

FERRIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

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

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Introductory Section

CERTIFICATE OF BOARD

Ferris Independent School District
Name of School District

Ellis
County

070-905
Co.-Dist. Number

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

Signature of Board Secretary

Signature of Board President

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

Financial Section

Independent Auditors' Report

To the Board of Trustees
Ferris Independent School District
P. O. Box 459
Ferris, Texas 75125

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

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

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion labeled "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020 on our consideration of Ferris Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferris Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Anderson, Marx & Bohi, P.C.

Corsicana, Texas
January 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position on financial statement exhibit A-1 was \$16,446,860 at August 31, 2019.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$1,117,990 less than the \$33,428,616 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased by \$4,061,898. This was primarily caused by an increase in capital outlay.
- The general fund reported a general fund balance this year on financial statement exhibit C-1 of \$10,979,294. The District began the current year with a fund balance in the amount of \$7,703,710.

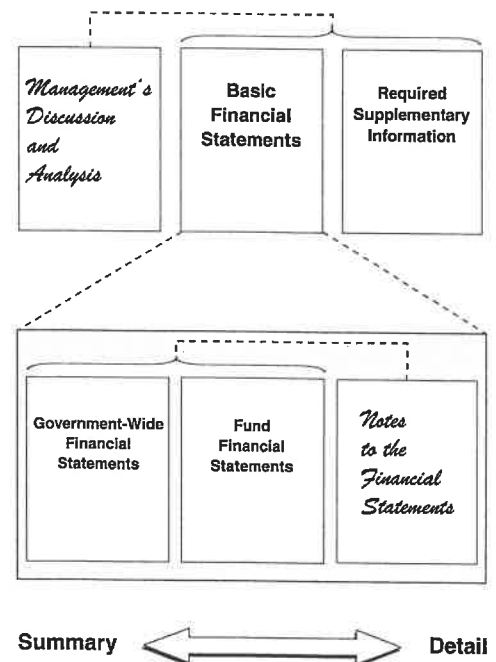
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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*

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



that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets 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 it has 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 is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.
- *Proprietary funds*—The District accounts for food service as a profit center and workman's compensation insurance is accounted for as an internal service fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$16.45 million at August 31, 2019. (See Table A-1).

Table A-1
Ferris Independent School District's Net Position
(In million dollars)

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change 2019-2018</u>
Current assets:			
Cash and cash equivalents	1.8	16.3	-89
Investments	11.5	.0	**
Due from other governments	2.3	2.3	0
Due from other funds	.0	.0	**
Other receivables	.4	.3	33
Inventories – supplies and materials	.1	.1	0
Total current assets:	<u>16.1</u>	<u>19.0</u>	-15
Noncurrent assets:			
Land, furniture and equipment	82.5	76.7	8
Less accumulated depreciation	<u>(27.0)</u>	<u>(25.3)</u>	-7
Total noncurrent assets	<u>55.5</u>	<u>51.4</u>	8
Total Assets	<u>71.6</u>	<u>70.4</u>	2
Deferred Outflows of Resources	<u>7.0</u>	<u>2.1</u>	233
Current liabilities:			
Accounts payable and accrued liabilities	2.4	2.0	20
Claims payable	.0	.0	**
Due to other funds	.0	.0	**
Unearned revenue	.1	.2	-50
Total current liabilities	<u>2.5</u>	<u>2.2</u>	14
Long-term liabilities:			
Noncurrent liabilities due in one year	1.0	1.2	-17
Noncurrent liabilities due more than 1 yr	33.5	34.4	-3
Net pension liability	8.2	4.7	74
Net OPEB liability	11.3	8.5	33
Total Liabilities	<u>56.5</u>	<u>51.0</u>	11
Deferred Inflows of Resources	<u>5.7</u>	<u>6.2</u>	-8
Net Position:			
Net investment in capital assets	21.0	21.1	0
Restricted	.7	1.8	-61
Unrestricted	<u>(5.3)</u>	<u>(7.6)</u>	30
Total Net Position	<u>16.4</u>	<u>15.3</u>	7

The District has \$759,319 of restricted net position in governmental and business-type activities that represents proceeds from state and federal programs of \$519,731, debt service of \$174,317, and campus activities of \$65,271. The \$(5,286,982) of unrestricted net position represents a deficit of resources to be available in all activities to fund the programs of the District next year.

Changes in net position. The District's total revenues in governmental activities were \$31,595,543. A significant portion, 20 percent, of the District's revenue comes from taxes. (See Table A-2.) 68 percent comes from state aid – formula grants, while only 1.4 percent relates to charges for services.

The total cost of all governmental programs and services was \$30,625,652; 89 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

Property tax rates increased. For that reason, in addition to increased values, tax revenues increased to \$6,201,265.

Business Type Activities

The District accounts for its food service as a business type activity. During the year, this activity had revenue of \$1,833,073, and after deducting expenses of \$1,684,974, had a net income of \$148,099. The activity had net assets of \$670,674 at August 31, 2019.

Table A-2
Changes in Ferris Independent School District's Net Position
(In million dollars)

	<u>2019</u>	<u>2018</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.5	.5	0
Operating Grants and Contributions	4.7	3.7	27
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	6.2	5.0	24
State Aid – Formula	21.5	19.2	12
Investment Earnings	.4	.3	33
Other	.1	.3	-67
Total Revenues	<u>33.4</u>	<u>29.0</u>	15
Instruction	16.4	11.0	49
Instructional Resources and Media Services	.4	.3	33
Curriculum Dev. And Instructional Staff Dev.	1.3	.8	63
Instructional Leadership	.6	.1	500
School Leadership	1.8	1.1	64
Guidance, Counseling and Evaluation Services	1.0	1.1	-9
Social Work Services	.0	.0	**
Health Services	.3	.2	50
Student (Pupil) Transportation	.7	.6	17
Food Services	1.8	1.4	29
Curricular/Extracurricular Activities	1.3	.9	44
General Administration	1.2	.7	71
Plant Maintenance & Oper.	2.6	2.1	24
Security & Monitoring Svcs.	.5	.3	67
Data Processing Services	.4	.3	33
Community Services	.0	.0	**
Debt Services	1.8	1.9	-5
Facilities Acquisition and Construction	.0	.0	**
Contracted Instr. Services Between Public Schools	.0	.0	**
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.2	1.3	-85
Public Education Grant Progr.	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Total Expenses	<u>32.3</u>	<u>24.1</u>	34
Excess (Deficiency) Before Other Resources,			
Uses & Transfers	1.1	4.9	-78
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>1.1</u>	<u>4.9</u>	-78

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 \$30.6 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$6.2 million.
- Some of the cost was paid by those who directly benefited from the programs \$.45 million, or
- By grants and contributions \$3.0 million.

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

	Total Cost of Services			Net Cost of Services		
	<u>2019</u>	<u>2018</u>	% Change	<u>2019</u>	<u>2018</u>	% Change
Instruction	16.4	11.0	49	14.6	10.3	42
School administration	1.2	.7	71	1.2	.6	100
Plant Maintenance & Operations	2.6	2.1	24	2.5	2.0	25
Debt Service – Interest & Fiscal Charges	1.8	1.9	-5	.8	.7	14

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$30.7 million, while the previous year it was \$31.7 million. The increase in local revenues is due to increased valuations and an increase in charges for services. The decrease in state revenues is a result of student population changes and changes in state funding formulas. The change in federal revenues is due to grant funding formulas distributed through other agencies.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 4 times. Even with these adjustments, actual expenditures were \$1,125,049 below final budget amounts.

On the other hand, resources available were \$1,272,899 above the final budgeted amount.

- Enrollment changes from when the budget was adopted resulted in state funding being \$706,535 above what was anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$82,788,176 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$5,914,257 or 8% percent over last year. This includes Governmental type assets and business type assets.

Table A-4
District's Capital Assets
(In millions of dollars)

	<u>2019</u>	<u>2018</u>	Total Percentage Change <u>2019-2018</u>
Land	.652	.658	-1
Construction in progress	5.741	.000	**
Buildings and improvements	68.866	68.866	0
Vehicles	4.510	4.121	9
Equipment	3.019	2.879	5
Leased equipment	.000	.350	**
Totals at historical cost	82.788	76.874	8
Total accumulated depreciation	(27.215)	(25.482)	-7
Net capital assets	55.573	51.392	8

The District's fiscal year 2020 capital budget projects spending reflect projects dealing with its funds remaining from its bond program. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$54.046 million in bonds, notes, leases, net pension and OPEB liability, and compensated absences outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long-Term Debt
(In millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2019</u>	<u>2018</u>	<u>2019-2018</u>
Leases payable	.000	.093	**
Bonds payable	31.969	32.785	-2
Compensated absences	.337	.335	1
Notes payable	.766	.823	-7
Net pension liability	8.165	4.678	75
Net OPEB liability	11.312	8.457	34
Net premium on debt	1.497	1.604	-7
Total long-term debt	<u>54.046</u>	<u>48.775</u>	11

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2020 budget preparation is \$442,673,243, an increase of \$113,157,857, or 34.3% from 2019.
- General operating fund spending per student increases in the 2020 budget from \$10,301 to \$10,511. This is a 2% increase.
- The District's 2020 refined average daily attendance is expected to be 2,698, indicating a 10% increase from the previous year.

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for appropriation in the general fund budget are \$28,358,624, an increase of 12 percent from the final 2019 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2020.

SUBSEQUENT EVENTS

In December 2019, the board set a bond election for \$10,000,000 up to \$12,000,000 for May 2, 2020, to be used for capital improvements. In October 2019, the District sustained a tornado loss. This resulted in a net settlement of \$192,992 to be received by the District for the loss. There was also a water damage net settlement of \$47,071 with this incident.

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 Ferris Independent School District's Business Services Department at P. O. Box 459, Ferris, Texas 75125 or phone number 972-544-3858.

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

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 1,699,209	\$ 67,959	\$ 1,767,168
1120 <i>Current Investments</i>	10,529,514	999,765	11,529,279
1225 <i>Property Taxes Receivable (Net)</i>	319,391	--	319,391
1240 <i>Due from Other Governments</i>	2,284,627	--	2,284,627
1260 <i>Internal Balances</i>	440,383	(440,383)	--
1290 <i>Other Receivables (Net)</i>	3,578	--	3,578
1300 <i>Inventories</i>	59,012	18,796	77,808
1410 <i>Prepaid Expenses</i>	73,459	--	73,459
Capital Assets:			
1510 <i>Land</i>	652,223	--	652,223
1520 <i>Buildings and Improvements, Net</i>	45,914,604	--	45,914,604
1530 <i>Furniture and Equipment, Net</i>	3,170,200	95,334	3,265,534
1580 <i>Construction in Progress</i>	5,740,628	--	5,740,628
1000 Total Assets	70,886,828	741,471	71,628,299
DEFERRED OUTFLOWS OF RESOURCES:			
<i>Deferred Outflow Related to Pensions</i>	4,365,189	--	4,365,189
<i>Deferred Outflow Related to OPEB</i>	2,700,543	--	2,700,543
1700 Total Deferred Outflows of Resources	7,065,732	--	7,065,732
LIABILITIES:			
2110 <i>Accounts Payable</i>	937,568	53,001	990,569
2140 <i>Interest Payable</i>	43,912	--	43,912
2165 <i>Accrued Liabilities</i>	1,384,501	17,796	1,402,297
2180 <i>Due to Other Governments</i>	33	--	33
2300 <i>Unearned Revenue</i>	62,060	--	62,060
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	1,051,218	--	1,051,218
2502 <i>Due in More Than One Year</i>	33,517,129	--	33,517,129
2540 <i>Net Pension Liability</i>	8,165,403	--	8,165,403
2545 <i>Net OPEB Liability</i>	11,312,057	--	11,312,057
2000 Total Liabilities	56,473,881	70,797	56,544,678
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue-Bond Gain on Refunding</i>	1,518,654	--	1,518,654
<i>Deferred Inflow Related to Pensions</i>	606,694	--	606,694
<i>Deferred Inflow Related to OPEB</i>	3,577,145	--	3,577,145
2600 Total Deferred Inflows of Resources	5,702,493	--	5,702,493
NET POSITION:			
3200 Net Investment in Capital Assets	20,879,189	95,334	20,974,523
Restricted For:			
3820 <i>State and Federal Programs</i>	--	519,731	519,731
3850 <i>Debt Service</i>	174,317	--	174,317
3870 <i>Campus Activities</i>	65,271	--	65,271
3900 <i>Unrestricted</i>	(5,342,591)	55,609	(5,286,982)
3000 Total Net Position	\$ 15,776,186	\$ 670,674	\$ 16,446,860

The accompanying notes are an integral part of this statement.

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

		1	3	4
			Program Revenues	
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 16,341,045	\$ 295,116	\$ 1,444,366
12	Instructional Resources and Media Services	410,841	--	17,345
13	Curriculum and Staff Development	1,290,922	13,821	114,635
21	Instructional Leadership	581,321	--	26,602
23	School Leadership	1,751,744	11,249	85,419
31	Guidance, Counseling, & Evaluation Services	981,589	--	32,130
33	Health Services	311,048	--	12,088
34	Student Transportation	712,473	--	26,050
35	Food Service	128,329	--	29
36	Cocurricular/Extracurricular Activities	1,290,800	119,388	37,539
41	General Administration	1,217,510	--	42,018
51	Facilities Maintenance and Operations	2,588,948	8,087	81,455
52	Security and Monitoring Services	508,324	--	22,849
53	Data Processing Services	427,416	--	19,604
72	Interest on Long-term Debt	1,827,214	--	1,016,531
73	Bond Issuance Costs and Fees	850	--	--
93	Payments Related to Shared Services Arrangements	212,012	--	--
99	Other Intergovernmental Charges-TEA Payment	43,266	--	--
TG	Total Governmental Activities	<u>30,625,652</u>	<u>447,661</u>	<u>2,978,660</u>
	Business-type Activities:			
05	Food Services	1,677,847	65,640	1,743,864
01	Beverage Services	7,127	16,438	--
TB	Total Business-type Activities	<u>1,684,974</u>	<u>82,078</u>	<u>1,743,864</u>
TP	Total Primary Government	<u>\$ 32,310,626</u>	<u>\$ 529,739</u>	<u>\$ 4,722,524</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
	Gain on Sale of Property			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

Basic Financial Statements

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Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (14,601,563)		\$ (14,601,563)
(393,496)		(393,496)
(1,162,466)		(1,162,466)
(554,719)		(554,719)
(1,655,076)		(1,655,076)
(949,459)		(949,459)
(298,960)		(298,960)
(686,423)		(686,423)
(128,300)		(128,300)
(1,133,873)		(1,133,873)
(1,175,492)		(1,175,492)
(2,499,406)		(2,499,406)
(485,475)		(485,475)
(407,812)		(407,812)
(810,683)		(810,683)
(850)		(850)
(212,012)		(212,012)
(43,266)		(43,266)
(27,199,331)		(27,199,331)
--	\$ 131,657	131,657
--	9,311	9,311
--	140,968	140,968
(27,199,331)	140,968	(27,058,363)
4,783,530	--	4,783,530
1,417,735	--	1,417,735
445,448	7,131	452,579
21,453,074	--	21,453,074
54,436	--	54,436
14,999	--	14,999
28,169,222	7,131	28,176,353
969,891	148,099	1,117,990
14,806,295	522,575	15,328,870
\$ 15,776,186	\$ 670,674	\$ 16,446,860

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

AUGUST 31, 2019

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 1,551,605	\$ --	\$ 143,147	\$ 1,694,752
1120 <i>Current Investments</i>	8,918,884	1,440,068	90,693	10,449,645
1225 <i>Taxes Receivable, Net</i>	258,334	--	61,057	319,391
1240 <i>Due from Other Governments</i>	2,075,261	--	209,366	2,284,627
1260 <i>Due from Other Funds</i>	1,028,189	684,654	170,482	1,883,325
1290 <i>Other Receivables</i>	3,477	--	100	3,577
1300 <i>Inventories</i>	59,012	--	--	59,012
1410 <i>Prepaid Expenditures</i>	73,459	--	--	73,459
1000 Total Assets	<u>\$ 13,968,221</u>	<u>\$ 2,124,722</u>	<u>\$ 674,845</u>	<u>\$ 16,767,788</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 176,888	\$ 592,275	\$ 969	\$ 770,132
2150 <i>Payroll Deductions & Withholdings</i>	140,208	--	1	140,209
2160 <i>Accrued Wages Payable</i>	1,191,449	--	35,203	1,226,652
2170 <i>Due to Other Funds</i>	1,204,408	--	336,991	1,541,399
2180 <i>Due to Other Governments</i>	--	--	33	33
2200 <i>Accrued Expenditures</i>	17,640	--	--	17,640
2300 <i>Unearned Revenue</i>	--	--	62,060	62,060
2000 Total Liabilities	<u>2,730,593</u>	<u>592,275</u>	<u>435,257</u>	<u>3,758,125</u>
DEFERRED INFLOWS OF RESOURCES:				
<i>Deferred Revenue-Property Taxes</i>	258,334	--	61,057	319,391
2600 Total Deferred Inflows of Resources	<u>258,334</u>	<u>--</u>	<u>61,057</u>	<u>319,391</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	59,012	--	--	59,012
3430 <i>Prepaid Items</i>	73,459	--	--	73,459
Restricted Fund Balances:				
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	1,532,447	--	1,532,447
3480 <i>Retirement of Long-Term Debt</i>	--	--	113,260	113,260
3490 <i>Other Restrictions of Fund Balance-Campus Act</i>	--	--	65,271	65,271
Assigned Fund Balances:				
3550 <i>Construction</i>	1,130,000	--	--	1,130,000
3600 <i>Unassigned</i>	9,716,823	--	--	9,716,823
3000 Total Fund Balances	<u>10,979,294</u>	<u>1,532,447</u>	<u>178,531</u>	<u>12,690,272</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,968,221</u>	<u>\$ 2,124,722</u>	<u>\$ 674,845</u>	<u>\$ 16,767,788</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019*

Total fund balances - governmental funds balance sheet	\$ 12,690,272
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.	55,477,655
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	319,391
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	15,347
Payables for bond principal which are not due in the current period are not reported in the funds.	(31,386,491)
Payables for bond interest which are not due in the current period are not reported in the funds.	(43,912)
Payables for notes which are not due in the current period are not reported in the funds.	(766,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(337,298)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(8,165,403)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(606,694)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	4,365,189
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(581,997)
Bond premiums are amortized in the SNA but not in the funds.	(1,496,561)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(11,312,057)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,577,145)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	2,700,543
Gain on Refunds are amortized in the SNA but not in the funds	(1,518,654)
Rounding difference	1
Net position of governmental activities - Statement of Net Position	\$ <u>15,776,186</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 5,286,208	\$ 149,871	\$ 1,618,135	\$ 7,054,214
5800 <i>State Program Revenues</i>	21,376,331	--	1,126,351	22,502,682
5900 <i>Federal Program Revenues</i>	309,038	--	814,075	1,123,113
5020 Total Revenues	<u>26,971,577</u>	<u>149,871</u>	<u>3,558,561</u>	<u>30,680,009</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	13,220,274	--	903,660	14,123,934
0012 <i>Instructional Resources and Media Services</i>	360,963	--	--	360,963
0013 <i>Curriculum and Staff Development</i>	1,055,166	--	74,711	1,129,877
0021 <i>Instructional Leadership</i>	509,816	--	--	509,816
0023 <i>School Leadership</i>	1,508,456	--	10,589	1,519,045
0031 <i>Guidance, Counseling, & Evaluation Services</i>	847,004	--	18,111	865,115
0033 <i>Health Services</i>	276,230	--	--	276,230
0034 <i>Student Transportation</i>	706,494	--	--	706,494
0036 <i>Cocurricular/Extracurricular Activities</i>	1,097,625	--	74,167	1,171,792
0041 <i>General Administration</i>	990,693	--	--	990,693
0051 <i>Facilities Maintenance and Operations</i>	2,459,391	--	--	2,459,391
0052 <i>Security and Monitoring Services</i>	451,153	--	--	451,153
0053 <i>Data Processing Services</i>	403,517	--	--	403,517
0071 <i>Principal on Long-term Debt</i>	150,272	--	1,038,857	1,189,129
0072 <i>Interest on Long-term Debt</i>	14,797	--	1,912,243	1,927,040
0073 <i>Bond Issuance Costs and Fees</i>	--	--	850	850
0081 <i>Capital Outlay</i>	--	5,740,628	--	5,740,628
0093 <i>Payments to Shared Service Arrangements</i>	--	--	212,012	212,012
0099 <i>Other Intergovernmental Charges</i>	43,266	--	--	43,266
6030 Total Expenditures	<u>24,095,117</u>	<u>5,740,628</u>	<u>4,245,200</u>	<u>34,080,945</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>2,876,460</u>	<u>(5,590,757)</u>	<u>(686,639)</u>	<u>(3,400,936)</u>
Other Financing Sources and (Uses):				
7912 <i>Sale of Real or Personal Property</i>	59,936	--	--	59,936
7915 <i>Transfers In</i>	417,785	--	--	417,785
8911 <i>Transfers Out</i>	(78,597)	--	(398,705)	(477,302)
7080 Total Other Financing Sources and (Uses)	<u>399,124</u>	<u>--</u>	<u>(398,705)</u>	<u>419</u>
1200 Net Change in Fund Balances	<u>3,275,584</u>	<u>(5,590,757)</u>	<u>(1,085,344)</u>	<u>(3,400,517)</u>
0100 Fund Balances - Beginning	<u>7,703,710</u>	<u>7,123,204</u>	<u>1,263,875</u>	<u>16,090,789</u>
3000 Fund Balances - Ending	<u>\$ 10,979,294</u>	<u>\$ 1,532,447</u>	<u>\$ 178,531</u>	<u>\$ 12,690,272</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (3,400,517)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,819,405
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,728,712)
The gain or loss on the disposal of capital assets is not reported in the funds.	(5,500)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	55,160
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,038,857
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	93,272
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	57,000
The amortization of bond premium is reported in the SOA but not in the funds.	106,897
The accretion of interest on capital apprication bonds is not reported in the funds.	(222,399)
(Increase) decrease in accrued interest from beginning of period to end of period.	8,991
The amortization of bond gain is reported in the funds but not in the SOA.	206,337
The net revenue (expense) of internal service funds is reported with governmental activities.	15,208
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,555)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(719,362)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(352,191)
Change in net position of governmental activities - Statement of Activities	\$ <u>969,891</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2019**

Data Control Codes	Enterprise Fund National Breakfast/Lunch Program	Nonmajor Enterprise Fund Beverage Services	Total Enterprise Funds	Nonmajor Internal Service Fund Insurance Fund
ASSETS:				
Current Assets:				
1110 <i>Cash and Cash Equivalents</i>	\$ 11,131	\$ 56,828	\$ 67,959	\$ 4,457
1120 <i>Investments</i>	999,765	--	999,765	79,869
1260 <i>Due from Other Funds</i>	--	--	--	105,366
1310 <i>Inventories, at Cost</i>	18,796	--	18,796	--
Total Current Assets	<u>1,029,692</u>	<u>56,828</u>	<u>1,086,520</u>	<u>189,692</u>
Noncurrent Assets:				
Capital Assets:				
1530 <i>Furniture and Equipment</i>	286,185	--	286,185	--
1570 <i>Accumulated Depreciation</i>	(190,851)	--	(190,851)	--
Total Noncurrent Assets	<u>95,334</u>	<u>--</u>	<u>95,334</u>	<u>--</u>
1000 Total Assets	<u>1,125,026</u>	<u>56,828</u>	<u>1,181,854</u>	<u>189,692</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	51,782	1,219	53,001	167,436
2150 <i>Payroll Deduction & Withholdings</i>	66	--	66	--
2160 <i>Accrued Wages Payable</i>	17,451	--	17,451	--
2170 <i>Due to Other Funds</i>	440,383	--	440,383	6,909
2200 <i>Accrued Expenses</i>	279	--	279	--
Total Current Liabilities	<u>509,961</u>	<u>1,219</u>	<u>511,180</u>	<u>174,345</u>
2000 Total Liabilities	<u>509,961</u>	<u>1,219</u>	<u>511,180</u>	<u>174,345</u>
NET POSITION:				
3200 <i>Net Investment in Capital Assets</i>	95,334	--	95,334	--
3800 <i>Restricted-State and Federal Programs</i>	519,731	--	519,731	--
3900 <i>Unrestricted</i>	--	55,609	55,609	15,347
3000 Total Net Position	<u>\$ 615,065</u>	<u>\$ 55,609</u>	<u>\$ 670,674</u>	<u>\$ 15,347</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Enterprise Fund National Breakfast/Lunch Program	Nonmajor Enterprise Fund Beverage Services	Total Enterprise Funds	Nonmajor Internal Service Fund Insurance Fund
OPERATING REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 72,771	\$ 16,438	\$ 89,209	\$ 1,640
5800 <i>State Program Revenues</i>	71,210	--	71,210	--
5020 <i>Total Revenues</i>	<u>143,981</u>	<u>16,438</u>	<u>160,419</u>	<u>1,640</u>
OPERATING EXPENSES:				
6100 <i>Payroll Costs</i>	685,943	--	685,943	45,949
6200 <i>Professional and Contracted Services</i>	60,867	--	60,867	--
6300 <i>Supplies and Materials</i>	924,779	7,127	931,906	--
6400 <i>Other Operating Costs</i>	6,258	--	6,258	--
6030 <i>Total Expenses</i>	<u>1,677,847</u>	<u>7,127</u>	<u>1,684,974</u>	<u>45,949</u>
Operating Income (Loss)	<u>(1,533,866)</u>	<u>9,311</u>	<u>(1,524,555)</u>	<u>(44,309)</u>
NON-OPERATING REVENUES (EXPENSES):				
7952 <i>National School Breakfast Program</i>	425,454	--	425,454	--
7953 <i>National School Lunch Program</i>	1,136,487	--	1,136,487	--
7954 <i>USDA Donated Commodities</i>	110,713	--	110,713	--
8030 <i>Total Non-operating Revenues (Expenses)</i>	<u>1,672,654</u>	<u>--</u>	<u>1,672,654</u>	<u>--</u>
Income (Loss) before Contrib. and Transfers	<u>138,788</u>	<u>9,311</u>	<u>148,099</u>	<u>(44,309)</u>
7915 <i>Transfers In</i>	--	--	--	59,517
1300 <i>Change in Net Position</i>	<u>138,788</u>	<u>9,311</u>	<u>148,099</u>	<u>15,208</u>
0100 <i>Total Net Position - Beginning</i>	476,277	46,298	522,575	139
3300 <i>Total Net Position - Ending</i>	<u>\$ 615,065</u>	<u>\$ 55,609</u>	<u>\$ 670,674</u>	<u>\$ 15,347</u>

The accompanying notes are an integral part of this statement.

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

FOR THE YEAR ENDED AUGUST 31, 2019

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund
	National Breakfast/Lunch Program	Beverage Services		Insurance Fund
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 72,771	\$ 16,438	\$ 89,209	\$ 1,641
<i>Cash Received from Grants</i>	1,743,864	--	1,743,864	--
<i>Cash Receipts (Payments) for Quasi-external</i>				
<i>Cash Payments to Employees for Services</i>	(705,842)	--	(705,842)	(35,716)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(995,140)	(7,127)	(1,002,267)	(27,419)
<i>Other Operating Cash Receipts (Payments)</i>	--	--	--	--
Net Cash Provided (Used) by Operating Activities	115,653	9,311	124,964	(61,494)
Cash Flows from Non-capital Financing Activities:				
<i>Transfers in from Other Funds</i>	--	--	--	59,517
<i>Increase (decrease) in Amounts Due to Other Funds</i>	440,383	--	440,383	--
Net Cash Provided (Used) by Non-capital Financing Activities	440,383	--	440,383	59,517
Cash Flows from Capital and Related Financing Activities:				
<i>Purchase of Fixed Assets</i>	(100,352)	--	(100,352)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(100,352)	--	(100,352)	--
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	--	--	--	--
<i>Investment Purchases</i>	(998,635)	--	(998,635)	(79,869)
Net Cash Provided (Used) for Investing Activities	(998,635)	--	(998,635)	(79,869)
Net Increase (Decrease) in Cash and Cash Equivalents	(542,951)	9,311	(533,640)	(81,846)
Cash and Cash Equivalents at Beginning of Year	554,082	47,517	601,599	86,303
Cash and Cash Equivalents at End of Year	\$ 11,131	\$ 56,828	\$ 67,959	\$ 4,457
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 138,788	\$ 9,311	\$ 148,099	\$ (44,309)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	5,018	--	5,018	--
Change in Assets and Liabilities:				
<i>Increase (Decrease) in Accounts Payable</i>	(8,254)	--	(8,254)	(17,185)
<i>Increase (Decrease) in Accrued Wages Payable</i>	(19,899)	--	(19,899)	--
Total Adjustments	(23,135)	--	(23,135)	(17,185)
Net Cash Provided (Used) by Operating Activities	\$ 115,653	\$ 9,311	\$ 124,964	\$ (61,494)

The accompanying notes are an integral part of this statement.

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

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 155,497
1290	Other Receivables	1,927
1000	Total Assets	<u>157,424</u>
LIABILITIES:		
Current Liabilities:		
2190	Due to Student Groups	157,424
2000	Total Liabilities	<u>157,424</u>
NET POSITION:		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

The basic financial statements of Ferris 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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.

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Capital Projects Fund: This fund accounts for the bond proceeds and the expenditures for which they will be used.

The District reports the following major enterprise funds:

National Breakfast/Lunch Program: This program accounts for all revenue and expenses associated with food service.

In addition, the District reports the following fund types:

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

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

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

b. **Measurement Focus, Basis of Accounting**

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

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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 acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	6
Office Equipment	7
Computer Equipment	5

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements 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.

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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 is an allowance for uncollectible taxes of \$56,363.

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

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed 15 years are not eligible to receive the lump sum payments.

h. Interfund Activity

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

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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.

I. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

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

FERRIS INDEPENDENT SCHOOL DISTRICT
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5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

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

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

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

The District expects that implementation of the pronouncement will primarily affect some disclosures in the notes and will not have an impact on the financial statements.

GASB Statement No. 83, Certain Asset Retirement Obligations

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

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

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

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,922,665 and the bank balance was \$2,406,788. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star - First Public	N/A	\$ 6,993,052
Texpool	N/A	362,256
Texas Term	N/A	1,812,765
Logic	N/A	2,361,206
Total Investments		<u>\$ 11,529,279</u>

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

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

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.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

LOGIC

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day to day administration of LOGIC are First Southwest Company and J. P. Morgan Investment Management, Inc. LOGIC is rated at a AAA or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

TexasTERM

The Texas Term Local Government Investment Pool (TexasTERM) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares. Investment options include TexasDAILY, a money market portfolio, is rated AAAM by Standard & Poor's, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States.

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 657,723	\$ --	\$ (5,500)	\$ 652,223
Construction in progress	--	5,740,628	--	5,740,628
Total capital assets not being depreciated	657,723	5,740,628	(5,500)	6,392,851
<i>Capital assets being depreciated:</i>				
Buildings and improvements	68,866,420	--	--	68,866,420
Equipment	2,693,335	39,475	--	2,732,810
Vehicles	4,120,612	39,302	349,996	4,509,910
Leased Assets	349,996	--	(349,996)	--
Total capital assets being depreciated	76,030,363	78,777	--	76,109,140
Less accumulated depreciation for:				
Buildings and improvements	(21,480,346)	(1,471,470)	--	(22,951,816)
Equipment	(983,734)	(182,186)	--	(1,165,920)
Vehicles	(2,481,549)	(75,056)	(349,995)	(2,906,600)
Leased Assets	(349,995)	--	349,995	--
Total accumulated depreciation	(25,295,624)	(1,728,712)	--	(27,024,336)
Total capital assets being depreciated, net	50,734,739	(1,649,935)	--	49,084,804
Governmental activities capital assets, net	\$ 51,392,462	\$ 4,090,693	\$ (5,500)	\$ 55,477,655

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 185,833	\$ 100,352	\$ --	\$ 286,185
Total capital assets being depreciated	185,833	100,352	--	286,185
Less accumulated depreciation for:				
Equipment	(185,833)	(5,018)	--	(190,851)
Total accumulated depreciation	(185,833)	(5,018)	--	(190,851)
Total capital assets being depreciated, net	--	95,334	--	95,334
Business-type activities capital assets, net	\$ --	\$ 95,334	\$ --	\$ 95,334

Depreciation for governmental activities was charged to functions as follows:

Instruction	\$ 1,027,246
Instructional Resources and Media Services	23,701
Curriculum and Staff Development	74,189
Instructional Leadership	33,475
School Leadership	99,769
Guidance, Counseling, & Evaluation Services	56,805
Health Services	18,138
Student Transportation	41,839
Extracurricular Activities	76,319
General Administration	65,050
Plant Maintenance and Operations	156,063
Security and Monitoring Services	29,623
Data Processing Services	26,495
	<u>\$ 1,728,712</u>

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

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 336,991	Short-term loans
General Fund	National Breakfast/Lunch Program	440,383	Short-term loans
General Fund	Nonmajor Internal Service Fund	6,909	Short-term loans
Capital Projects Fund	General Fund	684,654	Short-term loans
Nonmajor Internal Serv. Fund	General Fund	105,366	Short-term loans
Other Governmental Funds	General Fund	170,482	Short-term loans
General Fund	General Fund	243,906	Short-term loans
	Total	\$ 1,988,691	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 398,705	Supplement other funds sources
General Fund	Nonmajor Internal Service	59,517	Supplement other funds sources
General Fund	General Fund	19,080	Supplement other funds sources
	Total	\$ 477,302	

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 12,733,059	\$ --	\$ (615,000)	\$ 12,118,059	\$ 605,000
Capital Appreciation Bonds	19,692,289	--	(423,857)	19,268,432	388,218
Capital leases from direct borrowings/direct placements	93,272	--	(93,272)	--	--
Notes	823,000	--	(57,000)	766,000	58,000
Compensated absences *	334,743	2,555	--	337,298	--
Accreted CAB interest	359,598	222,399	--	581,997	--
Net Premium	1,603,458	--	(106,897)	1,496,561	--
Net Pension Liability *	4,678,091	3,987,057	(499,745)	8,165,403	--
Net OPEB Liability *	8,457,091	3,011,256	(156,290)	11,312,057	--
Total governmental activities	\$ 48,774,601	\$ 7,223,267	\$ (1,952,061)	\$ 54,045,807	\$ 1,051,218

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences*	Governmental	General Fund
Net Pension Liability *	Governmental	General Fund
OPEB Liability*	Governmental	General Fund

General Obligation Bonds

General obligation school building bonds payable at August 31, 2019, with their outstanding balance are comprised of the following individual issues.

The District issued \$2,970,000 of Unlimited Tax School Building Bonds, Series 2010 during the year ended August 31, 2010 for the purposes of construction. Interest rates vary from 0.00% to 4.50% with installments varying from \$118,631 to \$382,031. The balance on this issue at August 31, 2019 is \$2,550,000. The bonds mature in 2034.

The District issued \$9,280,000 of Schoolhouse Series 2013 Refunding Bonds during the year ended August 31, 2013 for the purposes of refinancing. Interest rates vary from 2.0% to 4.5% with installments varying from \$60,000 to \$745,000. The total balance on this issue at August 31, 2019 is \$8,460,000. The bonds mature in 2034.

The District issued \$2,903,059 of Unlimited Tax School Building & Refunding Bonds, Series 2015 during the year ended August 31, 2015 for the purposes of refinancing \$1,590,000 of Series 2004 & 2005 along with \$1,500,000 proceeds. Interest rate of 2.0% with installments varying from \$140,000 to \$640,000. The total balance on this issue at August 31, 2019 is \$1,108,059. A portion of this issue is a CAB and \$1,081,941 must be accreted over the life of the issue. The accretion payable of \$270,485 is included above. The bonds mature in 2035. There is an unamortized gain on this issue of \$140,206 after \$9,407 was amortized this year.

The District issued \$4,633,280 of Schoolhouse Series 2017 Refunding Bonds during the year ended August 31, 2017 for the purposes of refinancing. Interest rates vary from 2.0% to 4.5% with installments varying from \$185,991 to \$940,000. The total balance on this issue at August 31, 2019 is \$4,388,432. There is capital appreciation portion of \$268,280, requiring total interest accreted of \$2,751,720 over 10 years. Accreted at August 31, 2019 of \$167,762. Also, there was a gain on refinancing of \$1,969,298 of which \$196,930 was amortized this year leaving a balance of \$1,378,448.

The District issued \$15,245,000 of Unlimited Schoolhouse Unlimited Building & Refunding Series 2018 during the year ended August 31, 2018 for the purposes of providing cash proceeds of \$7,000,000 and refinancing \$9,020,000 of bond series 2011. These bonds carry interest rates of 2.5% to 4.125% with installments varying from \$430,000 to \$1,805,000. The total balance on this issue at August 31, 2019 is \$14,880,000. The entire series is considered a capital appreciation series, requiring total interest accreted of \$1,100,000 over 16 years. Interest accreted at August 31, 2019 is \$143,750. Also, there was a premium on this issue of \$1,710,355 of which \$106,897 was amortized this year leaving a balance of \$1,496,561.

Notes

During 2016, the District issued \$900,000 of Taxable Series 2016 QECB Notes for purposes of capital improvements. The notes carry an interest rate of 1.618% and are repayable in installments of \$32,000 to \$71,000. The balance at August 31, 2019 is \$766,000 and it matures in 2031. This note is not considered a direct borrowing.

FERRIS INDEPENDENT SCHOOL DISTRICT

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Leases from Direct Borrowings and Placements

On August 1, 2016, the District issued a lease for \$349,996 to purchase computing equipment for students. The lease is repayable in installments of \$75,000 to \$94,754 at the rate of 1.58%. The balance at August 31, 2019 is \$0. The collateral on this lease was laptop computers and in the event of default the lessor had the right to reacquire the collateral and to demand the balance of the lease contract. The District assumed ownership of the asset at the conclusion of the lease.

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities-Bonds		
	Principal	Interest	Total
2020	\$ 1,760,000	\$ 1,221,400	\$ 2,981,400
2021	1,875,000	1,188,450	3,063,450
2022	1,915,000	1,153,000	3,068,000
2023	2,015,000	1,079,200	3,094,200
2024	2,065,000	1,006,075	3,071,075
2025-2029	11,530,000	3,776,576	15,306,576
2030-2034	12,280,000	1,372,237	13,652,237
2035-2039	585,000	--	585,000
Totals	\$ 34,025,000	\$ 10,796,938	\$ 44,821,938

The above repayment schedule is provided by Bond Counsel to the District. This schedule is based on payments of accreted interest being treated as principal payments in future years. As of August 31, 2019, included in this schedule is CAB interest of \$2,638,509 on 2017 Issue, 2018 Issue and 2015 Issue which when added to the bond total long-term obligation on Note F item 1, yields a total of \$34,025,000. Of the \$2,638,509 total CAB interest, \$766,782 is added to the \$993,218 total bond amounts due within one year in Note F item 1, leading to a total amount due in 2020 of \$1,760,000 above.

The accreted interest of \$581,997 and Net Premium of \$1,496,561 in Note F item 1 are not included in the Bond Counsel debt service schedule above. The premium is amortized \$106,897 yearly until satisfied.

Year Ending August 31,	Governmental Activities-Notes		
	Principal	Interest	Total
2020	\$ 58,000	\$ 12,394	\$ 70,394
2021	59,000	11,455	70,455
2022	60,000	10,501	70,501
2023	61,000	9,530	70,530
2024	62,000	8,543	70,543
2025-2029	327,000	27,296	354,296
2030-2034	139,000	3,382	142,382
Totals	\$ 766,000	\$ 83,101	\$ 849,101

Year Ending August 31,	Governmental Activities-Compensated Absences		
	Principal	Interest	Total
2020	\$ --	\$ --	\$ --
2021	25,000	--	25,000
2022	25,000	--	25,000
2023	25,000	--	25,000
2024	25,000	--	25,000
2025-2029	237,298	--	237,298
Totals	\$ 337,298	\$ --	\$ 337,298

Lease expenditures paid during the year totaled \$94,754.

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3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2019, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows. In the prior year, the amount was \$9,705,000.

<u>Bond Issue</u>	<u>Amount</u>
Unlimited Tax Refunding Bonds Series 2011	\$ --

G. Risk Management

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

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

FERRIS INDEPENDENT SCHOOL DISTRICT
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4. Contributions

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

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

	<u>Contribution Rates</u>	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 475,974	
District's 2019 Member Contributions	\$ 1,317,517	
2018 NECE On-Behalf Contributions (state)	\$ 870,617	

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

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

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

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

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

5. Actuarial Assumptions

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

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

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

6. Discount Rate

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

* Target allocation are based on the FY 2018 policy model.

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 12,323,551	\$ 8,165,403	\$ 4,799,136

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

At August 31, 2019, the District reported a liability of \$8,165,403 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:

District's proportionate share of the collective net pension liability	\$ 8,165,403
State's proportionate share that is associated with District	<u>14,233,987</u>
Total	<u>\$ 22,399,390</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0148347% which was an increase (decrease) of 0.0002041041% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$2,604,121 and revenue of \$1,408,785 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 50,896	\$ 200,347
Changes in actuarial assumptions	2,944,021	92,001
Difference between projected and actual investment earnings	--	154,933
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	894,298	159,413
Contributions paid to TRS subsequent to the measurement date	475,974	--
Total	<u>\$ 4,365,189</u>	<u>\$ 606,694</u>

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

Year Ended August 31	Pension Expense Amount
2020	\$ 902,139
2021	\$ 576,095
2022	\$ 482,329
2023	\$ 518,751
2024	\$ 473,508
Thereafter	\$ 329,699

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

* or surviving spouse

4. Contributions

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

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

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions	\$	150,523
District's 2019 Member Contributions	\$	111,201
2018 NECE On-Behalf Contributions (state)	\$	202,879

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

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

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

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

*** Includes inflation at 2.5%.

FERRIS INDEPENDENT SCHOOL DISTRICT

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6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 13,465,235	\$ 11,312,057	\$ 9,608,755

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

At August 31, 2019, the District reported a liability of \$11,312,057 for its proportionate share of the TRS Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 11,312,057
State's proportionate share that is associated with the District	<u>14,705,052</u>
Total	<u>\$ 26,017,109</u>

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

At August 31, 2018, the District's proportion of the collective net OPEB liability was 0.0226554% compared with the proportion measured at August 31, 2017 this was an increase of 0.0032076811%.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 9,394,848	\$ 11,312,057	\$ 13,837,064

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

9. Changes Since the Prior Actuarial Valuation

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

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

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

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

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

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

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

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

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

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

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,037,596 and revenue of \$534,882 for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 600,289	\$ 178,521
Changes in actuarial assumptions	188,768	3,398,624
Differences between projected and actual investment earnings	1,978	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,758,985	--
Contributions paid to TRS subsequent to the measurement date	150,523	--
Total	<u>\$ 2,700,543</u>	<u>\$ 3,577,145</u>

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

Year ended August 31,	Amount
2020	\$ (226,399)
2021	\$ (226,399)
2022	\$ (226,399)
2023	\$ (226,773)
2024	\$ (226,987)
Thereafter	\$ 105,832

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 years ended August 31, 2019, 2018 and 2017 the subsidy payments received by TRS-Care on behalf of the District were \$65,359, \$51,178 and \$48,335.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

K. Commitments and Contingencies

1. Contingencies

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

2. Commitments

The District previously raised bond proceeds of \$7,000,000 to spend on capital improvements and plans on spending the remaining \$1,532,447 during the year ending August 31, 2020.

3. Litigation

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

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District was the fiscal agent for a Shared Services Arrangement ("SSA") which provided special education and alternative education services to the member districts in Funds 437 and 459.

This Co-op was dissolved as of August 31, 2018 and the Co-op returned \$189,926 to the participating Districts out of Fund 437 with the balance going to Ferris ISD. In Fund 459 the Co-op returned \$22,086 to the participating Districts with the balance going to Ferris ISD.

In addition, Fund 313 and Fund 314 which provided IDEA-Part B Formula, IDEA-Part B Preschool and Discretionary and Vocational Education-Basic Grant services, IDEA -Part B Preschool and Discretionary and Vocational Education-Basic Grant services were dissolved as of August 31, 2018.

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Title I, Title II, Eisenhower Math and Science Act, Title VI Block Grant and Title IV Safe and Drug Free School with the following school districts:

Member Districts

46 Other Districts

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

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region 10 Education Services Center nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Self-Funded Workman's Compensation Insurance

During the year ended August 31, 2019, the District was a member of a worker's compensation self-insurance joint fund plan (the Plan). All premiums were paid to a third party administrator acting on behalf of the Plan. The Plan was authorized pursuant to Texas Revised Civil Statutes Annotated Art. 8309h and Texas Government Code Ch. 791 (the Interlocal Cooperation Act), which was documented by contractual agreement. The proportionate contributions of all members were combined into the Plan. Each member agreed to make its proportionate contribution available to all other members for the payment of worker's compensation benefits and the administration of the Plan. A member's proportionate contributions may be used for the payment of benefits and the administration of claims of that member's employees or another member's employees. Excess worker's compensation insurance is carried by Safety National Casualty Corporation. The specific retention is \$225,000, aggregate limit \$5,000,000. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. This liability of \$167,436 is reflected in the internal service fund.

Statement of Change in Liability	2019	2018
Unpaid claims at September 1	\$ 184,621	\$ 160,590
Claims and adjustments during the year	33,500	105,114
Payments of claims during the year	(50,685)	(81,083)
Total unpaid claims at August 31	<u>\$ 167,436</u>	<u>\$ 184,621</u>

N. Accumulated Unpaid Sick Leave Benefits

An employee with a minimum total of 15 years employment with the District, including at least ten consecutive years of service prior to retirement, and who meets the retirement policies of the Texas Teacher Retirement system shall be reimbursed for unused sick leave upon retirement. This amount, \$337,298, at August 31, 2019 is reflected in the Government Wide Statement of Net Assets and will be paid with future resources.

	2019	2018
Vested sick at September 1	\$ 334,743	\$ 379,449
Additions during the year	2,555	--
Amounts paid during the year	--	(44,706)
Balance at August 31	<u>\$ 337,298</u>	<u>\$ 334,743</u>

Other District employees not reflected above accumulate sick leave benefits at the rate of 5 days per year with no accumulation limit.

The District has non-vested sick leave benefits at August 31, 2019 which are not recorded on the financial statements in the amount of \$975,662. These benefits are recorded as expenditures as used.

O. Other Significant Items

During the year the District sold some property and received \$59,936, and also received \$200,000 from the use of a solar system installed on its property. This \$200,000 is reflected on C-2 in Local and Intermediate Sources and on B-1 under Charge for Services.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

P. Budget Overages

The District exceeded its budget for Instructional Resources by \$715 or less than 1%, Cocurricular Activities by \$16,410 or 1.5%, Food Services Professional and Contracted Services by \$33,527 or 122% and Food Services Supplies and Materials by \$111,307 or 13.68%.

Q. Subsequent Events

In December 2019, the board set a bond election for \$10,000,000 up to \$12,000,000 for May 2, 2020, to be used for capital improvements.

In October 2019, the District sustained a tornado loss of \$415,938. This amount, less the District's deductible of \$150,000 and a depreciation adjustment of \$72,946, resulted in a net settlement of \$192,992 to be received by the District for the loss. There was also a water damage loss of \$57,071, less a deductible of \$10,000 for a net settlement of \$47,071 with this incident. The depreciation amount of \$72,946 will also be recoverable if the District incurs this amount during the course of repairs.

Q. Material Adjustment

During the current fiscal year, material adjustments were required to be made to IDEA-B Formula revenue and expenditures, and General Fund expenditures. In the process of closing the IDEA-B Formula Co-op in Fund 313 and converting to IDEA-B Formula for Ferris ISD in Special Revenue Fund 224, the District failed to submit reimbursement requests of \$109,634. Consequently, these expenditures were required to be reimbursed by the General Fund.

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.

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

EXHIBIT G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,898,032	\$ 4,898,032	\$ 5,286,208	\$ 388,176
5800	State Program Revenues	20,669,796	20,669,796	21,376,331	706,535
5900	Federal Program Revenues	130,850	130,850	309,038	178,188
5020	Total Revenues	25,698,678	25,698,678	26,971,577	1,272,899
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	14,498,813	13,662,665	13,220,274	442,391
0012	Instructional Resources and Media Services	430,248	360,248	360,963	(715)
0013	Curriculum and Staff Development	1,119,112	1,100,636	1,055,166	45,470
	Total Instruction & Instr. Related Services	16,048,173	15,123,549	14,636,403	487,146
Instructional and School Leadership:					
0021	Instructional Leadership	419,314	559,038	509,816	49,222
0023	School Leadership	1,499,008	1,585,008	1,508,456	76,552
	Total Instructional & School Leadership	1,918,322	2,144,046	2,018,272	125,774
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	728,588	926,588	847,004	79,584
0033	Health Services	283,860	286,260	276,230	10,030
0034	Student (Pupil) Transportation	675,425	726,425	706,494	19,931
0035	Food Services	40,178	80,178	--	80,178
0036	Cocurricular/Extracurricular Activities	1,028,715	1,081,215	1,097,625	(16,410)
	Total Support Services - Student (Pupil)	2,756,766	3,100,666	2,927,353	173,313
Administrative Support Services:					
0041	General Administration	994,634	1,074,634	990,693	83,941
	Total Administrative Support Services	994,634	1,074,634	990,693	83,941
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,538,234	2,568,234	2,459,391	108,843
0052	Security and Monitoring Services	471,072	521,072	451,153	69,919
0053	Data Processing Services	424,965	474,965	403,517	71,448
	Total Support Services - Nonstudent Based	3,434,271	3,564,271	3,314,061	250,210
Debt Service:					
0071	Principal on Long-Term Debt	166,000	151,203	150,272	931
0072	Interest on Long-Term Debt	--	14,797	14,797	--
	Total Debt Service	166,000	166,000	165,069	931
Capital Outlay:					
0081	Capital Outlay	75,000	--	--	--
	Total Capital Outlay	75,000	--	--	--
0099	Other Intergovernmental Charges	37,000	47,000	43,266	3,734
	Total Intergovernmental Charges	37,000	47,000	43,266	3,734
6030	Total Expenditures	25,430,166	25,220,166	24,095,117	1,125,049
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	268,512	478,512	2,876,460	2,397,948
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	--	59,936	59,936
7915	Transfers In	12,500	12,500	417,785	405,285
8911	Transfers Out	(281,012)	(281,012)	(78,597)	202,415
8949	Other Uses	--	(270,000)	--	270,000
7080	Total Other Financing Sources and (Uses)	(268,512)	(538,512)	399,124	937,636
1200	Net Change in Fund Balance	--	(60,000)	3,275,584	3,335,584
0100	Fund Balance - Beginning	7,703,710	7,703,710	7,703,710	--
3000	Fund Balance - Ending	\$ 7,703,710	\$ 7,643,710	\$ 10,979,294	\$ 3,335,584

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.

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

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2010 and Prior Years						
2011		1.04		.2779		313,566,263
2012		1.04		.2663		308,894,435
2013		1.04		.2663		307,398,301
2014		1.04		.27		309,935,115
2015		1.04		.285		314,473,283
2016		1.04		.315		308,934,142
2017		1.17		.185		319,917,850
2018		1.17		.2173		319,917,850
2019 (School Year Under Audit)		1.17		.3473		404,301,314
1000 Totals						

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 46,329	\$ --	\$ 2,263	\$ 175	\$ (767)	\$ 43,124
6,494	--	310	83	(80)	6,021
9,355	--	1,166	298	(84)	7,807
14,898	--	3,024	775	(82)	11,017
17,961	--	5,369	1,394	4,697	15,895
27,265	--	7,734	2,119	4,995	22,407
30,816	--	8,904	2,697	4,750	23,965
44,529	--	14,524	2,296	2,458	30,167
113,213	--	44,561	8,276	(12,644)	47,732
--	6,134,464	4,601,073	1,365,772	--	167,619
<u>\$ 310,860</u>	<u>\$ 6,134,464</u>	<u>\$ 4,688,928</u>	<u>\$ 1,383,885</u>	<u>\$ 3,243</u>	<u>\$ 375,754</u>

FERRIS INDEPENDENT SCHOOL DISTRICT**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2019****EXHIBIT J-2**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)	\$ 10,979,294
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	132,471
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	1,130,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	4,250,000
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	5,512,471
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 5,466,823

Above amount anticipated to be used for future buildings and equipment.

FERRIS INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,422,710	\$ 1,436,990	\$ 14,280
5800 <i>State Program Revenues</i>	1,315,978	1,016,531	(299,447)
5020 <i>Total Revenues</i>	<u>2,738,688</u>	<u>2,453,521</u>	<u>(285,167)</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,038,857	1,038,857	--
0072 <i>Interest on Long-Term Debt</i>	1,912,243	1,912,243	--
0073 <i>Bond Issuance Costs and Fees</i>	15,000	850	14,150
<i>Total Debt Service</i>	<u>2,966,100</u>	<u>2,951,950</u>	<u>14,150</u>
6030 <i>Total Expenditures</i>	<u>2,966,100</u>	<u>2,951,950</u>	<u>14,150</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(227,412)</u>	<u>(498,429)</u>	<u>(271,017)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	227,412	--	(227,412)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>227,412</u>	<u>--</u>	<u>(227,412)</u>
1200 <i>Net Change in Fund Balance</i>	<u>--</u>	<u>(498,429)</u>	<u>(498,429)</u>
0100 <i>Fund Balance - Beginning</i>	611,689	611,689	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 611,689</u>	<u>\$ 113,260</u>	<u>\$ (498,429)</u>

Independent Auditors' 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
Ferris Independent School District
P. O. Box 459
Ferris, Texas 75125

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Ferris Independent School District's basic financial statements, and have issued our report thereon dated January 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ferris Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ferris Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ferris 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-1 and 2019-2 to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Anderson, Marx & Bohl, P.C." in a cursive, slightly slanted script.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 21, 2020

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

Board of Trustees
Ferris Independent School District
P. O. Box 459
Ferris, Texas 75125

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Ferris Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-3, that we consider to be a material weakness.

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,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 21, 2020

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes 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? X Yes No

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

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

Version of compliance supplement used in audit: August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)

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

Auditee qualified as low-risk auditee? X Yes No

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

B. Financial Statement Findings

2019-1

Condition: The District exceeded its budget in several functional areas. This was caused by the District's failure to properly apply budgetary controls over expenditures.

Criteria: The District is required to spend within its approved budget.

Effect: The District spent funds in excess of its approved budget.

Cause: The District failed to properly apply budgetary controls and amend the budget as necessary.

Recommendation: The District should properly utilize budgetary controls and amend its budget as necessary.

District's Response: The District will monitor its appropriations and expenditures to insure the budgetary controls are working. The District will amend its budget as needed.

2019-2

Condition: The District failed to properly request reimbursement for expenditures of \$109,634.

Criteria: The District is required to file funding reports in a timely manner to receive reimbursement.

Effect: The District failed to receive \$109,634 in grantor agency reimbursements for expenditures incurred.

Cause: The District failed to properly record the receipt of a prior year receivable and overstated revenue.

Recommendation: The District should utilize outside assistance with the filing of grantor reports.

District's Response: The District will seek assistance from Region 12 with its reporting processes.

C. Federal Award Findings and Questioned Costs

2019-3

Identification of federal program: CFDA 10.553/10.555 Child Nutrition Cluster. Compliance requirement: allowable costs/cost principles. Type of finding: material weakness in internal control over compliance.

Condition: The District exceeded its budget in Food Services Professional and Contracted Services by \$33,527, and \$111,307 in Food Services Supplies and Materials. This was caused by the District's failure to properly apply budgetary controls over expenditures.

Criteria: The District is required to spend within its approved budget.

Effect: The District spent funds in excess of its approved budget.

Cause: The District failed to properly apply budgetary controls and amend the budget as necessary.

Recommendation: The District should properly utilize budgetary controls and amend its budget as necessary.

District's Response: The District will monitor its appropriations and expenditures to insure the budgetary controls are working. The District will amend its budget as needed.

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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None noted

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019*

William Wooten at phone number 972-544-3858 will be responsible for managing the expenditure and budget process and request amendments as needed. This item will be corrected by August 31, 2020.

William Wooten at phone number 972-544-3858 will be responsible for managing the federal expenditure reimbursement reports and will request Region 12's assistance as needed. This item will be corrected by August 31, 2020.

William Wooten at phone number 972-544-3858 will be responsible for managing the expenditure and budget process and request amendments as needed for the National Breakfast/Lunch Program. This item will be corrected by August 31, 2020.

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	070-905	\$	\$ 425,454
National School Lunch Program	10.555	070-905		1,136,487
National School Lunch Program (Non-cash)	10.555	070-905	--	110,713
Total CFDA Number 10.555			--	1,247,200
Total Passed Through State Department of Education			--	1,672,654
Total U. S. Department of Agriculture			--	1,672,654
Total Child Nutrition Cluster			--	1,672,654
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	1866000107090		14,310
IDEA-B Formula	84.027	18660001070905	--	19,578
IDEA-B Formula	84.027	18660001070905	--	281,663
Total CFDA Number 84.027			--	315,551
IDEA-B Preschool	84.173	18661001070905	--	4,982
Total CFDA Number 84.173			--	4,982
Total Passed Through State Department of Education			--	320,533
Total U. S. Department of Education			--	320,533
Total Special Education (IDEA) Cluster			--	320,533
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Programs:				
Title IV, Part A: Student Support and Academic Enrichment	84.424A	18680101070905	--	28,500
Total Direct Programs			--	28,500
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	6155400107090	--	318,107
ESEA Title I Part A - Improving Basic Programs	84.010a	6610101070905	--	124
Total CFDA Number 84.010a			--	318,231
Career and Technical - Basic Grant	84.048	8142000060579	--	26,061
Total CFDA Number 84.048			--	26,061
ESEA Title X Part C - Education for Homeless Children and Youth	84.196	195137070905	--	825
Title III Part A English Language Acquisition and Language Enhanc	84.365	5167100305795	--	57,328
Title III Part A English Language Acquisition and Language Enhanc	84.365	51671003057950	--	6,715
Total CFDA Number 84.365			--	64,043
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	61671003057950	--	55,882
Total CFDA Number 84.367a			--	55,882
Total Passed Through State Department of Education			--	465,042
Total U. S. Department of Education			--	493,542
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 2,486,729
Reconciliation of federal awards:				
Exhibit C-2 federal amounts		\$ 1,123,113		
Total Child Nutrition Cluster reported on Exhibit D-2		1,672,654		
Less: Student Health and Related Services (not applicable for SEFA)		(309,038)		
Total expenditures of federal awards above		\$ 2,486,729		

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT

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

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 581,997
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 8,165,403
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 11,312,057