was a historic comprehensive reform of the Texas School Finance System. HB3 deals with many aspects of public education in Texas, including but not limited to Teacher Salaries, Pre-K funding, Compensatory Education, and Transportation. Some of the major items from HB3 influencing the 2019/2020 budget process and future years' budget processes for the District were:

- Basic Allotment Increase: The Basic Allotment was increased from \$5,705 to \$6,160 for the District. The result is an 18% estimated increase in State Foundation School Program revenue, for a total of \$19,160,000 for 2019/2020. The State is now responsible for 52% of the District's General Operating Revenue; whereas, in previous years the State contributed around 46%.
- Tier One Tax Rate Compression: The District's tax rate for 2019-2020 was compressed by 93.50% from the previous year's rate of \$1.403 to a total of \$1.3113. The 93% M&O tax rate compression mandated by HB3 decreased the M&O tax rate from 1.17 to 1.0683. The I&S increase was approved by the voters through the \$39.5 million in bonds approved in November 2017 and will allow the District to issue an advanced refunding on callable bonds in August 2020. The estimated refunding redemption value is \$775,000, with a savings on future interest of \$744,000. We are able to issue the refunding due to an increase in values, based in large part on our Chapter 313 entities' values.
- Full-Time Employee Compensation Increases: The 2019-2020 budget was heavily driven by requirements of House Bill 3 which required 30% of the increase in funding to go towards compensation increases for employees other than administrators. Specifically, classroom teachers, registered nurses, counselors and librarians were to receive an increase funded with 75% of the 30% of the increase in funding. Under this guidance, the District provided 3.4% raises for classroom teachers, registered nurses, counselors, and librarians, which ranged from \$1,100 to \$1,500 based on years of experience. All other full-time staff received \$0.75/hour increase with a cap at \$1,294. The District also increased their contribution per month towards an employee's health insurance from \$350 to \$375 to minimize the effects of increased premiums.

Furthermore, the 86th Legislature passed Senate Bill 500, which among many purposes, set aside a \$475 million appropriation for property value declines as a direct result of Hurricane Harvey which hit the area in August 2017. The District received a one-time appropriation of \$3,479,330 in August 2019, which has been assigned within the General Operating Fund Balance for construction and repairs to Magee Elementary School.

Student growth has been fairly flat; however, the District's two primary campuses (housing Pre-K to 3rd grade) have reached and/or exceeded optimum capacity, resulting in turning away transfer students and limiting the ability to offer full-day Pre-K. To ease this overcrowding and to do other upgrades, the District held a successful bond election November 2017 for \$39.5 million in debt and sold bonds in February 2018. Plans for the bond proceeds include a new intermediate campus, a science wing and additional vocational facilities for Calallen High School, and several other smaller facility projects. In 2018-19, Calallen ISD broke ground on the new West Intermediate campus, as well as the Calallen High School Science Wing expansion. Currently the projects have an estimated completion date of August 2020 and December 2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Director of Finance, Calallen ISD, 4205 Wildcat Drive, Corpus Christi, TX 78410.

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Basic Financial Statements

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

Data Control Codes		1	
		Governmental Activities	
ASSETS:			
1110	Cash and Cash Equivalents	\$	51,428,269
1225	Property Taxes Receivable (Net)		768,373
1240	Due from Other Governments		2,146,929
1290	Other Receivables (Net)		10,326
1300	Inventories		200,259
1410	Unrealized Expenses		77,145
Capital Assets:			
1510	Land		1,237,075
1520	Buildings and Improvements, Net		56,258,015
1530	Furniture and Equipment, Net		1,971,635
1560	Library Books and Media, Net		154,357
1580	Construction in Progress		9,593,092
1000	Total Assets		<u>123,845,475</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701	Deferred Charge for Refunding		1,104,325
1705	Deferred Outflow Related to Pensions		6,891,625
1706	Deferred Outflow Related to OPEB		1,575,538
1700	Total Deferred Outflows of Resources		<u>9,571,488</u>
LIABILITIES:			
2110	Accounts Payable		2,348,106
2140	Interest Payable		126,590
2165	Accrued Liabilities		1,915,036
2180	Due to Other Governments		119,531
2300	Unearned Revenue		147,887
Noncurrent Liabilities:			
2501	Due Within One Year		2,431,260
2502	Due in More Than One Year		75,625,454
2540	Net Pension Liability		12,411,766
2545	Net OPEB Liability		18,794,706
2000	Total Liabilities		<u>113,920,336</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflow Related to Pensions		691,350
2606	Deferred Inflow Related to OPEB		5,958,914
2600	Total Deferred Inflows of Resources		<u>6,650,264</u>
NET POSITION:			
3200	Net Investment in Capital Assets		22,022,965
Restricted For:			
3820	State and Federal Programs		211,386
3850	Debt Service		561,569
3900	Unrestricted		(9,949,557)
3000	Total Net Position	\$	<u>12,846,363</u>

The accompanying notes are an integral part of this statement.

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CALLEN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 26,767,242	\$ 251,270	\$ 5,457,722	\$ (21,058,250)
12	Instructional Resources and Media Services	511,601	--	73,961	(437,640)
13	Curriculum and Staff Development	783,543	--	269,465	(514,078)
21	Instructional Leadership	873,621	--	139,145	(734,476)
23	School Leadership	2,058,754	--	311,644	(1,747,110)
31	Guidance, Counseling, & Evaluation Services	2,143,914	--	504,274	(1,639,640)
32	Social Work Services	54,674	--	9,125	(45,549)
33	Health Services	522,068	--	79,360	(442,708)
34	Student Transportation	1,416,911	--	195,231	(1,221,680)
35	Food Service	2,629,803	784,573	1,444,834	(400,396)
36	Cocurricular/Extracurricular Activities	1,683,863	209,676	222,126	(1,252,061)
41	General Administration	1,387,470	--	199,092	(1,188,378)
51	Facilities Maintenance and Operations	6,145,975	235	788,544	(5,357,196)
52	Security and Monitoring Services	201,386	135	21,801	(179,450)
53	Data Processing Services	184,801	--	63,483	(121,318)
72	Interest on Long-term Debt	2,774,900	--	55,630	(2,719,270)
73	Bond Issuance Costs and Fees	4,250	--	--	(4,250)
81	Capital Outlay	--	--	--	--
93	Payments Related to Shared Services Arrangements	780,727	--	780,727	--
95	Payments to Juvenile Justice Alternative Ed. Programs	34,970	--	3,708	(31,262)
99	Other Intergovernmental Charges	255,573	--	--	(255,573)
TG	Total Governmental Activities	51,216,045	1,245,889	10,619,872	(39,350,284)
TP	Total Primary Government	\$ 51,216,045	\$ 1,245,889	\$ 10,619,872	(39,350,284)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				18,113,333
DT	Property Taxes, Levied for Debt Service				4,929,566
IE	Investment Earnings				1,346,841
GC	Grants and Contributions Not Restricted to Specific Programs				17,921,333
	Chapter 313 Payments				2,559,314
MI	Miscellaneous				210,596
TR	Total General Revenues				45,080,983
CN	Change in Net Position				5,730,699
NB	Net Position - Beginning				7,115,664
NE	Net Position - Ending				\$ 12,846,363

The accompanying notes are an integral part of this statement.

CALLEN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10 General Fund	60 Capital Projects 2018 Bond
ASSETS:		
1110 Cash and Cash Equivalents	\$ 17,871,617	\$ 31,233,191
1225 Taxes Receivable, Net	647,709	--
1240 Due from Other Governments	1,529,233	--
1290 Other Receivables	3,386	--
1300 Inventories	113,473	--
1410 Unrealized Expenditures	77,145	--
1000 Total Assets	<u>20,242,563</u>	<u>31,233,191</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 91,619	\$ 1,472,012
2160 Accrued Wages Payable	1,629,883	--
2180 Due to Other Governments	--	--
2300 Unearned Revenue	53,828	--
2000 Total Liabilities	<u>1,775,330</u>	<u>1,472,012</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 Unavailable Revenue - Property Taxes	647,709	--
2600 Total Deferred Inflows of Resources	<u>647,709</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	113,473	--
3430 Prepaid Items	77,145	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	29,761,179
Assigned Fund Balances:		
3590 Other Assigned Fund Balance	7,000,000	--
3600 Unassigned	10,628,906	--
3000 Total Fund Balances	<u>17,819,524</u>	<u>29,761,179</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 20,242,563</u>	<u>\$ 31,233,191</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Magee Elem Repair Project	Other Governmental Funds	98 Total Governmental Funds
\$ 681,821	\$ 635,685	\$ 50,422,314
--	120,664	768,373
--	617,696	2,146,929
--	6,940	10,326
--	86,786	200,259
--	--	77,145
<u>681,821</u>	<u>1,467,771</u>	<u>53,625,346</u>
 \$ 681,821	 \$ 102,654	 \$ 2,348,106
--	79,309	1,709,192
--	119,531	119,531
--	94,059	147,887
<u>681,821</u>	<u>395,553</u>	<u>4,324,716</u>
 --	 120,664	 768,373
<u>--</u>	<u>120,664</u>	<u>768,373</u>
 --	 86,786	 200,259
--	--	77,145
--	124,600	124,600
--	567,495	567,495
--	--	29,761,179
--	172,673	7,172,673
--	--	10,628,906
<u>--</u>	<u>951,554</u>	<u>48,532,257</u>
 \$ <u>681,821</u>	 \$ <u>1,467,771</u>	 \$ <u>53,625,346</u>

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

Total fund balances - governmental funds balance sheet	\$ 48,532,257
--	---------------

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	69,214,174
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	768,373
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	800,111
Payables for bond principal which are not due in the current period are not reported in the funds.	(71,190,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(126,590)
Premium on issuance of bonds to be amortized over life of debt.	(6,866,714)
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	1,104,325
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,411,766)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(691,350)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	6,891,625
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(18,794,706)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(5,958,914)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,575,538</u>

Net position of governmental activities - Statement of Net Position	\$ <u>12,846,363</u>
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The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects 2018 Bond
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 21,388,132	\$ 852,281
5800 <i>State Program Revenues</i>	22,011,158	--
5900 <i>Federal Program Revenues</i>	555,998	--
5020 <i>Total Revenues</i>	<u>43,955,288</u>	<u>852,281</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	21,712,881	118,109
0012 <i>Instructional Resources and Media Services</i>	442,599	--
0013 <i>Curriculum and Staff Development</i>	436,585	--
0021 <i>Instructional Leadership</i>	812,531	--
0023 <i>School Leadership</i>	1,786,955	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,688,027	--
0032 <i>Social Work Services</i>	51,082	--
0033 <i>Health Services</i>	456,617	--
0034 <i>Student Transportation</i>	1,631,883	--
0035 <i>Food Service</i>	19,692	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,525,256	--
0041 <i>General Administration</i>	1,316,959	--
0051 <i>Facilities Maintenance and Operations</i>	5,531,137	2,242,253
0052 <i>Security and Monitoring Services</i>	198,275	--
0053 <i>Data Processing Services</i>	157,387	--
0071 <i>Principal on Long-term Debt</i>	310,000	--
0072 <i>Interest on Long-term Debt</i>	25,500	--
0073 <i>Bond Issuance Costs and Fees</i>	--	--
0081 <i>Capital Outlay</i>	--	5,045,120
0093 <i>Payments to Shared Service Arrangements</i>	--	--
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--
0095 <i>Education Programs</i>	34,970	--
0099 <i>Other Intergovernmental Charges</i>	255,573	--
6030 <i>Total Expenditures</i>	<u>38,393,909</u>	<u>7,405,482</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>5,561,379</u>	<u>(6,553,201)</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
8911 <i>Transfers Out</i>	(960,616)	--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(960,616)</u>	<u>--</u>
1200 <i>Net Change in Fund Balances</i>	4,600,763	(6,553,201)
0100 <i>Fund Balances - Beginning</i>	13,218,761	36,314,380
3000 <i>Fund Balances - Ending</i>	<u>\$ 17,819,524</u>	<u>\$ 29,761,179</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Magee Elem Repair Project	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 6,085,831	\$ 28,326,244
--	1,561,902	23,573,060
--	3,036,374	3,592,372
--	10,684,107	55,491,676
--	2,079,067	23,910,057
--	--	442,599
--	296,028	732,613
--	9,259	821,790
--	9,848	1,796,803
--	217,200	1,905,227
--	--	51,082
--	750	457,367
--	--	1,631,883
--	2,331,515	2,351,207
--	13,074	1,538,330
--	--	1,316,959
960,616	1,041	8,735,047
--	135	198,410
--	21,940	179,327
--	1,660,000	1,970,000
--	3,036,788	3,062,288
--	4,250	4,250
--	--	5,045,120
--	780,727	780,727
--	--	34,970
--	--	255,573
960,616	10,461,622	57,221,629
(960,616)	222,485	(1,729,953)
960,616	--	960,616
--	--	(960,616)
960,616	--	--
--	222,485	(1,729,953)
--	729,069	50,262,210
\$ --	\$ 951,554	\$ 48,532,257

CALALLEN INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (1,729,953)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,882,211
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,562,341)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	138,539
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,970,000
(Increase) decrease in accrued interest from beginning of period to end of period.	1,754
The net revenue (expense) of internal service funds is reported with governmental activities.	47,322
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	285,634
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(1,097,238)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(205,229)
Change in net position of governmental activities - Statement of Activities	\$ <u>5,730,699</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 1,005,955
	Total Current Assets	1,005,955
1000	Total Assets	1,005,955
LIABILITIES:		
Current Liabilities:		
2200	Accrued Expenses	\$ 205,844
	Total Current Liabilities	205,844
2000	Total Liabilities	205,844
NET POSITION:		
3900	Unrestricted	800,111
3000	Total Net Position	\$ 800,111

The accompanying notes are an integral part of this statement.

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

ON THE BALANCE SHEET AS OF 6/30/2019

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$ 265,500
5020	Total Revenues	265,500
OPERATING EXPENSES:		
6400	Other Operating Costs	233,780
6030	Total Expenses	233,780
	Operating Income (Loss)	31,720
NON-OPERATING REVENUES (EXPENSES):		
7955	Earnings from Temp. Deposits and Investments	15,602
8030	Total Non-operating Revenues (Expenses)	15,602
1300	Change in Net Position	47,322
0100	Total Net Position - Beginning	752,789
3300	Total Net Position - Ending	\$ 800,111

The accompanying notes are an integral part of this statement.

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

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ 266,690
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(207,886)
Net Cash Provided (Used) by Operating Activities	<u>58,804</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	15,602
Net Cash Provided (Used) for Investing Activities	<u>15,602</u>
Net Increase (Decrease) in Cash and Cash Equivalents	74,406
Cash and Cash Equivalents at Beginning of Year	931,549
Cash and Cash Equivalents at End of Year	<u>\$ 1,005,955</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 31,720
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
Changes in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	1,190
<i>Increase (Decrease) in Accounts Payable</i>	--
<i>Increase (Decrease) in Interfund Payable</i>	--
<i>Increase (Decrease) in Accrued Expenses</i>	25,894
<i>Increase (Decrease) in Unearned Revenue</i>	--
<i>Total Adjustments</i>	<u>27,084</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 58,804</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	Agency Funds
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 551,458
1260 <i>Due from Other Funds</i>	92,842
1000 Total Assets	<u>644,300</u>
LIABILITIES:	
Current Liabilities:	
2170 <i>Due to Other Funds</i>	\$ 92,842
2190 <i>Due to Student Groups</i>	551,458
2000 Total Liabilities	<u>644,300</u>
NET POSITION:	
3000 Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Capital Projects 2018 Bond: This fund is used to account for construction activities related to the voter approved 2018 bond election.

CALALLEN INDEPENDENT SCHOOL DISTRICT

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

Magee Elementary Repair Project: This fund is used to account for construction activities related to repairs at Magee Elementary.

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in

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

which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building Improvements	20-50
Equipment	5-10
Furniture	10
Data Processing	5
Vehicles	10
Audio Visual	5

e. Deferred Outflows and Inflows of Resources

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

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

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

f. Receivable and Payable Balances

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

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

4. Pensions

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

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

Net Pension Asset	\$	--
Net Pension Liability	\$	12,411,766

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

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

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

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

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

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

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An

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

ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

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

C. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas 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.

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

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 2,583,177 and the bank balance was 3,363,393. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's

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

name.

2. Investments:

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

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 28,104,800	\$ 28,104,800	\$ --	\$ --
Investment in Lone Star Pool	21,291,750	21,291,750	--	--
Total Fair Value	<u>\$ 49,396,550</u>	<u>\$ 49,396,550</u>	<u>\$ --</u>	<u>\$ --</u>

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pools such as TexPool and Lone Star Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by FIRST Public. The fair value of the funds in Lone Star is also the same as the value of Lone Star shares.

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

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

CALLEN INDEPENDENT SCHOOL DISTRICT

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,237,075	\$ --	\$ --	\$ 1,237,075
Construction in progress	1,826,454	8,366,098	599,460	9,593,092
Total capital assets not being depreciated	3,063,529	8,366,098	599,460	10,830,167
<i>Capital assets being depreciated:</i>				
Buildings and improvements	93,733,142	599,460	139,389	94,193,213
Equipment	4,119,609	59,260	--	4,178,869
Vehicles	3,340,286	456,853	413,474	3,383,665
Intangibles	332,134	--	--	332,134
Total capital assets being depreciated	101,525,171	1,115,573	552,863	102,087,881
Less accumulated depreciation for:				
Buildings and improvements	(35,849,809)	(2,224,778)	(139,389)	(37,935,198)
Equipment	(3,299,203)	(166,473)	--	(3,465,676)
Vehicles	(2,385,024)	(153,672)	(413,474)	(2,125,222)
Intangibles	(160,359)	(17,418)	--	(177,777)
Total accumulated depreciation	(41,694,395)	(2,562,341)	(552,863)	(43,703,873)
Total capital assets being depreciated, net	59,830,776	(1,446,768)	--	58,384,008
Governmental activities capital assets, net	\$ 62,894,305	\$ 6,919,330	\$ 599,460	\$ 69,214,175

Depreciation was charged to functions as follows:

Instruction	\$ 1,374,389
Instructional Resources and Media Services	39,676
Curriculum and Staff Development	21,157
Instructional Leadership	7,925
School Leadership	123,288
Guidance, Counseling, & Evaluation Services	91,379
Health Services	33,064
Student Transportation	141,406
Food Services	188,129
Extracurricular Activities	68,653
General Administration	10,880
Plant Maintenance and Operations	461,402
Data Processing Services	993
	\$ 2,562,341

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

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
Agency Fund	Agency Fund	\$ 92,842	Investment for benefit of students
	Total	<u>\$ 92,842</u>	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 960,616	Capital project expenditures
	Total	<u>\$ 960,616</u>	

F. Long-Term Obligations

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/18	Issued	Retired	Amounts Outstanding 8/31/19	Amounts Due Within One Year
Unlimited Tax Refunding Bond Series 2010	1.35% to 3.00%	3,549,995	270,000	--	270,000	--	--
Maintenance Tax Notes Series, 2013	1.00% to 2.00%	3,050,000	1,275,000	--	310,000	965,000	315,000
Unlimited Tax Refunding Bond Series 2015	2.00% to 4.00%	8,540,000	8,420,000	--	--	8,420,000	--
Unlimited Tax Refunding Bond Series 2016	2.00% to 4.00%	8,720,000	8,450,000	--	--	8,450,000	--
Unlimited Tax Refunding Bond Series 2017	2.00% to 4.00%	8,920,000	8,850,000	--	--	8,850,000	--
Unlimited Tax School Building Bonds Series 2018	2.00% to 5.00%	36,935,000	36,935,000	--	515,000	36,420,000	545,000

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

Unlimited Tax

Refunding Bond 2.00% to Series 2018-A 4.00%	9,000,000	8,960,000	--	875,000	8,085,000	1,180,000
		<u>73,160,000</u>	<u>--</u>	<u>1,970,000</u>	<u>71,190,000</u>	<u>2,040,000</u>
Bond Premium		7,257,974	--	391,260	6,866,714	391,260
Net Pension Liability		6,971,863	6,199,537	759,634	12,411,766	--
Net OPEB Liability		16,380,705	2,673,673	259,672	18,794,706	--
Total governmental activities		<u>\$ 103,770,542</u>	<u>\$ 8,873,210</u>	<u>\$ 3,380,566</u>	<u>\$ 109,263,186</u>	<u>\$ 2,431,260</u>

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Maintenance Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,725,000	\$ 2,984,338	\$ 4,709,338	\$ 315,000	\$ 19,300	\$ 334,300
2021	1,805,000	2,913,737	4,718,737	320,000	13,000	333,000
2022	1,900,000	2,830,137	4,730,137	330,000	6,600	336,600
2023	2,010,000	2,732,388	4,742,388	--	--	--
2024	2,065,000	2,645,313	4,710,313	--	--	--
2025-2029	11,305,000	11,871,187	23,176,187	--	--	--
2030-2034	13,810,000	9,279,072	23,089,072	--	--	--
2035-2039	15,005,000	6,218,819	21,223,819	--	--	--
2040-2044	10,380,000	3,366,968	13,746,968	--	--	--
2045-2048	10,220,000	775,247	10,995,247	--	--	--
Totals	<u>\$ 70,225,000</u>	<u>\$ 45,617,206</u>	<u>\$ 115,842,206</u>	<u>\$ 965,000</u>	<u>\$ 38,900</u>	<u>\$ 1,003,900</u>

General obligation bonds are paid by the Debt Service Fund with the support of the General Fund. Maintenance Tax Notes are paid by the General Fund.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

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

Calallen Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events 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 Calallen Independent School District.

G. Risk Management

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

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

Unemployment Compensation

During the year ended August 31, 2019, Calallen ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Worker's Compensation

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2018 and ended September 1, 2019. The District's maximum financial exposure for the plan year is \$352,032. Any costs above \$352,032 or the 2018-2019 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$100,000.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$9,269,262. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$800,111 at 8/31/19 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of \$205,844 reported in the fund at 8/31/19, is based on the information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Year Ended 08/31/19	Year Ended 08/31/18
Unpaid claims, beginning of year	\$ 179,950	\$ 218,243
Current year claims and changes in estimate	103,872	(22,775)
Claim payments	(77,978)	(15,518)
Unpaid claims, end of year	<u>\$ 205,844</u>	<u>\$ 179,950</u>

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal

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

Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

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

Contribution Rates

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

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

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

District's 2019 Employer Contributions	\$	782,149
District's 2019 Member Contributions	\$	2,067,956
2018 NECE On-Behalf Contributions (state)	\$	1,398,405

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

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

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

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

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

5. Actuarial Assumptions

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

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

CALLEN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

6. Discount Rate

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

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

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

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 18,732,331	\$ 12,411,766	\$ 7,294,894

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

At August 31, 2019, the District reported a liability of \$12,411,766 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	\$ 12,411,766
State's proportionate share that is associated with District	<u>22,862,974</u>
Total	<u>\$ 35,274,740</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0225495%. which was an increase (decrease) of 0.0007451% 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.

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$4,142,212 and revenue of \$2,262,825 for support provided by the State.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 77,365	\$ 304,536
Changes in actuarial assumptions	4,475,039	139,845
Difference between projected and actual investment earnings	--	235,504
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,557,072	11,465
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	782,149	--
Total	<u>\$ 6,891,625</u>	<u>\$ 691,350</u>

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

Year Ended August 31	Pension Expense Amount
2020	\$ 1,447,269
2021	\$ 951,669
2022	\$ 807,668
2023	\$ 866,886
2024	\$ 828,509
Thereafter	\$ 516,125

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by

CALALLEN INDEPENDENT SCHOOL DISTRICT

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

writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

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

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

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

* or surviving spouse

4. Contributions

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

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

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

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

District's 2019 Employer Contributions	\$ 261,189
District's 2019 Member Contributions	\$ 174,567
2018 NECE On-Behalf Contributions (state)	\$ 312,414

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

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

5. Actuarial Assumptions

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

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

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

*** Includes inflation at 2.5%.

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 22,372,157	\$ 18,794,706	\$ 15,964,711

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

At August 31, 2019, the District reported a liability of \$18,794,706 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 18,794,706
State's proportionate share that is associated with the District	\$ 22,644,339
Total	\$ 41,439,045

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

At August 31, 2018 the District's proportion of the collective net OPEB liability was 0.037641% which was an increase (decrease) of -0.000027% from its proportion measured as of August 31, 2017.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 15,609,309	\$ 18,794,706	\$ 22,989,942

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

9. Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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

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

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

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

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

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

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years

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

of age, rather than waiting for the next enrollment period.

- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,290,083 and revenue of \$823,665 for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 997,365	\$ 296,608
Changes in actuarial assumptions	313,633	5,646,731
Differences between projected and actual investment earnings	3,287	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	64	15,575
Contributions paid to TRS subsequent to the measurement date	261,189	--
Total	\$ 1,575,538	\$ 5,958,914

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

Year ended August 31,	Amount
2020	\$ (741,643)
2021	\$ (741,643)
2022	\$ (741,643)
2023	\$ (742,264)
2024	\$ (742,620)
Thereafter	\$ (934,753)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$101,590.

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$175 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting

CALLEN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

L. Shared Services Arrangements

The District receives Service to Students with Dyslexia funds from TEA and serves as SSA fiscal agent for the school districts listed below. The District has accounted for these funds using Model 1, in the SSA section of the Resource Guide. Expenditure of the SSA are summarized below.

Member Districts	Service to Students with Dyslexia Fund No. 459
Calallen ISD	\$ 481,751
Odem-Edroy ISD	298,976
Total	\$ 780,727

M. Due From Other Governments

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

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 1,529,233	\$ --	\$ --	\$ 1,529,233
Other Governmental	325,099	292,247	350	617,696
Total	\$ 1,854,332	\$ 292,247	\$ 350	\$ 2,146,929

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

N. Unearned Revenue

Unearned revenue at year end consisted of the following:

Revenue Description	General Fund	Other Governmental Funds	Unearned Amount
Grant Programs	\$ --	\$ 94,059	\$ 94,059
Other	53,828	--	53,828
Total Unearned Revenue	<u>\$ 53,828</u>	<u>\$ 94,059</u>	<u>\$ 147,887</u>

O. Fund Balances

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

General Fund

Nonspendable:	
Inventories	\$ 113,473
Prepaid Items	77,145
	<u>190,618</u>

Assigned	
Retirement of Long Term Debt	<u>7,000,000</u>

Unassigned:	<u>10,628,906</u>
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Total General Fund fund balance	<u>17,819,524</u>
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Capital Projects Fund

Restricted:	
Restricted for Capital Acquisition	<u>29,761,179</u>

Total Capital Projects Fund fund balance	<u>29,761,179</u>
--	-------------------

Other Governmental Funds

Nonspendable:	
Inventories	<u>86,786</u>

Restricted:	
Child Nutrition	124,600
Retirement of Long-Term Debt	567,495
	<u>692,095</u>

Assigned:	
Campus Activity Funds	<u>172,673</u>

Total Other Governmental Fund fund balance	<u>951,554</u>
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Total Governmental fund balance	<u>\$ 48,532,257</u>
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CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

P. Tax Abatements

The Calallen ISD Board of Trustees has approved agreements with various companies for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

	< A >	< B >	< C >	< D >	< E >	< F >	< G >
	Project	Project's	Amount of	Amount of	Company	Company	Net Benefit
	Value	Value	Applicant's	Applicant's	Revenue Loss	Supplemental	(Loss) to the
Project	2018	Limitation	M&O Taxes	M&O Taxes	Payment to	Payment to	School District
		Amount	Paid 2018	Reduced 2018	School District	School District	2018
		2018			2018	2018	(C+E+F)
1.	\$108,863,910	\$20,000,000	\$88,138	\$1,185,570	\$238,373	\$371,679	\$698,189
2.	\$498,920,600	\$20,000,000	\$209,910	\$5,627,461	\$4,119	\$1,945,143	\$2,159,172

Project Description

1. TexStar Midstream Services, LP (Application #341)
First Year Value Limitation: 2016
2. Equistar Chemicals, LP (Application #305)
First Year Value Limitation: 2016

CALLEN INDEPENDENT SCHOOL DISTRICT

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

Q. Construction Commitments

The District has several construction projects in various stages of development:

- * Repairs to Magee Elementary
- * Construction of new campus: West Intermediate
- * District-wide expansion and renovation on various campuses
- * Districtwide technology and safety upgrades
- * ADA upgrades
- * Various Athletic complex renovations

Each of these projects are part of voter approved Bond Issues, with the exception of repairs to Magee Elementary which are part of the District's general operations. All projects are being managed by the District's administrative staff with support from architects, construction managers, legal counsel, and other related service providers. The School Board is providing the oversight required by law and board policy. Any additional information may be requested from the Office of the Director of Finance at (361) 242-5600.

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Required Supplementary Information

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

CALLEN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 20,553,000	\$ 21,178,000	\$ 21,388,132	\$ 210,132
5800	State Program Revenues	17,420,989	17,820,989	22,011,158	4,190,169
5900	Federal Program Revenues	350,000	350,000	555,998	205,998
5020	Total Revenues	38,323,989	39,348,989	43,955,288	4,606,299
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	22,465,234	22,565,234	21,712,881	852,353
0012	Instructional Resources and Media Services	477,375	527,375	442,599	84,776
0013	Curriculum and Staff Development	503,696	503,696	436,585	67,111
	Total Instruction & Instr. Related Services	23,446,305	23,596,305	22,592,065	1,004,240
Instructional and School Leadership:					
0021	Instructional Leadership	871,488	921,488	812,531	108,957
0023	School Leadership	1,888,373	1,938,373	1,786,955	151,418
	Total Instructional & School Leadership	2,759,861	2,859,861	2,599,486	260,375
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,786,926	1,836,926	1,688,027	148,899
0032	Social Work Services	51,046	76,046	51,082	24,964
0033	Health Services	482,612	507,612	456,617	50,995
0034	Student (Pupil) Transportation	1,718,925	1,818,925	1,631,883	187,042
0035	Food Services	15,000	40,000	19,692	20,308
0036	Cocurricular/Extracurricular Activities	1,603,005	1,653,005	1,525,256	127,749
	Total Support Services - Student (Pupil)	5,657,514	5,932,514	5,372,557	559,957
Administrative Support Services:					
0041	General Administration	1,437,914	1,437,914	1,316,959	120,955
	Total Administrative Support Services	1,437,914	1,437,914	1,316,959	120,955
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	6,099,965	6,549,965	5,531,137	1,018,828
0052	Security and Monitoring Services	195,000	235,000	198,275	36,725
0053	Data Processing Services	171,712	171,712	157,387	14,325
	Total Support Services - Nonstudent Based	6,466,677	6,956,677	5,886,799	1,069,878
Debt Service:					
0071	Principal on Long-Term Debt	310,000	310,000	310,000	--
0072	Interest on Long-Term Debt	25,500	25,500	25,500	--
	Total Debt Service	335,500	335,500	335,500	--
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	50,000	60,000	34,970	25,030
0099	Other Intergovernmental Charges	274,000	274,000	255,573	18,427
	Total Intergovernmental Charges	324,000	334,000	290,543	43,457
6030	Total Expenditures	40,427,771	41,452,771	38,393,909	3,058,862
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(2,103,782)	(2,103,782)	5,561,379	7,665,161

CALLEN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
Other Financing Sources (Uses):				
8911 <i>Transfers Out</i>	--	(1,200,000)	(960,616)	239,384
7080 Total Other Financing Sources and (Uses)	--	(1,200,000)	(960,616)	239,384
1200 Net Change in Fund Balance	(2,103,782)	(3,303,782)	4,600,763	7,904,545
0100 Fund Balance - Beginning	13,218,761	13,218,761	13,218,761	--
3000 Fund Balance - Ending	\$ 11,114,979	\$ 9,914,979	\$ 17,819,524	\$ 7,904,545

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

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0225494523%	0.0218043699%	0.0205673254%	0.0218335000%	0.0126007000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 12,411,766	\$ 6,971,863	\$ 7,772,086	\$ 7,717,852	\$ 3,365,821
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	22,862,974	13,519,330	15,796,909	14,913,864	12,898,823
Total	<u>\$ 35,274,740</u>	<u>\$ 20,491,193</u>	<u>\$ 23,568,995</u>	<u>\$ 22,631,716</u>	<u>\$ 16,264,644</u>
District's Covered Payroll	\$ 26,241,781	\$ 25,069,505	\$ 23,453,444	\$ 22,327,598	\$ 21,554,555
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	47.30%	27.81%	33.14%	34.57%	15.62%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 782,149	\$ 758,250	\$ 714,620	\$ 653,258	\$ 646,499
Contribution in Relation to the Contractually Required Contribution	(782,149)	(758,250)	(714,620)	(653,258)	(646,499)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 26,856,599	\$ 26,241,781	\$ 25,069,508	\$ 23,453,444	\$ 22,327,598
Contributions as a percentage of Covered Payroll	2.91%	2.89%	2.85%	2.79%	2.90%

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

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

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0376414205%	0.0376687015%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 18,794,706	\$ 16,380,705
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	22,644,339	19,883,365
Total	<u>\$ 41,439,045</u>	<u>\$ 36,264,070</u>
District's Covered Payroll	\$ 26,241,781	\$ 25,069,505
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	71.62%	65.34%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

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

	Fiscal Year Ended August 31,	
	2019	2018
Contractually Required Contribution	\$ 261,189	\$ 257,369
Contribution in Relation to the Contractually Required Contribution	(261,189)	(257,369)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 26,856,599	\$ 26,241,781
Contributions as a percentage of Covered Payroll	0.97%	0.98%

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

CALALLEN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2019

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

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

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

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
2011		1.17		.1285		1,100,187,775
2012		1.17		.1585		1,093,099,059
2013		1.17		.1885		1,102,779,242
2014		1.17		.1885		1,199,108,061
2015		1.17		.1885		1,395,806,331
2016		1.17		.2055		1,471,548,819
2017		1.17		.2052		1,465,059,118
2018		1.17		.2052		1,596,628,344
2019 (School Year Under Audit)		1.17		.233		1,642,952,388
1000 Totals						

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 208,584	\$ --	\$ 7,391	\$ 1,681	\$ (26,995)	\$ 172,517
25,167	--	2,103	523	--	22,541
29,961	--	2,272	250	--	27,439
37,836	--	4,150	562	(95)	33,029
47,370	--	4,761	767	--	41,842
60,694	--	9,415	1,517	48,786	98,548
91,991	--	21,565	3,788	48,650	115,288
244,236	--	84,713	14,857	76,772	221,438
513,828	--	180,857	31,719	(941)	300,311
--	23,050,622	17,442,020	4,791,528	(313,281)	503,793
<u>\$ 1,259,667</u>	<u>\$ 23,050,622</u>	<u>\$ 17,759,247</u>	<u>\$ 4,847,192</u>	<u>\$ (167,104)</u>	<u>\$ 1,536,746</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/10	2009	14,662,611	14,362,083	97.95%
08/31/11	2010	14,172,846	13,924,423	98.25%
08/31/12	2011	14,381,344	14,116,035	98.16%
08/31/13	2012	14,959,147	14,696,766	98.25%
08/31/14	2013	16,196,531	15,902,570	98.19%
08/31/15	2014	18,494,609	18,192,511	98.37%
08/31/16	2015	19,923,737	19,601,784	98.38%
08/31/17	2016	20,461,592	19,920,705	97.36%
08/31/18	2017	21,448,938	20,935,110	97.60%
08/31/19	2018	22,737,341	22,233,548	97.78%

CALALLEN INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)	\$ 17,819,524
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	190,618
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	7,000,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	6,980,000
8	Estimate of delayed payments from state sources (58XX)	1,854,332
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	292,247
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	16,317,197
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,502,327

If Item 13 is a Positive Number

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

Unassigned General Fund Fund Balance:

Excess Fund Balance to be used for Capital Projects.

CALLEN INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-3
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,121,000	\$ 1,121,000	\$ 807,030	\$ (313,970)
5800	State Program Revenues	47,000	47,000	45,586	(1,414)
5900	Federal Program Revenues	1,225,000	1,300,000	1,377,475	77,475
5020	Total Revenues	<u>2,393,000</u>	<u>2,468,000</u>	<u>2,230,091</u>	<u>(237,909)</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	<u>2,548,544</u>	<u>2,623,544</u>	<u>2,311,386</u>	<u>312,158</u>
	Total Support Services - Student (Pupil)	<u>2,548,544</u>	<u>2,623,544</u>	<u>2,311,386</u>	<u>312,158</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	<u>3,500</u>	<u>3,500</u>	<u>616</u>	<u>2,884</u>
	Total Support Services - Nonstudent Based	<u>3,500</u>	<u>3,500</u>	<u>616</u>	<u>2,884</u>
6030	Total Expenditures	<u>2,552,044</u>	<u>2,627,044</u>	<u>2,312,002</u>	<u>315,042</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(159,044)</u>	<u>(159,044)</u>	<u>(81,911)</u>	<u>77,133</u>
1200	Net Change in Fund Balance	<u>(159,044)</u>	<u>(159,044)</u>	<u>(81,911)</u>	<u>77,133</u>
0100	Fund Balance - Beginning	293,297	293,297	293,297	--
3000	Fund Balance - Ending	<u>\$ 134,253</u>	<u>\$ 134,253</u>	<u>\$ 211,386</u>	<u>\$ 77,133</u>

CALLEN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,640,000	\$ 4,640,000	\$ 4,935,040	\$ 295,040
5800	State Program Revenues	60,000	60,000	55,630	(4,370)
5020	Total Revenues	4,700,000	4,700,000	4,990,670	290,670
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,675,000	1,675,000	1,660,000	15,000
0072	Interest on Long-Term Debt	3,050,000	3,050,000	3,036,788	13,212
0073	Bond Issuance Costs and Fees	6,000	6,000	4,250	1,750
	Total Debt Service	4,731,000	4,731,000	4,701,038	29,962
6030	Total Expenditures	4,731,000	4,731,000	4,701,038	29,962
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(31,000)	(31,000)	289,632	320,632
1200	Net Change in Fund Balance	(31,000)	(31,000)	289,632	320,632
0100	Fund Balance - Beginning	277,862	277,862	277,863	1
3000	Fund Balance - Ending	\$ 246,862	\$ 246,862	\$ 567,495	\$ 320,633

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

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

Board of Trustees
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calallen Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Calallen Independent School District's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

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

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

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

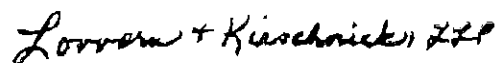
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
November 26, 2019

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

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

Board of Trustees
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
November 26, 2019

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A - Improving Basic Programs
	IDEA-B Cluster
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool
84.027A	IDEA-B Evaluation Capacity

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

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

Program

Corrective Action Plan

N/A

No corrective action required

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through To Subrecipients Federal Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed Through Texas Health and Human Services Commission:			
Medicaid Administration Claiming Program	93.778	529-07-0157 -00275	\$ -- \$ 6,597
Total U. S. Department of Health and Human Services			<u>6,597</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101178903	-- 657,958
IDEA-B Cluster:			
IDEA-B Formula	84.027A	18660001178903	-- 209,129
IDEA-B Formula	84.027A	19660001178903	-- 490,442
IDEA-B Preschool	84.173A	18661001178903	-- 308
IDEA-B Preschool	84.173A	19661001178903	-- 16,605
Evaluation Capacity Grant	84.027A	2265431902004	-- 14,347
Total IDEA-B Cluster			<u>730,831</u>
Career and Technical - Basic Grant	84.048A	19420006178903	-- 40,602
ESEA Title II Part A - Supporting Effective Instruction	84.367A	19694501178903	-- 84,522
2018-2019 Principal Preparation Grants	84.367A	18694567711000	-- 78,355
Total CFDA Number 84.367A			<u>162,877</u>
Title III Part A English Language Acquisition and Language Enhancement	84.365A	19671001178903	-- 13,557
Title IV, Part A, Subpart 1	84.424A	19680101178903	-- 43,347
Restart Hurricane Recovery	84.938A	18511701178903	-- 34,887
Total Passed Through State Department of Education			<u>1,684,059</u>
Total U. S. Department of Education			<u>1,684,059</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	078492675	-- 238,063
National School Lunch Program	10.555	078492675	-- 989,078
Summer Feeding Program	10.559	078492675	-- 20,129
Total Child Nutrition Cluster			<u>1,247,270</u>
Commodity Supplemental Food Program	10.565	078492675	-- 150,335
Total Passed Through Texas Department of Agriculture			<u>1,397,605</u>
Total U. S. Department of Agriculture			<u>1,397,605</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 3,088,261

The accompanying notes are an integral part of this schedule.

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

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	3,592,372
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(504,111)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>3,088,261</u></u>

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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