

DRISCOLL
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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DRISCOLL INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2023

BOARD OF TRUSTEES

TYLER STOKES	PRESIDENT
MIKE ZAMORA	VICE-PRESIDENT
PRISCILLA REYES	SECRETARY
LALA ZUNIGA	MEMBER
CINDY LOPEZ	MEMBER
JOY SAENZ	MEMBER
GLORIA OLIVAREZ	MEMBER

OTHER OFFICIALS

DR. CYNTHIA M. GARCIA	SUPERINTENDENT
DANA RILEY	BUSINESS MANAGER

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Driscoll Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

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.....	14	A-1
Statement of Activities.....	15	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	17	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Net Position - Internal Service Fund.....	20	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	21	D-2
Statement of Cash Flows - Proprietary Funds.....	22	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	24	E-2
Notes to the Financial Statements	25	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	48	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	50	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	51	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - TRS Care OPEB Plan.....	52	G-4
Schedule of District's Contributions - TRS Care OPEB Plan.....	53	G-5
Notes to Required Supplementary Information.....	54	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	55	J-1
Use of Funds Report - Select State Allotment Program	57	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency		

Driscoll Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
National School Breakfast and Lunch Program.....	58	J-3
Debt Service Fund.....	59	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>	60	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	62	
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

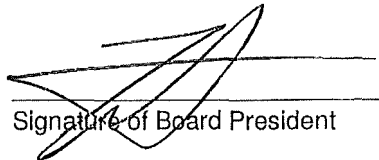
Driscoll Independent School District
Name of School District

Nueces
County

178-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____disapproved for the year ended August 31, 2023, at a meeting of the board of trustees of such school district on the 24th day of January, 2024.


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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Driscoll Independent School District ("the District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Driscoll Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Driscoll Independent School District as of August 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Driscoll Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Driscoll Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Driscoll 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. The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024 on our consideration of Driscoll Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Driscoll Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Driscoll Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The script is cursive and fluid.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
January 17, 2024

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Management's Discussion and Analysis

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Management's Discussion and Analysis

This section of Driscoll Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

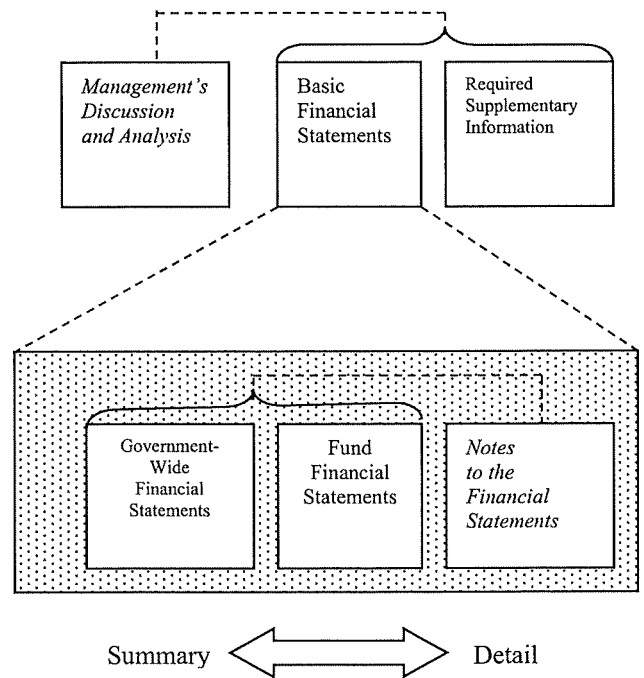
- The District's total combined net position was \$8,649,561 at August 31, 2023.
- During the year, the District's expenses were \$133,973 more than the \$5,761,910 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$5,895,883, or 12.7% higher than last year, but no new programs were added this year.
- The general fund reported a fund balance this year of \$2,871,624 which is a \$63,735 or 2.2% decrease over last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's *combined* net position was \$8,649,561 on August 31, 2023.

Table A-1
The District's Net Position

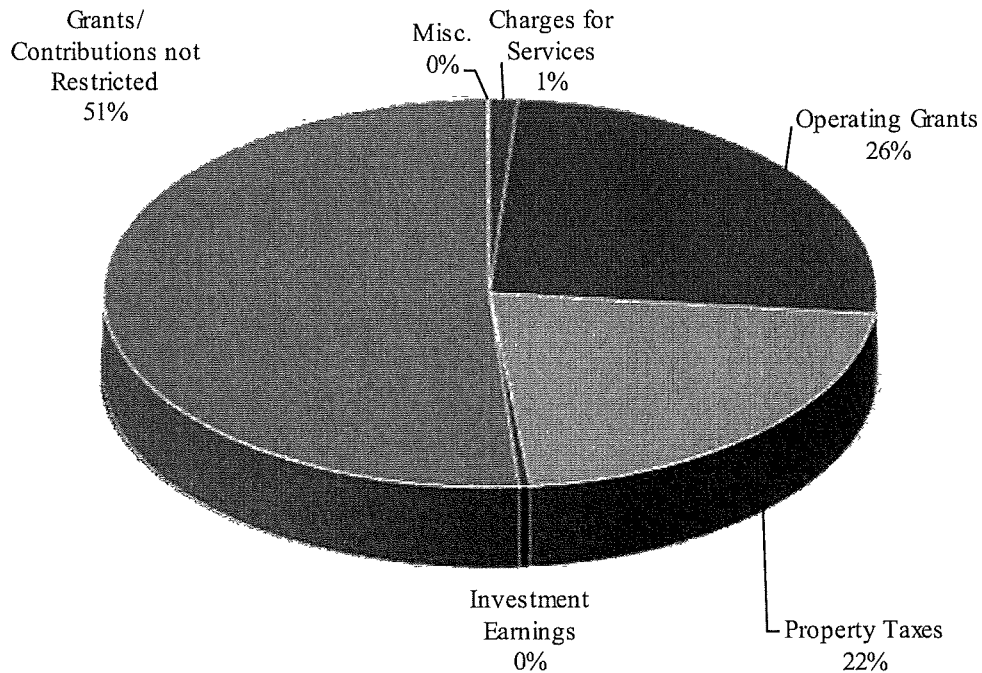
	Governmental Activities		% Change
	2023	2022	
Current and other assets	\$ 4,480,845	\$ 4,458,452	0.50%
Capital and non-current assets	13,625,964	14,044,015	-2.98%
Total Assets	18,106,809	18,502,467	-2.14%
Deferred Outflow of Resources	516,710	560,646	-7.84%
Deferred Outflow Related to Pensions	587,831	420,638	39.75%
Deferred Outflow Related to OPEB	399,792	434,635	-8.02%
Total Deferred Outflows of Resources	1,504,333	1,415,919	6.24%
Current liabilities	1,000,424	916,030	9.21%
Long-term liabilities	6,688,619	7,034,384	-4.92%
Net Pension Liability	1,256,685	550,979	128.08%
Net OPEB Liability	735,572	1,170,624	-37.16%
Total Liabilities	9,681,300	9,672,017	0.10%
Deferred Inflows Related to Pensions	102,377	585,677	-82.52%
Deferred Inflows Related to OPEB	1,177,903	877,158	34.29%
Total Deferred Inflows of Resources	1,280,280	1,462,835	-12.48%
Net position			
Net investment in			
capital assets	7,286,840	7,213,729	1.01%
Restricted	344,102	412,650	-16.61%
Unrestricted	1,018,619	1,157,155	-11.97%
Total Net Position	\$ 8,649,561	\$ 8,783,534	-1.53%

The \$1,018,619 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position

The District's total revenues were \$5,761,910. A significant portion, 51%, of the District's revenues comes from grants and contributions (See Figure A-3); 26% comes from operating grants, while 22% relates to property taxes.

**Figure 1:
District Sources of Revenue for Fiscal Year**



The total cost of all programs and services was \$5,895,883; 62% of these costs were for instructional and student services and 5% were for intergovernmental charges.

Governmental Activities

Property tax rates decreased to \$1.3771 per \$100 valuation. Property valuations also increased by \$7.6 million.

Current and other assets slightly increased \$22,393, or 0.5% from the previous year due to a significant increase of \$754,162 in cash and cash equivalent, which more than offset a decrease of \$437,803 in due from other governments. Capital assets decreased \$418,051 due to depreciation of buildings and improvements. Long-term liabilities saw a decrease of \$345,765, or 4.9% from prior year.

Table A-2
The District's Revenues and Expenses

	Governmental Activities		Total % Changes
	2023	2022	
Revenues:			
Program Revenues:			
Charges for service	\$ 68,522	\$ 19,478	251.79%
Operating grants and contributions	1,471,332	1,317,082	11.71%
General Revenues:			
Maintenance and operations taxes	840,344	842,878	-0.30%
Debt service taxes	406,529	421,778	-3.62%
Grants and contributions not restricted to specific functions	2,947,925	2,920,762	0.93%
Investment earnings	25,526	5,136	397.00%
Miscellaneous	1,732	13,848	-87.49%
Total Revenue	5,761,910	5,540,962	3.99%
Expenses:			
Instruction, curriculum and media services	\$ 2,698,058	\$ 2,252,118	19.80%
Instructional and school leadership	239,512	233,551	2.55%
Student support services	732,010	651,059	12.43%
Child nutrition	366,441	302,311	21.21%
Cocurricular activities	47,693	37,724	26.43%
General administration	427,957	443,479	-3.50%
Plant maintenance, security & data processing	916,181	844,036	8.55%
Community services	36,195	10,126	257.45%
Debt services	149,749	129,907	15.27%
Capital outlay	-	-	0.00%
Bond Issuance Costs and Fees	3,100	3,300	-6.06%
Intergovernmental charges	278,987	322,032	-13.37%
Total Expenses	5,895,883	5,229,643	12.74%
Increase in net position before transfers and special items	(133,973)	311,319	-143.03%
Net position (deficit) at beginning of year	8,783,534	8,472,215	3.67%
Prior Period Adjustment	-	-	0.00%
Net position(deficit) at end of year	\$ 8,649,561	\$ 8,783,534	-1.53%

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.

- The cost of all *governmental* activities this year was \$5,895,883.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,246,873.
- Some of the cost was paid by those who directly benefited from the programs, \$68,522, or by grants and contributions of \$1,471,332.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2023	2022		2023	2022	
Instruction	\$ 2,622,651	\$ 2,183,333	20.12%	\$ 1,823,264	\$ 1,508,199	20.89%
General administration	427,957	443,479	-3.50%	415,739	445,549	-6.69%
Plant maintenance	793,541	774,468	2.46%	699,426	676,419	3.40%
Contracted instructional services between schools	278,987	322,032	-13.37%	278,987	322,032	-13.37%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types total \$5,894,430, an increase of 1.9% compared to the preceding year. State program revenues increased by \$85,903, or 2.7%, which is primarily the result of an increase in foundation school programs and teacher retirement, while the property tax rate remained the same. Federal revenues increased by \$105,703, or 9.0%.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$260,548 below final budget amounts. The most significant positive variance resulted in capital outlay being much lower than anticipated. Staffing is budgeted for full employment throughout the year.

Resources available were \$50,154 below the final budgeted amount. As noted earlier:

- Property tax collections were \$10,642 more than expected.
- State funding was less than final budget amounts for the current year by \$76,075 as a result of lower foundation school programs at year end then what was originally estimated and federal funds remained stable, only slightly decreasing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$19,221,954 in a broad range of capital assets, including land, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions less reductions) of \$132,500, or 0.69% over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total % Change
	2023	2022	
Land	\$ 47,851	\$ 47,851	0.00%
Construction in progress	-	-	0.00%
Buildings and improvements	17,467,795	17,467,795	0.00%
Equipment	614,867	614,867	0.00%
Vehicles	1,091,441	958,941	13.82%
Totals at historical cost	<u>19,221,954</u>	<u>19,089,454</u>	0.69%
 Total accumulated depreciation	<u>5,595,990</u>	<u>5,045,439</u>	10.91%
Net capital assets	<u>\$ 13,625,964</u>	<u>\$ 14,044,015</u>	-2.98%

Long –Term Debt

The District had the following debt at August 31, 2023:

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

	2023	2022	Total % Change
Current Interest Bonds	\$ -	\$ 340,000	-100.00%
Tax Refunding bonds	<u>5,828,298</u>	<u>5,828,298</u>	0.00%
	<u>5,828,298</u>	<u>6,168,298</u>	-5.51%
 Bond Premium and Discount	1,125,089	1,222,634	-7.98%
Bond Accretion on CAP Bonds	167,334	80,997	106.59%
Total long-term debt	7,120,721	7,471,929	-4.70%
Less: Current liability portion	<u>432,102</u>	<u>437,545</u>	-1.24%
Long-Term Liabilities	<u>\$ 6,688,619</u>	<u>\$ 7,034,384</u>	-4.92%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2023 tax year property tax assessments will be up by \$7,543,474 or 8.3% from the 2022 tax year, primarily due to lower oil and gas reserves from the prior year.
- General operating fund spending per student increases in the 2023 budget from \$16,334 to \$17,640. This is an 8% increase.
- The district's 2024 refined average daily attendance is expected to decrease to 230 students.

These indicators were taken into account when adopting the general fund budget for 2023-2024. Amounts available for appropriation in the general fund budget are \$4,057,232, a decrease of 1.4% over the final 2023 budget of \$4,115,714. Property tax revenue is budgeted to increase by 8.3% due to an increase in tax rates and property valuations. State revenue is expected to decrease \$135,418 from last year's final budget.

Expenditures are budgeted to increase by 11.7% to \$479,916 from prior year actual expenditures. The largest increase is in the area of instruction. The District has added no new major programs or initiatives to the 2023-2024 budget.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same by the close of 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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DRISCOLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	3,430,446
1225	Property Taxes Receivable (Net)		147,052
1240	Due from Other Governments		896,278
1290	Other Receivables (Net)		7,069
Capital Assets:			
1510	Land		47,851
1520	Buildings and Improvements, Net		13,122,009
1530	Furniture and Equipment, Net		456,104
1000	Total Assets		<u>18,106,809</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701	Deferred Charge for Refunding		516,710
1705	Deferred Outflow Related to Pensions		587,831
1706	Deferred Outflow Related to OPEB		399,792
1700	Total Deferred Outflows of Resources		<u>1,504,333</u>
LIABILITIES:			
2110	Accounts Payable		23,596
2165	Accrued Liabilities		440,557
2180	Due to Other Governments		2,708
2300	Unearned Revenue		101,461
Noncurrent Liabilities:			
2501	Due Within One Year		432,102
2502	Due in More Than One Year		6,688,619
2540	Net Pension Liability		1,256,685
2545	Net OPEB Liability		735,572
2000	Total Liabilities		<u>9,681,300</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflow Related to Pensions		102,377
2606	Deferred Inflow Related to OPEB		1,177,903
2600	Total Deferred Inflows of Resources		<u>1,280,281</u>
NET POSITION:			
3200	Net Investment in Capital Assets		7,286,840
Restricted For:			
3820	State and Federal Programs		188,987
3850	Debt Service		153,309
3890	Other		1,806
3900	Unrestricted		1,018,619
3000	Total Net Position	\$	<u>8,649,561</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

		1	3	4	Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,622,851	\$ 49,672	\$ 749,915	\$ (1,823,264)
12	Instructional Resources and Media Services	31,020	--	24,347	(6,673)
13	Curriculum and Staff Development	44,187	--	29,585	(14,602)
21	Instructional Leadership	1,612	--	85	(1,527)
23	School Leadership	237,900	--	2,535	(235,365)
31	Guidance, Counseling, and Evaluation Services	97,885	--	5,467	(92,418)
32	Social Work Services	14,489	--	409	(14,080)
33	Health Services	60,488	--	41,293	(19,195)
34	Student Transportation	559,148	--	11,243	(547,905)
35	Food Service	366,441	12,327	367,951	13,837
36	Cocurricular/Extracurricular Activities	47,693	1,236	(4,106)	(50,563)
41	General Administration	427,957	1,350	10,868	(415,739)
51	Facilities Maintenance and Operations	793,541	--	94,115	(699,426)
52	Security and Monitoring Services	64,442	--	61,648	(2,794)
53	Data Processing Services	58,198	--	1,812	(56,386)
61	Community Services	36,195	3,937	28,750	(3,508)
72	Interest on Long-term Debt	149,749	--	45,415	(104,334)
73	Bond Issuance Costs and Fees	3,100	--	--	(3,100)
99	Other Intergovernmental Charges	278,987	--	--	(278,987)
TG	Total Governmental Activities	5,895,883	68,522	1,471,332	(4,356,029)
TP	Total Primary Government	\$ 5,895,883	\$ 68,522	\$ 1,471,332	(4,356,029)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				840,344
DT	Property Taxes, Levied for Debt Service				406,529
IE	Investment Earnings				25,526
GC	Grants and Contributions Not Restricted to Specific Programs				2,947,925
MI	Miscellaneous				1,732
TR	Total General Revenues				4,222,056
CN	Change in Net Position				(133,973)
NB	Net Position - Beginning				8,783,534
NE	Net Position - Ending				\$ 8,649,561

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes	10 General Fund	ESSER Fund III of the American Rescue Plan Act	onmf Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 2,462,849	\$ 87,440	\$ 858,769	\$ 3,409,058
1225 Taxes Receivable, Net	100,622	--	46,430	147,052
1240 Due from Other Governments	821,393	--	74,885	896,278
1260 Due from Other Funds	12,528	--	--	12,528
1290 Other Receivables	7,020	--	49	7,069
1000 Total Assets	<u>3,404,412</u>	<u>87,440</u>	<u>980,133</u>	<u>4,471,985</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 22,596	\$ --	\$ 1,000	\$ 23,596
2150 Payroll Deductions and Withholdings	8,296	--	--	8,296
2160 Accrued Wages Payable	366,761	--	21,363	388,124
2170 Due to Other Funds	549	--	11,141	11,690
2180 Due to Other Governments	--	--	2,708	2,708
2200 Accrued Expenditures	33,963	--	1,953	35,916
2300 Unearned Revenue	--	87,440	14,021	101,461
2000 Total Liabilities	<u>432,165</u>	<u>87,440</u>	<u>52,186</u>	<u>571,791</u>
DEFERRED INFLOWS OF RESOURCES:				
2601 Unavailable Revenue - Property Taxes	100,623	--	46,430	147,053
2600 Total Deferred Inflows of Resources	<u>100,623</u>	<u>--</u>	<u>46,430</u>	<u>147,053</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	188,987	188,987
3480 Retirement of Long-Term Debt	--	--	274,213	274,213
3490 Other Restrictions of Fund Balance	--	--	1,806	1,806
Committed Fund Balances:				
3510 Construction	--	--	385,699	385,699
3545 Other Committed Fund Balance	1,500,000	--	30,202	1,530,202
Assigned Fund Balances:				
3590 Other Assigned Fund Balance	--	--	610	610
3600 Unassigned	1,371,624	--	--	1,371,624
3000 Total Fund Balances	<u>2,871,624</u>	<u>--</u>	<u>881,517</u>	<u>3,753,141</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,404,412</u>	<u>\$ 87,440</u>	<u>\$ 980,133</u>	<u>\$ 4,471,985</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

Total fund balances - governmental funds balance sheet	\$ 3,753,141
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,625,964
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	147,053
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	12,327
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,828,298)
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	516,710
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,256,685)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(102,377)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	587,831
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(167,333)
Bond premiums are amortized in the SNA but not in the funds.	(1,125,089)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(735,572)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,177,903)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	399,792
Net position of governmental activities - Statement of Net Position	\$ <u>8,649,561</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	ESSER Fund III of the American Rescue Plan Act	onmf Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 864,949	\$ --	\$ 471,718	\$ 1,336,667
5800 State Program Revenues	3,145,831	--	136,924	3,282,755
5900 Federal Program Revenues	54,780	2,560	1,217,668	1,275,008
5020 Total Revenues	<u>4,065,560</u>	<u>2,560</u>	<u>1,826,310</u>	<u>5,894,430</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,828,512	--	782,814	2,611,326
0012 Instructional Resources and Media Services	6,399	--	24,888	31,287
0013 Curriculum and Staff Development	13,436	--	28,866	42,302
0021 Instructional Leadership	1,546	--	--	1,546
0023 School Leadership	240,328	--	--	240,328
0031 Guidance, Counseling, and Evaluation Services	93,948	--	4,946	98,894
0032 Social Work Services	14,394	--	195	14,589
0033 Health Services	60,192	--	586	60,778
0034 Student Transportation	348,654	--	4,776	353,430
0035 Food Service	--	--	364,290	364,290
0036 Cocurricular/Extracurricular Activities	52,714	--	--	52,714
0041 General Administration	425,005	--	--	425,005
0051 Facilities Maintenance and Operations	705,762	--	70,809	776,571
0052 Security and Monitoring Services	171	2,560	59,086	61,817
0053 Data Processing Services	57,278	--	--	57,278
0061 Community Services	1,969	--	32,625	34,594
0071 Principal on Long-term Debt	--	--	340,000	340,000
0072 Interest on Long-term Debt	--	--	117,021	117,021
0073 Bond Issuance Costs and Fees	--	--	3,100	3,100
0099 Other Intergovernmental Charges	278,987	--	--	278,987
6030 Total Expenditures	<u>4,129,295</u>	<u>2,560</u>	<u>1,834,002</u>	<u>5,965,857</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(63,735)</u>	<u>--</u>	<u>(7,692)</u>	<u>(71,427)</u>
1200 Net Change in Fund Balances	<u>(63,735)</u>	<u>--</u>	<u>(7,692)</u>	<u>(71,427)</u>
0100 Fund Balances - Beginning	2,935,359	--	889,209	3,824,568
3000 Fund Balances - Ending	<u>\$ 2,871,624</u>	<u>\$ --</u>	<u>\$ 881,517</u>	<u>\$ 3,753,141</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds	\$ (71,427)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	132,500
The depreciation of capital assets used in governmental activities is not reported in the funds.	(550,551)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,985
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	340,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(86,337)
The net revenue (expense) of internal service funds is reported with governmental activities.	(2,004)
Amortization of bond premium and deferred amount is an expenditure in the SOA but not in the funds.	53,609
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	19,609
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(74,822)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	257,579
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(158,115)
Rounding difference	1
Change in net position of governmental activities - Statement of Activities	\$ <u>(133,973)</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2023

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 21,386
	Total Current Assets	21,386
1000	Total Assets	21,386
	LIABILITIES:	
	Current Liabilities:	
2170	Due to Other Funds	\$ 838
2200	Accrued Expenses	8,221
	Total Current Liabilities	9,059
2000	Total Liabilities	9,059
	NET POSITION:	
3900	Unrestricted	12,335
3000	Total Net Position	\$ 12,327

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

FOR THE YEAR ENDED AUGUST 31, 2020		Nonmajor Internal Service Fund
Data Control Codes		Insurance Fund
OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$ 12,602
5020	Total Revenues	<u>12,602</u>
OPERATING EXPENSES:		
6400	Other Operating Costs	<u>14,606</u>
6030	Total Expenses	<u>14,606</u>
1300	Change in Net Position	(2,004)
0100	Total Net Position - Beginning	14,331
3300	Total Net Position - Ending	<u>\$ 12,327</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Enterprise Funds <u>Nonmajor Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 12,602
Cash Payments to Other Suppliers for Goods and Services	<u>(14,606)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,004)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	<u>--</u>
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,004)
Cash and Cash Equivalents at Beginning of Year	23,390
Cash and Cash Equivalents at End of Year	<u>\$ 21,386</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (2,004)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Interfund Receivables	--
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Accrued Expenditures	<u>--</u>
Total Adjustments	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,004)</u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

Data Control Codes		Custodial Funds
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 5,440
1000	Total Assets	<u>5,440</u>
	LIABILITIES:	
	Current Liabilities:	
2180	Due to Other Governments	\$ 343
2000	Total Liabilities	<u>343</u>
	NET POSITION:	
3800	Restricted for Student Activities	5,097
3000	Total Net Position	<u><u>\$ 5,097</u></u>

The accompanying notes are an integral part of this statement.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Custodial Funds
ADDITIONS:	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Contributions from Foundations, Gifts and Bequests	--
Student Group Fundraising Activities	2,093
Total Additions	<u>2,093</u>
DEDUCTIONS:	
Supplies and Materials	3,076
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>3,076</u>
Change in Fiduciary Net Position	(983)
Net Position-Beginning of the Year	6,080
Net Position-End of the Year	<u><u>\$ 5,097</u></u>

The accompanying notes are an integral part of this statement.

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DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, with the exception of property taxes which are fully deferred. 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 lease contracts and subscription-based information technology arrangements are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

The assessed value of the roll on January 1, 2022, upon which the levy for the 2023 fiscal year was based,

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

was \$98,194,100.

The tax rates assessed for the year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.8601 and \$.417423 per \$100 valuation, respectively, for a total of \$1.277523 per \$100 valuation.

Current tax collections for the year ended August 31, 2023, were 94.64% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on the rates adopted for the year of the levy.

Delinquent Taxes Receivable

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

	Balance 09/01/22	Current Year Levy	Total Collections	Yearly Adjustments	Balance 08/31/23
Delinquent Taxes Receivable	\$ 237,514	\$ 1,236,101	\$ 1,210,250	\$ (19,865)	\$ 243,500
Allowance for Uncollectible Taxes	(96,447)	--	--	--	(96,447)
Net Delinquent Taxes Receivable	<u>\$ 141,067</u>	<u>\$ 1,236,101</u>	<u>\$ 1,210,250</u>	<u>\$ (19,865)</u>	<u>\$ 147,053</u>

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

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

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

d. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors ; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2022.

e. Deferred Outflows and Inflows of Resources

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

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

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

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

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

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

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

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS 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.

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District implemented this Statement during the current year. Management has determined that the District does not have any SBITA's that meet the requirement to be recorded under the provisions of GASB Statement No. 96, Subscription Based Information Technology Arrangements.

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,036,327 and the bank balance was \$3,242,951. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2023 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexStar Investment Pool (Rated AAA)	Less than one year	\$ 199,682
Lone Star Investment Pool	Less than one year	199,876
Total Investments		<u>\$ 399,558</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

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

c. **Concentration of Credit Risk**

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

d. **Interest Rate Risk**

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

e. **Foreign Currency Risk**

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

D. Capital Assets

Capital asset activity for the year ended 2023, Driscoll Independent School District, was as follows:

Beginning

Ending

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

	Balances	Increases	Decreases	Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 47,851	\$ --	\$ --	\$ 47,851
Construction in progress	--	--	--	--
Total capital assets not being depreciated	47,851	--	--	47,851
Capital assets being depreciated:				
Buildings and improvements	17,467,795	--	--	17,467,795
Equipment	614,867	--	--	614,867
Vehicles	958,941	132,500	--	1,091,441
Total capital assets being depreciated	19,041,603	132,500	--	19,174,103
Less accumulated depreciation for:				
Buildings and improvements	(3,888,530)	(457,257)	--	(4,345,787)
Equipment	(481,831)	(46,323)	--	(528,154)
Vehicles	(675,078)	(46,971)	--	(722,049)
Total accumulated depreciation	(5,045,439)	(550,551)	--	(5,595,990)
Total capital assets being depreciated, net	13,996,164	(418,051)	--	13,578,113
Governmental activities capital assets, net	\$ 14,044,015	\$ (418,051)	\$ --	\$ 13,625,964

Depreciation was charged to functions as follows:

Instruction	\$ 110,308
Instructional Resources and Media Services	1,324
Curriculum and Staff Development	1,885
Instructional Leadership	66
School Leadership	10,156
Guidance, Counseling, & Evaluation Services	4,178
Social Work Services	617
Health Services	2,570
Student Transportation	344,224
Food Services	15,548
Extracurricular Activities	2,205
General Administration	17,807
Plant Maintenance and Operations	32,931
Security and Monitoring Services	2,625
Data Processing Services	2,426
Community Services	1,681
	<u>\$ 550,551</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 11,140	Short-term loans
General Fund	Internal Service Fund	838	Short-term loans
General Fund	Other General Funds	549	Capital projects expenditures
	Total	<u>\$ 12,527</u>	

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

2. Transfers To and From Other Funds

There were no transfers to or from other funds at August 31, 2023.

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended 2023, Driscoll Independent School District, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/22	Issued	Retired	Amounts Outstanding 8/31/23	Amounts Due Within One Year
Bonds and Notes:							
Unlimited Tax Current Interst Bonds Series 2013	2.0% to 4.0%	6,185,000 \$	340,000 \$	--	\$ 340,000	--	\$ --
Unlimited Tax Refunding Bonds Series 2021	0.29% to 2.40%	5,938,298	5,828,298	--	--	5,828,298	340,000
Sub-Totals			6,168,298	--	340,000	5,828,298	340,000
Bond Premium and Discount on Issuance			1,222,634	--	97,545	1,125,089	92,102
Bond Accretion on Capital Appreciation Bonds			80,997	86,337	--	167,334	--
Net Pension Liability			550,979	804,482	98,776	1,256,685	--
Net OPEB Liability			1,170,624	(409,820)	25,232	735,572	--
			<u>\$ 9,193,532</u>	<u>\$ 480,999</u>	<u>\$ 561,553</u>	<u>\$ 9,112,978</u>	<u>\$ 432,102</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at 2023, Driscoll Independent School District, are as follows:

Year Ending 2023,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 340,000	\$ 106,821	\$ 446,821
2025	345,000	105,019	450,019
2026	32,767	420,044	452,811
2027	21,173	426,638	447,811
2028	14,081	438,731	452,812
2029-2033	1,075,277	1,182,643	2,257,920
2034-2038	1,900,000	357,561	2,257,561
2039-2043	2,100,000	148,633	2,248,633

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Totals	\$ <u>5,828,298</u>	<u>3,186,090</u>	<u>9,014,388</u>
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3. SEC Exemptive Relief

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

G. Leases

At August 31, 2023, the District had no contracts that qualify as leases under GASB 87 or as Subscription Based Technology Agreements under GASB 96.

H. Risk Management

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

Unemployment Compensation

During the year ended August 31, 2023, Driscoll ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All 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, 2022, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Workers' Compensation

The District has established the Worker's Compensation fund to account for and finance workers compensation claims. It is a modified self-insurance plan known as School Comp. The plan year began September 1, 2022 and ended September 1, 2023. The District's maximum financial exposure for the plan year is \$27,640. Any costs above this amount for the 2022-2023 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$350,000. Costs for any one claim above the self-insured retention are the shared responsibility of the remaining School Comp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and aggregate stop-loss attachment at \$1,000,000. Settled claims have not

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participated in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$12,328 at 8/31/23, and is reported as reserved Net Assets of the Worker's Compensation Internal Service Fund. The claims liability of \$8,221 reported in the fund at 8/31/23, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the insurance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Year Ended 8/31/23	Year Ended 8/31/22
Unpaid claims, beginning of year	\$ 8,221	\$ 8,245
Current year claims and changes in estimate	14,606	13,605
Claim payments	(14,606)	(13,629)
Unpaid claims, end of year	<u>\$ 8,221</u>	<u>\$ 8,221</u>

I. Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

the Plan description in (1) above.

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
District's 2023 Employer Contributions		\$ 126,307
District's 2023 Member Contributions		\$ 238,033
2022 NECE On-Behalf Contributions (State)		\$ 144,810

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 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

- 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91% *
Last year ending August 31 in Projection Period	2121
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2021.

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate 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 geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

	Long-Term Expected Arithmetic Real Rate of	Expected Contribution to Long-Term Portfolio
Target		

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Asset Class *	Allocation **	Return ***	Returns
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	(6.0%)	3.6%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag ****			(0.91)%
Expected Return	100.0%		8.19%
* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2022 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022) **** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.00 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 1,954,925	\$ 1,256,685	\$ 690,728

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

At August 31, 2023, the District reported a liability of \$1,256,685 for its proportionate share of the TRS 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:

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

District's proportionate share of the collective net pension liability	\$ 1,256,685
State's proportionate share that is associated with District	<u>1,842,365</u>
Total	<u>\$ 3,099,050</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0021167915 percent which was an increase (decrease) of -0.00004676 percent from its proportion measured as of August 31, 2021.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2023, the District recognized pension expense of \$357,629 and revenue of \$176,109 for support provided by the State.

At August 31, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 18,222	\$ 27,398
Changes in Actuarial Assumptions	234,161	58,360
Difference Between Projected and Actual Investment Earnings	124,156	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	84,985	16,619
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	126,307	--
Total	<u>\$ 587,831</u>	<u>\$ 102,377</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
2024	\$ 101,881
2025	\$ 62,305
2026	\$ 24,590
2027	\$ 150,526
2028	\$ 19,846
Thereafter	\$ (1)

J. Defined Other Post-Employment Benefit Plans

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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 participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

TRS-Care plan by type of contributor.

Contribution Rates	
	<u>2023</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

District's 2023 Employer Contributions	\$	28,599
District's 2023 Member Contributions	\$	19,252
2022 NECE On-Behalf Contributions (state)	\$	30,779

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for 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 and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2022 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	\$ 867,297	\$ 735,572	\$ 628,857

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

At August 31, 2023, the District reported a liability of \$735,572 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	\$ 735,572
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DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

State's proportionate share that is associated with the District \$ 897,282

Total \$ 1,632,854

The Net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 thru August 31, 2022.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0030720499%, compared to 0.0000373370% at August 31, 2021.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 606,114	\$ 735,572	\$ 903,397

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 (TOL) since the prior measurement period:

- The discount rate was changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$(127,332).

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 40,895	\$ 612,797
Changes in actuarial assumptions	112,042	511,032
Difference between projected and actual investment earnings	2,191	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	216,065	54,074
Contributions paid to TRS subsequent to the measurement date	28,599	
Total	<u>\$ 399,792</u>	<u>\$ 1,177,903</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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:	OPEB Expense Amount
2024	\$ (155,323)
2025	\$ (155,315)
2026	\$ (124,121)
2027	\$ (81,891)
2028	\$ (95,569)
Thereafter	\$ (194,491)

For the year ended August 31, 2023, the District recognized OPEB expense of \$(198,197) and revenue of \$(127,332) for support provided by the State.

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 fiscal year ended August 31, 2023, the subsidy payment received by TRS-Care on behalf of the District was \$15,656.

K. Employee Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$320 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2023, and terms of coverage and premium costs are included in the contractual provisions.

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

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

At August 31, 2023 the District was not involved in any lawsuits or other legal actions which, in Administration's opinion, (based on discussion with legal counsel) would result in any direct loss to the District which would be material to its financial position.

M. Subsequent Events

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 17, 2024 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent event that requires additional disclosure.

N. Concentration of Risk

The District is located within Nueces County, Texas and it derives approximately 22% of all revenue from property taxes and related penalties and interest. The District's top ten taxpayers have a total taxable property value of \$31,892,164 or 32.5% of the total property tax value of \$98,194,100. All of the top ten taxpayers are oil and gas related.

Taxpayer	Taxable Value	Percent of Total Taxable Value
Urban Oil & Gas Group LLC	\$ 9,306,785	9.5%
Valley Crossing Pipeline LLC	4,475,550	4.6%
Net Mexico Pipeline Partners	3,898,840	4.0%
Houston Pipeline Company LP	3,621,020	3.7%
Union Pacific RR Company	3,180,600	3.2%
AEP Texas Inc.	2,731,500	2.8%
Driscoll Children's Hospital	1,444,699	1.5%
DCP South Central Texas LLC	1,232,060	1.3%
Exxon Mobil Pipeline Co	1,076,190	1.1%
Lobo Pipeling Company LLC	924,920	0.9%
Total Top Ten	<u>\$ 31,892,164</u>	<u>32.5%</u>
Total All Taxpayers	<u>\$ 98,194,100</u>	<u>100.0%</u>

O. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capital Programs. Amounts due from federal and state governments as of August 31, 2023, are reported on the financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	Federal/State Grants	Other	Total
General	\$ 821,393	\$ --	\$ --	\$ 821,393
Other Governmental	--	74,885	--	74,885
Total	<u>\$ 821,393</u>	<u>\$ 74,885</u>	<u>\$ --</u>	<u>\$ 896,278</u>

P. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2023:

General Fund

Committed:	
Other	<u>1,500,000</u>
Unassigned:	<u>1,371,624</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Total General Fund fund balance	<u>2,871,624</u>
Other Governmental Funds	
Restricted:	
Child Nutrition	186,938
State Textbook Fund	2,049
Monsanto Grant Fund	1,806
Retirement of Long-term debt	<u>274,213</u>
	<u>465,006</u>
Committed:	
Construction	385,699
Campus Activity Funds	<u>30,202</u>
	<u>415,901</u>
Assigned:	
UIL/Teacher Training	<u>610</u>
Total Other Governmental Fund fund balance	<u>881,517</u>
Total Governmental fund balance	<u>\$ 3,753,141</u>

Q. Unearned Revenue

Unearned Revenue at year end consisted of the following:

	General Fund	Other Governmental Funds	Total
<u>Revenue Description</u>			
Grant Programs	\$ --	\$ 87,440	\$ 87,440
Other	--	14,021	14,021
	<u>\$ --</u>	<u>\$ 101,461</u>	<u>\$ 101,461</u>

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Required Supplementary Information

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 853,808	\$ 853,808	\$ 864,949	\$ 11,141
5800	State Program Revenues	3,206,106	3,221,906	3,145,831	(76,075)
5900	Federal Program Revenues	40,000	40,000	54,780	14,780
5020	Total Revenues	4,099,914	4,115,714	4,065,560	(50,154)
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	1,853,755	1,823,755	1,828,512	(4,757)
0012	Instructional Resources and Media Services	29,389	24,494	6,399	18,095
0013	Curriculum and Instructional Staff Development	17,403	20,403	13,436	6,967
	Total Instruction and Instr. Related Services	1,900,547	1,868,652	1,848,347	20,305
	Instructional and School Leadership:				
0021	Instructional Leadership	5,000	5,000	1,546	3,454
0023	School Leadership	242,026	242,026	240,328	1,698
	Total Instructional and School Leadership	247,026	247,026	241,874	5,152
	Student Support Services:				
0031	Guidance, Counseling and Evaluation Services	94,462	95,962	93,948	2,014
0032	Social Work Services	14,706	14,706	14,394	312
0033	Health Services	60,724	60,724	60,192	532
0034	Student Transportation	216,037	379,387	348,654	30,733
0036	Extracurricular Activities	52,854	68,654	52,714	15,940
	Total Student Support Services	438,783	619,433	569,902	49,531
	Administrative Support Services:				
0041	General Administration	420,188	420,188	425,005	(4,817)
	Total Administrative Support Services	420,188	420,188	425,005	(4,817)
	Support Services:				
0051	Facilities Maintenance and Operations	721,688	741,536	705,762	35,774
0052	Security and Monitoring Services	304	304	171	133
0053	Data Processing Services	60,432	60,432	57,278	3,154
	Total Support Services	782,424	802,272	763,211	39,061
	Ancillary Services:				
0061	Community Services	2,352	2,352	1,969	383
	Total Ancillary Services	2,352	2,352	1,969	383
	Capital Outlay:				
0081	Facilities Acquisition and Construction	--	147,429	--	147,429
	Total Capital Outlay	--	147,429	--	147,429
0099	Other Intergovernmental Charges	308,594	282,491	278,987	3,504
	Total Intergovernmental Charges	308,594	282,491	278,987	3,504
6030	Total Expenditures	4,099,914	4,389,843	4,129,295	260,548
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(274,129)	(63,735)	210,394

DRISCOLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
7915	Operating Transfers In	--	147,429	--	(147,429)
7080	Total Other Financing Sources and (Uses)	--	147,429	--	(147,429)
1200	Net Change in Fund Balance	--	(126,700)	(63,735)	62,965
0100	Fund Balance - Beginning	2,935,359	2,935,359	2,935,359	--
3000	Fund Balance - Ending	<u>\$ 2,935,359</u>	<u>\$ 2,808,659</u>	<u>\$ 2,871,624</u>	<u>\$ 62,965</u>

DRISCOLL 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, 2023

	Measurement Year Ended August 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0021167915%	0.0021635495%	0.0020217268%	0.0019893886%	0.0017757641%	0.0017661472%	0.0017268690%	0.0015614000%	0.0012874000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,256,685	\$ 550,979	\$ 1,082,796	\$ 1,034,146	\$ 977,424	\$ 564,719	\$ 652,558	\$ 551,934	\$ 343,883
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,842,365	828,280	1,637,406	1,734,135	1,886,984	1,224,863	1,430,764	1,332,489	1,074,803
Total	<u>\$ 3,099,050</u>	<u>\$ 1,379,259</u>	<u>\$ 2,720,202</u>	<u>\$ 2,768,281</u>	<u>\$ 2,864,408</u>	<u>\$ 1,789,582</u>	<u>\$ 2,083,322</u>	<u>\$ 1,884,423</u>	<u>\$ 1,418,686</u>
District's Covered Payroll	\$ 2,678,558	\$ 2,621,620	\$ 2,427,569	\$ 2,350,474	\$ 2,243,942	\$ 2,246,866	\$ 2,117,668	\$ 1,912,482	\$ 1,884,239
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	46.92%	21.02%	44.60%	44.00%	43.56%	25.13%	30.81%	28.86%	18.25%
Plan Fiduciary Net Position as a % of Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only nine 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."

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 126,307	\$ 104,298	\$ 90,515	\$ 84,103	\$ 68,299	\$ 59,202	\$ 57,479	\$ 54,860	\$ 46,080
Contribution in Relation to Contractually Required Contribution	(126,307)	(104,298)	(90,515)	(84,103)	(68,299)	(59,202)	(57,479)	(54,860)	(46,080)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,973,411	\$ 2,678,558	\$ 2,621,620	\$ 2,427,569	\$ 2,416,573	\$ 2,243,942	\$ 2,246,866	\$ 2,117,668	\$ 1,912,482
Contributions as a % of Covered Payroll	4.25%	3.89%	3.45%	3.46%	2.83%	2.64%	2.56%	2.59%	2.41%

Note: Only nine 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.

DRISCOLL 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, 2023

	Measurement Year Ended August 31,					
	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0030720499%	0.0030347129%	0.0027531679%	0.0028815460%	0.0027125909%	0.0027039757%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 735,572	\$ 1,170,624	\$ 1,046,603	\$ 1,362,718	\$ 1,354,421	\$ 1,175,858
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	897,282	1,568,376	1,406,384	1,810,748	1,801,462	1,727,806
Total	<u>\$ 1,632,854</u>	<u>\$ 2,739,000</u>	<u>\$ 2,452,987</u>	<u>\$ 3,173,466</u>	<u>\$ 3,155,883</u>	<u>\$ 2,903,664</u>
District's Covered Payroll	\$ 2,678,558	\$ 2,621,620	\$ 2,427,569	\$ 2,350,474	\$ 2,243,942	\$ 2,246,866
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	27.46%	44.65%	43.11%	57.98%	60.36%	52.33%
Plan Fiduciary Net Position as a % of Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only six 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."

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,					
	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 28,599	\$ 25,890	\$ 23,421	\$ 19,708	\$ 20,413	\$ 18,712
Contribution in Relation to Contractually Required Contribution	(28,599)	(25,890)	(23,421)	(19,708)	(20,413)	(18,712)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,973,411	\$ 2,678,558	\$ 2,621,620	\$ 2,427,569	\$ 2,350,474	\$ 2,243,942
Contributions as a % of Covered Payroll	0.96%	0.97%	0.89%	0.81%	0.87%	0.83%

Note Only six 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."

DRISCOLL INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2023

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 Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

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

DRISCOLL INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2014 and Prior Years	\$	Various	\$	Various	\$	Various
2015		1.04		.515		114,073,848
2016		1.04		.585		94,881,208
2017		1.04		.6662		84,326,019
2018		1.04		.6598		89,443,404
2019		1.06		.5495		116,956,836
2020		.97		.3202		106,593,872
2021		.9667		.65		83,003,920
2022		.9165		.4606		90,650,626
2023 (School Year Under Audit)		.8601		.4174		98,194,100
1000 Totals						

EXHIBIT J-1

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
\$ 63,164	\$ --	\$ 5,161	\$ 1,077	\$ (14,420)	\$ 42,506
8,916	--	516	255	(469)	7,676
8,584	--	578	325	(643)	7,038
8,908	--	340	218	(121)	8,229
12,846	--	459	291	(356)	11,740
13,121	--	563	291	278	12,545
28,667	--	778	367	134	27,656
31,322	--	5,065	3,406	(536)	22,315
61,987	--	13,764	6,916	(3,733)	37,574
--	1,236,101	787,633	382,247	--	66,221
<u>\$ 237,515</u>	<u>\$ 1,236,101</u>	<u>\$ 814,857</u>	<u>\$ 395,393</u>	<u>\$ (19,866)</u>	<u>\$ 243,500</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF AUGUST 31, 2023

Data Control Codes		Responses
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 407,946
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 519,417
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 6,745
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 11,949

DRISCOLL INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-3**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	REVENUES:				
5700	Local and Intermediate Sources	\$ 11,500	\$ 11,500	\$ 12,327	\$ 827
5800	State Program Revenues	13,488	13,488	15,995	2,507
5900	Federal Program Revenues	303,000	303,000	360,600	57,600
5020	Total Revenues	<u>327,988</u>	<u>327,988</u>	<u>388,922</u>	<u>60,934</u>
	EXPENDITURES:				
	Current:				
	Student Support Services:				
0035	Food Services	<u>327,988</u>	<u>423,488</u>	<u>364,290</u>	<u>59,198</u>
	Total Student Support Services	<u>327,988</u>	<u>423,488</u>	<u>364,290</u>	<u>59,198</u>
6030	Total Expenditures	<u>327,988</u>	<u>423,488</u>	<u>364,290</u>	<u>59,198</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(95,500)</u>	<u>24,632</u>	<u>120,132</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(95,500)</u>	<u>24,632</u>	<u>120,132</u>
0100	Fund Balance - Beginning	162,306	162,306	162,306	--
3000	Fund Balance - Ending	<u>\$ 162,306</u>	<u>\$ 66,806</u>	<u>\$ 186,938</u>	<u>\$ 120,132</u>

DRISCOLL INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 433,079	\$ 433,079	\$ 405,782	\$ (27,297)
5800	State Program Revenues	27,342	27,342	45,415	18,073
5020	Total Revenues	<u>460,421</u>	<u>460,421</u>	<u>451,197</u>	<u>(9,224)</u>
	EXPENDITURES:				
	Debt Service:				
0071	Debt Service	350,200	340,000	340,000	--
0072	Interest on Long-Term Debt	106,821	117,021	117,021	--
0073	Bond Issuance Costs and Fees	3,400	3,400	3,100	300
	Total Debt Service	<u>460,421</u>	<u>460,421</u>	<u>460,121</u>	<u>300</u>
6030	Total Expenditures	<u>460,421</u>	<u>460,421</u>	<u>460,121</u>	<u>300</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(8,924)	(8,924)
1200	Net Change in Fund Balance	--	--	(8,924)	(8,924)
0100	Fund Balance - Beginning	283,137	283,137	283,137	--
3000	Fund Balance - Ending	<u>\$ 283,137</u>	<u>\$ 283,137</u>	<u>\$ 274,213</u>	<u>\$ (8,924)</u>

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Driscoll Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Driscoll Independent School District's basic financial statements, and have issued our report thereon dated January 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Driscoll Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Driscoll Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Driscoll Independent School District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Driscoll Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
January 17, 2024

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Driscoll Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Driscoll Independent School District's major federal program for the year ended August 31, 2023. Driscoll Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Driscoll Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2023

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Driscoll Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Driscoll Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Driscoll Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Driscoll Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Driscoll Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Driscoll Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Driscoll Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Driscoll Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control

over compliance. Accordingly, no such opinion is expressed.

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,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The script is cursive and fluid.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
January 17, 2024

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

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: May 2023

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	CRRSA ESSER II
84.425U	ARP ESSER III

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023

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

DRISCOLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subre- cipients	Federal Expenditures
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	00870	\$ --	\$ 119,116
National School Lunch Program	10.555	00870	--	207,176
Supply Chain Assistance	10.555	00870	--	11,881
Total Child Nutrition Cluster			--	338,173
Pandemic EBT Food Benefits	10.542	00870	--	628
Commodity Supplemental Food Program (Non-cash)	10.565	00870	--	21,799
Total Passed Through State Department of Education			--	360,600
Total U. S. Department of Agriculture			--	360,600
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00172	--	3,787
Total U. S. Department of Health and Human Services			--	3,787
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Cluster:				
IDEA-Part B, Formula	84.027A	236600011789056000	--	58,227
IDEA-Part B, Preschool	84.173A	236610011789056000	--	2,152
Total IDEA-B Cluster			--	60,379
ESEA Title I Part A - Improving Basic Programs	84.010A	23610101178905	--	157,884
Rural Education Achievement Program	84.358	042614800	--	12,966
Rural Education Achievement Program	84.358	042614800	--	17,048
Total ALN Number 84.358			--	30,014
ESEA Title II, Part A - Teacher and Principal Training and Recruitment	84.367A	23694501178905	--	24,769
Title IV, Part A, Subpart 1	84.424A	23680101178905	--	10,853
ESSER Fund II of the CRRSA Act	84.425D	20521001178905	--	349,425
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	21528001178905	--	218,617
Total Passed Through State Department of Education			--	851,941
Passed Through Nueces County, Texas:				
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	178-905	--	2,560
Passed Through Region II ESC:				
IAL Library Grant	84.215G	S21G210063	--	1,340
Total U. S. Department of Education			--	855,841
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,220,228

The accompanying notes are an integral part of this schedule.

DRISCOLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	1,275,008
Less: School Health & Related Services (SHARS) reported in General Fund	(39,702)
Less: E-rate	<u>(15,078)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>1,220,228</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Driscoll 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.

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