

FERRIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Ferris Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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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, 2020, at a meeting of the board of trustees of such school district on the 26 day of JANUARY, 2021.



Signature of Board Secretary



Signature of Board President

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

Financial Section

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability 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 10, 2021 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 & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 10, 2021

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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

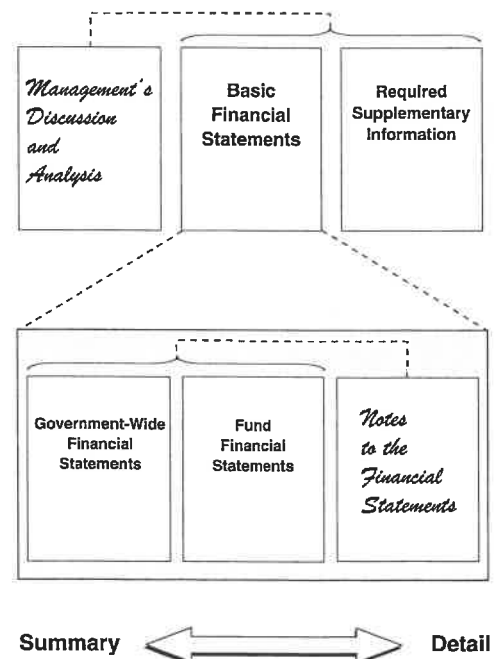
- The District's total combined net position on financial statement exhibit A-1 was \$18,237,314 on August 31, 2020.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$1,790,455 less than the \$38,528,505 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs on financial statement exhibit C-2 decreased by \$700,136. This was primarily caused by a decrease in capital outlay.
- The general fund reported a general fund balance this year on financial statement exhibit C-1 of \$13,394,211. The District began the current year with a fund balance in the amount of \$10,979,294.

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.

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



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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets 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 \$18.24 million on August 31, 2020. (See Table A-1).

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

	<u>2020</u>	<u>2019</u>	<u>Total Percentage Change 2020-2019</u>
Current assets:			
Cash and cash equivalents	1.1	1.8	-39
Investments	15.3	11.5	33
Due from other governments	1.4	2.3	-39
Due from other funds	.0	.0	**
Other receivables	.4	.4	0
Inventories – supplies and materials	.1	.1	0
Total current assets:	<u>18.3</u>	<u>16.1</u>	<u>14</u>
Noncurrent assets:			
Land, furniture and equipment	83.9	82.7	1
Less accumulated depreciation	<u>(29.0)</u>	<u>(27.2)</u>	<u>-7</u>
Total noncurrent assets	<u>54.9</u>	<u>55.5</u>	<u>-1</u>
Total Assets	<u>73.2</u>	<u>71.6</u>	<u>2</u>
Deferred Outflows of Resources	<u>6.2</u>	<u>7.0</u>	<u>-11</u>
Current liabilities:			
Accounts payable and accrued liabilities	1.9	2.4	-21
Claims payable	.0	.0	**
Due to other funds	.0	.0	**
Unearned revenue	.1	.1	0
Total current liabilities	<u>2.0</u>	<u>2.5</u>	<u>-20</u>
Long-term liabilities:			
Noncurrent liabilities due in one year	1.1	1.0	10
Noncurrent liabilities due more than 1 yr	32.5	33.5	-3
Net pension liability	7.1	8.2	-13
Net OPEB liability	10.0	11.3	-12
Total Liabilities	<u>52.7</u>	<u>56.5</u>	<u>-7</u>
Deferred Inflows of Resources	<u>8.5</u>	<u>5.7</u>	<u>49</u>
Net Position:			
Net investment in capital assets	21.2	21.0	1
Restricted	1.7	.7	143
Unrestricted	<u>(4.7)</u>	<u>(5.3)</u>	<u>11</u>
Total Net Position	<u>18.2</u>	<u>16.4</u>	<u>11</u>

The District has \$1,663,076 of restricted net position in governmental and business-type activities that represents proceeds from state and federal programs of \$493,438, debt service of \$970,177, campus activities of \$78,965, and \$120,496 nonspendable for inventories and prepaid items. The \$(4,658,647) 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 \$36,992,044. A significant portion, 20 percent, of the District's revenue comes from taxes. (See Table A-2.) 63 percent comes from state aid – formula grants, while less than 1 percent relates to charges for services.

The total cost of all governmental programs and services was \$35,197,331; 84 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

Property tax rates decreased. However, due to increased values, tax revenues increased to \$7,401,611.

Business Type Activities

The District accounts for its food service as a business type activity. During the year, this activity had revenue of \$1,536,461, and after deducting expenses of \$1,540,719, had a net loss of \$(4,258). The activity had net assets of \$666,416 at August 31, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.3	.5	-40
Operating Grants and Contributions	6.9	4.7	47
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	7.4	6.2	19
State Aid – Formula	23.4	21.5	9
Investment Earnings	.2	.4	-50
Other	.3	.1	200
Total Revenues	<u>38.5</u>	<u>33.4</u>	15
Instruction	19.4	16.4	18
Instructional Resources and Media Services	.4	.4	0
Curriculum Dev. And Instructional Staff Dev.	1.6	1.3	23
Instructional Leadership	.9	.6	50
School Leadership	1.5	1.8	-17
Guidance, Counseling and Evaluation Services	1.5	1.0	50
Social Work Services	.0	.0	**
Health Services	.4	.3	33
Student (Pupil) Transportation	.7	.7	0
Food Services	1.6	1.8	-11
Curricular/Extracurricular Activities	1.2	1.3	-8
General Administration	1.4	1.2	17
Plant Maintenance & Oper.	3.0	2.6	15
Security & Monitoring Svcs.	.5	.5	0
Data Processing Services	.6	.4	50
Community Services	.0	.0	**
Debt Services	1.9	1.8	6
Facilities Acquisition and Construction	.0	.0	**
Other Governmental Charges	.1	.0	**
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.0	.2	**
Public Education Grant Progr.	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Total Expenses	<u>36.7</u>	<u>32.3</u>	14
Excess (Deficiency) Before Other Resources, Uses & Transfers	1.8	1.1	64
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>1.8</u>	<u>1.1</u>	64

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 \$35.2 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$7.4 million.
- Some of the cost was paid by those who directly benefited from the programs \$.25 million, or
- By grants and contributions \$5.4 million.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Instruction	19.4	16.4	18	16.5	14.6	13
School administration	1.4	1.2	17	1.3	1.2	8
Plant Maintenance & Operations	3.0	2.6	15	2.9	2.5	16
Debt Service – Interest & Fiscal Charges	1.9	1.8	6	.1	.8	-88

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$35.7 million, while the previous year it was \$30.7 million. The increase in local revenues is due to increased valuations. The increase 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 3 times. Even with these adjustments, actual expenditures were \$856,235 below final budget amounts.

On the other hand, resources available were \$1,300,099 above the final budgeted amount.

- Enrollment changes from when the budget was adopted resulted in state funding being \$1,091,151 above what was anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$83,575,166 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 \$1,152,929 or 1% 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>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Land	.652	.652	0
Construction in progress	0.000	5.741	**
Buildings and improvements	74.559	68.866	8
Vehicles	4.745	4.510	5
Equipment	3.619	3.019	20
Leased equipment	.000	.000	**
Totals at historical cost	83.575	82.788	1
Total accumulated depreciation	(28.681)	(27.215)	-5
Net capital assets	54.894	55.573	-1

The District's fiscal year 2021 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 \$50.662 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 2020-2019
	<u>2020</u>	<u>2019</u>	
Leases payable	.000	.000	**
Bonds payable	30.762	31.969	-4
Compensated absences	.614	.337	82
Notes payable	.708	.766	-8
Net pension liability	7.069	8.165	-13
Net OPEB liability	10.030	11.312	-11
Net premium on debt	1.479	1.497	-1
Total long-term debt	<u>50.662</u>	<u>54.046</u>	-6

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021 budget preparation is \$607,105,750, an increase of \$164,432,507, or 37% from 2020.
- General operating fund spending per student decreases in the 2021 budget from \$12,029 to \$11,861. This is a 1% decrease.
- The District's 2021 refined average daily attendance is expected to be 2,437, indicating a 2% increase from the previous year.

These indicators were considered when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are \$28,906,094, an increase of 0.8 percent from the final 2020 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2021. However, the COVID-19 pandemic has resulted in widespread closures of many businesses worldwide. The economic effects of those closures and related workforce layoffs are still unknown and could potentially affect future revenues.

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.

Basic Financial Statements

FERRIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2020

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 Cash and Cash Equivalents	\$ 1,062,054	\$ 65,727	\$ 1,127,781
1120 Current Investments	13,930,805	1,334,294	15,265,099
1225 Property Taxes Receivable (Net)	354,603	--	354,603
1240 Due from Other Governments	1,444,972	--	1,444,972
1260 Internal Balances	810,765	(810,765)	--
1290 Other Receivables (Net)	16,924	--	16,924
1300 Inventories	77,759	18,796	96,555
1410 Prepaid Expenses	23,941	--	23,941
Capital Assets:			
1510 Land	652,223	--	652,223
1520 Buildings and Improvements, Net	50,441,801	--	50,441,801
1530 Furniture and Equipment, Net	3,709,087	91,354	3,800,441
1000 Total Assets	<u>72,524,934</u>	<u>699,406</u>	<u>73,224,340</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	3,460,757	--	3,460,757
Deferred Outflow Related to OPEB	2,754,214	--	2,754,214
1700 Total Deferred Outflows of Resources	<u>6,214,971</u>	<u>--</u>	<u>6,214,971</u>
LIABILITIES:			
2110 Accounts Payable	245,154	1,995	247,149
2140 Interest Payable	41,468	--	41,468
2165 Accrued Liabilities	1,617,327	30,995	1,648,322
2180 Due to Other Governments	33	--	33
2300 Unearned Revenue	148,975	--	148,975
Noncurrent Liabilities:			
2501 Due Within One Year	1,094,414	--	1,094,414
2502 Due in More Than One Year	32,468,612	--	32,468,612
2540 Net Pension Liability	7,069,076	--	7,069,076
2545 Net OPEB Liability	10,029,850	--	10,029,850
2000 Total Liabilities	<u>52,714,909</u>	<u>32,990</u>	<u>52,747,899</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue-Bond Gain on Refunding	1,642,317	--	1,642,317
Deferred Inflow Related to Pensions	1,671,984	--	1,671,984
Deferred Inflow Related to OPEB	5,139,797	--	5,139,797
2600 Total Deferred Inflows of Resources	<u>8,454,098</u>	<u>--</u>	<u>8,454,098</u>
NET POSITION:			
3200 Net Investment in Capital Assets	21,141,531	91,354	21,232,885
Restricted For:			
3820 State and Federal Programs	--	493,438	493,438
3850 Debt Service	970,177	--	970,177
3870 Campus Activities	78,965	--	78,965
Other Purposes:			
3890 Nonspendable	101,700	18,796	120,496
3900 Unrestricted	(4,721,475)	62,828	(4,658,647)
3000 Total Net Position	<u>\$ 17,570,898</u>	<u>\$ 666,416</u>	<u>\$ 18,237,314</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

	1	3	4	
		Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 19,436,433	\$ 104,452	\$ 2,824,880
12	Instructional Resources and Media Services	352,957	--	21,062
13	Curriculum and Staff Development	1,620,484	15,699	114,920
21	Instructional Leadership	853,599	--	43,223
23	School Leadership	1,543,895	17,940	96,114
31	Guidance, Counseling, & Evaluation Services	1,503,800	--	86,523
33	Health Services	438,247	--	18,824
34	Student Transportation	674,666	--	27,978
35	Food Service	50,270	--	507
36	Cocurricular/Extracurricular Activities	1,231,356	106,277	49,819
41	General Administration	1,403,035	--	55,905
51	Facilities Maintenance and Operations	2,999,858	10,216	121,140
52	Security and Monitoring Services	529,236	--	74,510
53	Data Processing Services	596,355	--	29,000
61	Community Services	9,800	--	9,074
72	Interest on Long-term Debt	1,896,159	--	1,821,715
73	Bond Issuance Costs and Fees	(10,846)	--	--
99	Other Intergovernmental Charges	68,027	--	--
TG	Total Governmental Activities	35,197,331	254,584	5,395,194
	Business-type Activities:			
05	Food Services	1,534,347	43,514	1,465,001
01	Beverage Services	6,372	13,591	--
TB	Total Business-type Activities	1,540,719	57,105	1,465,001
TP	Total Primary Government	\$ 36,738,050	\$ 311,689	\$ 6,860,195
	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			
MI	Miscellaneous			
	Gain on Disposal of Asset			
	Insurance Claim			
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.

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Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (16,507,101)		\$ (16,507,101)
(331,895)		(331,895)
(1,489,865)		(1,489,865)
(810,376)		(810,376)
(1,429,841)		(1,429,841)
(1,417,277)		(1,417,277)
(419,423)		(419,423)
(646,688)		(646,688)
(49,763)		(49,763)
(1,075,260)		(1,075,260)
(1,347,130)		(1,347,130)
(2,868,502)		(2,868,502)
(454,726)		(454,726)
(567,355)		(567,355)
(726)		(726)
(74,444)		(74,444)
10,846		10,846
(68,027)		(68,027)
(29,547,553)		(29,547,553)
--	\$ (25,832)	(25,832)
--	7,219	7,219
--	(18,613)	(18,613)
(29,547,553)	(18,613)	(29,566,166)
5,467,731	--	5,467,731
1,933,880	--	1,933,880
187,702	14,355	202,057
23,464,070	--	23,464,070
44,944	--	44,944
3,875	--	3,875
240,064	--	240,064
31,342,266	14,355	31,356,621
1,794,713	(4,258)	1,790,455
15,776,185	670,674	16,446,859
\$ 17,570,898	\$ 666,416	\$ 18,237,314

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

AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 628,138	\$ 21,030	\$ 366,656	\$ 1,015,824
1120 Current Investments	12,151,101	869,129	905,042	13,925,272
1225 Taxes Receivable, Net	276,582	78,021	--	354,603
1240 Due from Other Governments	990,482	--	454,490	1,444,972
1260 Due from Other Funds	1,155,700	2,030	--	1,157,730
1290 Other Receivables	3,477	--	13,447	16,924
1300 Inventories	77,759	--	--	77,759
1000 Total Assets	<u>\$ 15,283,239</u>	<u>\$ 970,210</u>	<u>\$ 1,739,635</u>	<u>\$ 17,993,084</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 86,556	\$ --	\$ 6,996	\$ 93,552
2150 Payroll Deductions & Withholdings	89,764	--	--	89,764
2160 Accrued Wages Payable	1,374,209	--	153,354	1,527,563
2170 Due to Other Funds	61,917	--	380,304	442,221
2180 Due to Other Governments	--	33	--	33
2300 Unearned Revenue	--	--	148,975	148,975
2000 Total Liabilities	<u>1,612,446</u>	<u>33</u>	<u>689,629</u>	<u>2,302,108</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue-Property Taxes	276,582	78,021	--	354,603
2600 Total Deferred Inflows of Resources	<u>276,582</u>	<u>78,021</u>	<u>--</u>	<u>354,603</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	77,759	--	--	77,759
Restricted Fund Balances:				
3470 Capital Acquisitions & Contractual Obligations	--	--	971,041	971,041
3480 Retirement of Long-Term Debt	--	892,156	--	892,156
3490 Other Restricted Fund Balance-Campus Activ.	--	--	78,965	78,965
Assigned Fund Balances:				
3590 Other Assigned Fund Balance-Improvements	4,980,000	--	--	4,980,000
3600 Unassigned	8,336,452	--	--	8,336,452
3000 Total Fund Balances	<u>13,394,211</u>	<u>892,156</u>	<u>1,050,006</u>	<u>15,336,373</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 15,283,239</u>	<u>\$ 970,210</u>	<u>\$ 1,739,635</u>	<u>\$ 17,993,084</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, 2020

Total fund balances - governmental funds balance sheet	\$ 15,336,373
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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.	54,803,110
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	354,603
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	19,359
Payables for bond principal which are not due in the current period are not reported in the funds.	(30,063,273)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,468)
Payables for notes which are not due in the current period are not reported in the funds.	(708,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(614,190)
Deferred gain on bond refunding is not reported in the funds.	(1,642,317)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(7,069,076)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,671,984)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,460,757
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(698,755)
Bond premiums are amortized in the SNA but not in the funds.	(1,478,808)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(10,029,850)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(5,139,797)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	2,754,214

Net position of governmental activities - Statement of Net Position	\$ <u>17,570,898</u>
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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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 5,775,973	\$ 1,931,354	\$ 146,302	\$ 7,853,629
5800 State Program Revenues	23,947,699	1,821,715	354,435	26,123,849
5900 Federal Program Revenues	266,951	--	1,459,398	1,726,349
5020 Total Revenues	29,990,623	3,753,069	1,960,135	35,703,827
EXPENDITURES:				
Current:				
0011 Instruction	15,696,773	--	1,409,323	17,106,096
0012 Instructional Resources and Media Services	309,872	--	--	309,872
0013 Curriculum and Staff Development	1,319,351	--	90,714	1,410,065
0021 Instructional Leadership	756,200	--	--	756,200
0023 School Leadership	1,328,829	--	17,193	1,346,022
0031 Guidance, Counseling, & Evaluation Services	1,022,250	--	299,309	1,321,559
0033 Health Services	397,310	--	--	397,310
0034 Student Transportation	705,004	--	--	705,004
0035 Food Service	579	--	--	579
0036 Cocurricular/Extracurricular Activities	1,043,051	--	62,028	1,105,079
0041 General Administration	995,251	--	--	995,251
0051 Facilities Maintenance and Operations	2,845,838	--	--	2,845,838
0052 Security and Monitoring Services	500,731	--	43,834	544,565
0053 Data Processing Services	537,239	--	--	537,239
0061 Community Services	150	--	9,065	9,215
0071 Principal on Long-term Debt	58,000	993,218	--	1,051,218
0072 Interest on Long-term Debt	--	1,988,182	--	1,988,182
0073 Bond Issuance Costs and Fees	14,134	81,917	--	96,051
0081 Capital Outlay	211,056	--	576,381	787,437
0099 Other Intergovernmental Charges	68,027	--	--	68,027
6030 Total Expenditures	27,809,645	3,063,317	2,507,847	33,380,809
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	2,180,978	689,752	(547,712)	2,323,018
Other Financing Sources and (Uses):				
7901 Refunding Bonds Issued	--	2,170,000	--	2,170,000
7912 Sale of Real or Personal Property	3,875	--	--	3,875
7916 Premium or Discount on Issuance of Bonds	--	419,144	--	419,144
8911 Transfers Out	(10,000)	--	--	(10,000)
8940 Payment to Bond Refunding Escrow Agent	--	(2,500,000)	--	(2,500,000)
7080 Total Other Financing Sources and (Uses)	(6,125)	89,144	--	83,019
EXTRAORDINARY ITEM:				
7919 Extraordinary Item (Resource) - Insurance Claim	240,064	--	--	240,064
1200 Net Change in Fund Balances	2,414,917	778,896	(547,712)	2,646,101
0100 Fund Balances - Beginning	10,979,294	113,260	1,597,718	12,690,272
3000 Fund Balances - Ending	\$ 13,394,211	\$ 892,156	\$ 1,050,006	\$ 15,336,373

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, 2020*

Net change in fund balances - total governmental funds	\$ 2,646,101
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,146,554
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,821,099)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	35,212
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	993,218
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	58,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(9,861)
(Increase) decrease in accrued interest from beginning of period to end of period.	208,781
The net revenue (expense) of internal service funds is reported with governmental activities.	4,012
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(276,892)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(419,144)
Gain on Refunding is not reported in the funds.	330,000
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows	(873,395)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(226,774)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,794,713</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2020**

Data Control Codes	Enterprise Fund	Nonmajor Enterprise Fund	Total	Nonmajor Internal Service Fund
	National Breakfast/Lunch Program	Beverage Services	Enterprise Funds	Insurance Fund
ASSETS:				
Current Assets:				
1110 <i>Cash and Cash Equivalents</i>	\$ 1,680	\$ 64,047	\$ 65,727	\$ 46,231
1120 <i>Investments</i>	1,334,294	--	1,334,294	5,533
1260 <i>Due from Other Funds</i>	--	--	--	95,256
1310 <i>Inventories, at Cost</i>	18,796	--	18,796	--
1410 <i>Prepaid Expenses</i>	--	--	--	23,941
Total Current Assets	1,354,770	64,047	1,418,817	170,961
Noncurrent Assets:				
Capital Assets:				
1530 <i>Furniture and Equipment</i>	292,559	--	292,559	--
1570 <i>Accumulated Depreciation</i>	(201,205)	--	(201,205)	--
Total Noncurrent Assets	91,354	--	91,354	--
1000 Total Assets	1,446,124	64,047	1,510,171	170,961
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	776	1,219	1,995	151,602
2160 <i>Accrued Wages Payable</i>	30,995	--	30,995	--
2170 <i>Due to Other Funds</i>	810,765	--	810,765	--
Total Current Liabilities	842,536	1,219	843,755	151,602
2000 Total Liabilities	842,536	1,219	843,755	151,602
NET POSITION:				
3200 <i>Net Investment in Capital Assets</i>	91,354	--	91,354	--
Restricted:				
3820 <i>State and Federal Programs</i>	493,438	--	493,438	--
Other Purposes:				
3890 <i>Nonspendable</i>	18,796	--	18,796	--
3900 <i>Unrestricted</i>	--	62,828	62,828	19,359
3000 Total Net Position	\$ 603,588	\$ 62,828	\$ 666,416	\$ 19,359

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, 2020

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>	\$ 57,869	\$ 13,591	\$ 71,460	\$ 266
5800 <i>State Program Revenues</i>	54,326	--	54,326	--
5020 <i>Total Revenues</i>	<u>112,195</u>	<u>13,591</u>	<u>125,786</u>	<u>266</u>
OPERATING EXPENSES:				
6100 <i>Payroll Costs</i>	741,971	--	741,971	6,254
6200 <i>Professional and Contracted Services</i>	60,709	--	60,709	--
6300 <i>Supplies and Materials</i>	719,753	6,372	726,125	--
6400 <i>Other Operating Costs</i>	11,914	--	11,914	--
6030 <i>Total Expenses</i>	<u>1,534,347</u>	<u>6,372</u>	<u>1,540,719</u>	<u>6,254</u>
Operating Income (Loss)	<u>(1,422,152)</u>	<u>7,219</u>	<u>(1,414,933)</u>	<u>(5,988)</u>
NON-OPERATING REVENUES (EXPENSES):				
7952 <i>National School Breakfast Program</i>	367,671	--	367,671	--
7953 <i>National School Lunch Program</i>	920,113	--	920,113	--
7954 <i>USDA Donated Commodities</i>	122,891	--	122,891	--
8030 <i>Total Non-operating Revenues (Expenses)</i>	<u>1,410,675</u>	<u>--</u>	<u>1,410,675</u>	<u>--</u>
Income (Loss) before Contributions and Transfers	<u>(11,477)</u>	<u>7,219</u>	<u>(4,258)</u>	<u>(5,988)</u>
7915 <i>Transfers In</i>	--	--	--	10,000
1300 <i>Change in Net Position</i>	<u>(11,477)</u>	<u>7,219</u>	<u>(4,258)</u>	<u>4,012</u>
0100 <i>Total Net Position - Beginning</i>	615,065	55,609	670,674	15,347
3300 <i>Total Net Position - Ending</i>	<u>\$ 603,588</u>	<u>\$ 62,828</u>	<u>\$ 666,416</u>	<u>\$ 19,359</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, 2020**

	Enterprise Fund National Breakfast/Lunch Program	Nonmajor Enterprise Fund Beverage Services	Total Enterprise Funds	Nonmajor Internal Service Fund Insurance Fund
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 57,869	\$ 13,591	\$ 71,460	\$ 266
<i>Cash Received from Grants</i>	1,465,001	--	1,465,001	--
<i>Cash Receipts (Payments) for Quasi-external</i>				
<i>Cash Payments to Employees for Services</i>	(728,772)	--	(728,772)	(6,254)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(833,028)	(6,372)	(839,400)	(39,775)
<i>Other Operating Cash Receipts (Payments)</i>	--	--	--	--
Net Cash Provided (Used) by Operating Activities	(38,930)	7,219	(31,711)	(45,763)
Cash Flows from Non-capital Financing Activities:				
<i>Transfers in from Other Funds</i>	--	--	--	10,000
<i>Increase (decrease) in Amounts Due to Other Funds</i>	370,381	--	370,381	3,201
Net Cash Provided (Used) by Non-capital Financing Activities	370,381	--	370,381	13,201
Cash Flows from Capital and Related Financing Activities:				
<i>Purchase of Fixed Assets</i>	(6,374)	--	(6,374)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(6,374)	--	(6,374)	--
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	--	--	--	--
<i>Investment (Purchases) Sales</i>	(334,528)	--	(334,528)	74,336
Net Cash Provided (Used) for Investing Activities	(334,528)	--	(334,528)	74,336
Net Increase (Decrease) in Cash and Cash Equivalents	(9,451)	7,219	(2,232)	41,774
Cash and Cash Equivalents at Beginning of Year	11,131	56,828	67,959	4,457
Cash and Cash Equivalents at End of Year	\$ 1,680	\$ 64,047	\$ 65,727	\$ 46,231
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (11,477)	\$ 7,219	\$ (4,258)	\$ (5,988)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	10,354	--	10,354	--
Change in Assets and Liabilities:				
<i>Increase (Decrease) in Accounts Payable</i>	(51,006)	--	(51,006)	(15,834)
<i>Increase Decrease in Prepaid Expenditures</i>	--	--	--	(23,941)
<i>Increase (Decrease) in Accrued Wages Payable</i>	13,199	--	13,199	--
Total Adjustments	(27,453)	--	(27,453)	(39,775)
Net Cash Provided (Used) by Operating Activities	\$ (38,930)	\$ 7,219	\$ (31,711)	\$ (45,763)

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2020**

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 160,146	
1290 <i>Other Receivables</i>		1,927
1000 Total Assets		<u>162,073</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>		27
2190 <i>Due to Student Groups</i>		<u>162,046</u>
2000 Total Liabilities		<u>162,073</u>
NET POSITION:		
3000 Total Net Position	\$ --	

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, 2020

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Debt Service Fund: The fund collects the portion of tax receipts dedicated to debt payments and disburses the payments on the bonded debt.

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 does not consider revenues collected after its year-end to be available in the current period. 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, 2020

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. An allowance for uncollectible accounts in the amount of \$62,577 is reflected in the financial statements as of August 31, 2020.

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 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 less than 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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

l. 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	N/A	None

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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,287,927 and the bank balance was \$818,722. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star - First Public	N/A	\$ 10,353,897
TexPool	N/A	366,163
Texas Term	N/A	1,833,619
Logic	N/A	2,711,420
Total Investments		<u>\$ 15,265,099</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2020, 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.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 AAA 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, 2020

D. Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 652,223	\$ --	\$ --	\$ 652,223
Construction in progress	5,740,628	576,381	6,317,009	--
Total capital assets not being depreciated	6,392,851	576,381	6,317,009	652,223
<i>Capital assets being depreciated:</i>				
Buildings and improvements	68,866,420	8,762	(5,683,584)	74,558,766
Equipment	2,732,810	326,589	(267,486)	3,326,885
Vehicles	4,509,910	234,823	--	4,744,733
Total capital assets being depreciated	76,109,140	570,174	(5,951,070)	82,630,384
Less accumulated depreciation for:				
Buildings and improvements	(22,951,816)	(1,531,088)	(365,939)	(24,116,965)
Equipment	(1,165,920)	(205,179)	--	(1,371,099)
Vehicles	(2,906,600)	(84,832)	--	(2,991,432)
Total accumulated depreciation	(27,024,336)	(1,821,099)	(365,939)	(28,479,496)
Total capital assets being depreciated, net	49,084,804	(1,250,925)	(6,317,009)	54,150,888
Governmental activities capital assets, net	\$ 55,477,655	\$ (674,544)	\$ --	\$ 54,803,111
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Equipment	286,185	6,374	--	292,559
Total capital assets being depreciated	286,185	6,374	--	292,559
Less accumulated depreciation for:				
Equipment	(190,851)	(10,354)	--	(201,205)
Total accumulated depreciation	(190,851)	(10,354)	--	(201,205)
Total capital assets being depreciated, net	95,334	(3,980)	--	91,354
Business-type activities capital assets, net	\$ 95,334	\$ (3,980)	\$ --	\$ 91,354

All business-type activities depreciation was charged to food services. Depreciation for governmental activities was charged to functions as follows:

Instruction	\$ 1,064,150
Instructional Resources and Media Services	19,688
Curriculum and Staff Development	87,917
Instructional Leadership	47,564
School Leadership	85,522
Guidance, Counseling, & Evaluation Services	83,967
Health Services	25,244
Student Transportation	38,910
Food Services	37
Extracurricular Activities	69,764
General Administration	63,235
Plant Maintenance and Operations	170,516
Security and Monitoring Services	29,866
Data Processing Services	34,134
Community Services	585
	\$ 1,821,099

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 258,113	Short-term loans
General Fund	Other Governmental Funds	86,822	Short-term loans
General Fund	National Breakfast/Lunch Program	810,765	Short-term loans
Nonmajor Internal Service Fund	General Fund	59,887	Short-term loans
Nonmajor Internal Service Fund	Other Governmental Funds	35,369	Short-term loans
Debt Service Fund	General Fund	2,030	Short-term loans
	Total	\$ 1,252,986	

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, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Internal Service Fund	\$ 10,000	Supplement other funds sources
	Total	\$ 10,000	

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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 12,118,059	\$ 2,170,000	\$ (3,105,000)	\$ 11,183,059	\$ 635,000
Capital Appreciation Bonds	19,268,432	--	(388,218)	18,880,214	400,414
Notes	766,000	--	(58,000)	708,000	59,000
Compensated absences *	337,298	276,892	--	614,190	--
Accreted CAB interest	581,997	883,542	(766,784)	698,755	--
Net Premium	1,496,561	89,144	(106,897)	1,478,808	--
Net Pension Liability*	8,165,403	(620,353)	(475,974)	7,069,076	--
Net OPEB Liability*	11,312,057	(1,131,684)	(150,523)	10,029,850	--
Total governmental activities	\$ 54,045,807	\$ 1,667,541	\$ (5,051,396)	\$ 50,661,952	\$ 1,094,414

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Net Pension Liability	Governmental	General Fund
Net OPEB Liability	Governmental	General Fund

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

General Obligation Bonds

General obligation school building bonds payable at August 31, 2020, 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, 2020 is \$0 as the remaining balance of \$2,500,000 bonds were refinanced with the 2020 refunding bonds.

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, 2020 is \$7,905,000. 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, 2020 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 \$324,582 is included above. The bonds mature in 2035. There is an unamortized gain on this issue of \$130,799 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, 2020 is \$4,370,214 with \$5,414 classified as Capital Appreciation. There is capital appreciation portion of \$268,280, requiring total interest accreted of \$2,751,720 over 10 years. Net accretion remaining at August 31, 2020 of \$158,548. Also, there was a gain on refinancing of \$1,969,298 of which \$196,930 was amortized this year leaving a balance of \$1,181,518.

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, 2020 is \$14,510,000. 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, 2020 is \$215,625. Also, there was a premium on this issue of \$1,710,355 of which \$106,897 was amortized this year leaving a balance of \$1,389,664.

The District issued \$2,170,000 of Schoolhouse Series 2020 Refunding Bonds during the year ended August 31, 2020 for the purposes of refinancing the 2010 Bonds. Interest rates vary from 3.0% to 4.0% with installments varying from \$30,000 to \$230,000. The total balance on this issue at August 31, 2020 is \$2,170,000. The bonds mature in 2034. The District recorded a gain on refinancing of \$330,000 and a premium of \$89,144 which are the balances at August 31, 2020. The economic gain associated with this transaction was \$404,100.

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, 2020 is \$708,000 and it matures in 2031. This note is not considered a direct borrowing.

FERRIS INDEPENDENT SCHOOL DISTRICT
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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,855,000	1,175,650	59,000	\$ 11,455	\$ 3,101,105
2022	1,895,000	1,140,800	60,000	10,501	3,106,301
2023	1,995,000	1,067,600	61,000	9,530	3,133,130
2024	2,045,000	995,275	62,000	8,543	3,110,818
2025	2,175,000	920,300	63,000	7,540	3,165,840
2026-2030	11,670,000	3,270,675	333,000	22,005	15,011,215
2031-2035	10,300,000	898,645	70,000	1,133	11,269,778
Totals	\$ 31,935,000	\$ 9,468,945	\$ 708,000	\$ 70,707	\$ 42,182,652

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, 2020 included in this schedule is CAB interest of \$1,871,727 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 \$31,935,000. Of the \$1,871,727 total CAB interest, \$819,586 is added to the \$1,035,414 total bond amounts due within one year in Note F item 1, leading to a total amount due in 2021 of \$1,855,000 above.

The accreted interest of \$698,755 and Net Premium of \$1,478,808 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-Compensated Absences		
	Principal	Interest	Total
2021	--	--	--
2022	25,000	--	25,000
2023	25,000	--	25,000
2024	25,000	--	25,000
2025-2029	539,190	--	539,190
Totals	\$ 614,190	\$ --	\$ 614,190

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, 2020, 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 \$X,XXX,XXX.

Bond Issue	Amount
Series 2010	\$ 2,500,000
Total	\$ 2,500,000

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 2020, 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.

FERRIS INDEPENDENT SCHOOL DISTRICT
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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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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.

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

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's Current Year Employer Contributions	\$ 556,409	
District's Current Year Member Contributions	\$ 1,477,340	
2019 NECE On-Behalf Contributions (state)	\$ 898,817	

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
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
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--- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
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.

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full descriptions of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

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Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 10,866,196	\$ 7,069,076	\$ 3,992,675

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

At August 31, 2020, the District reported a liability of \$7,069,076 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:

FERRIS INDEPENDENT SCHOOL DISTRICT
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District's proportionate share of the collective net pension liability	\$ 7,069,076
State's proportionate share that is associated with District	13,349,622
Total	<u>\$ 20,418,698</u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0135987889%, which was an increase (decrease) of -0.0012359553% from its proportion measured as of August 31, 2018.

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 single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$3,526,842 and revenue of \$2,097,038 for support provided by the State.

At August 31, 2020, 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	\$ 29,696	\$ 245,450
Changes in actuarial assumptions	2,193,174	906,323
Difference between projected and actual investment earnings	70,982	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	610,496	520,211
Contributions paid to TRS subsequent to the measurement date	556,409	--
Total	<u>\$ 3,460,757</u>	<u>\$ 1,671,984</u>

FERRIS INDEPENDENT SCHOOL DISTRICT
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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
2021	\$ 387,677
2022	\$ 299,911
2023	\$ 315,448
2024	\$ 271,560
2025	\$ 49,526
Thereafter	\$ (91,758)

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>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. 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 retirees are reflected in the following table.

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

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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% 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		
	2019	2020
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 2020 Employer Contributions	\$	163,835
District's 2020 Member Contributions	\$	124,712
2019 NECE On-Behalf Contributions (state)	\$	199,999

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay 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 \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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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, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	8.0% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**8.0% for FY2020, 7.5% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% 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 (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 12,109,247	\$ 10,029,850	\$ 8,403,136

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

At August 31, 2020, the District reported a liability of \$10,029,850 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	\$ 10,029,850
State's proportionate share that is associated with the District	\$ 13,327,427
Total	\$ 23,357,277

The Net OPEB liability was measured as of August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0212086912%, compared with the proportion measured at August 31, 2018 this was an decrease of -0.0014467265%.

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 8.0% rate is used.

	1% Decrease in Healthcare Trend Rate (7.0%)	Current Single Healthcare Trend Rate (8.0%)	1% Increase in Healthcare Trend Rate (9.0%)
District's proportionate share of net OPEB liability	\$ 8,182,000	\$ 10,029,850	\$ 12,505,121

9. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability (TOL) since the prior measurement period:

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$741,865 and revenue of \$351,256 for support provided by the State.

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At August 31, 2020, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 492,049	\$ 1,641,279
Changes in actuarial assumptions	557,080	2,697,783
Differences between projected and actual investment earnings	1,082	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,540,168	800,735
Contributions paid to TRS subsequent to the measurement date	163,835	--
Total	\$ 2,754,214	\$ 5,139,797

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (434,253)
2022	\$ (434,253)
2023	\$ (434,603)
2024	\$ (434,803)
2025	\$ (434,752)
Thereafter	\$ (376,754)

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, 2020, 2019 and 2018 the subsidy payments received by TRS-Care on behalf of the District were \$90,791, \$65,359 and \$51,178.

J. Employee Health Care Coverage

During the year ended August 31, 2020, 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. 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, 2020, and terms of coverage and premium costs are included in the contractual provisions.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2019, 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 \$971,041 during the year ending August 31, 2021.

3. Litigation

No reportable litigation was pending against the District at August 31, 2020.

L. Shared Services Arrangements

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

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, 2020, 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 \$151,602 is reflected in the internal service fund.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Statement of Change in Liability	2020	2019
Unpaid claims at September 1	\$ 167,436	\$ 184,621
Claims and adjustments during the year	23,698	33,500
Payments of claims during the year	(39,532)	(50,685)
Total unpaid claims at August 31	<u>\$ 151,602</u>	<u>\$ 167,436</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, \$614,190, at August 31, 2020 is reflected in the Government Wide Statement of Net Assets and will be paid with future resources.

	2020	\$ 2019
Vested sick at September 1	\$ 337,298	334,743
Additions during the year	276,892	2,555
Amounts paid during the year	--	--
Balance at August 31	<u>\$ 614,190</u>	<u>\$ 337,298</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, 2020 which are not recorded on the financial statements in the amount of \$1,081,814. These benefits are recorded as expenditures as used.

O. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses, resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect future revenues of the District.

P. Future Pronouncements

In May, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of several statement provisions that were originally scheduled to be effective for periods beginning after June 15, 2018. The District will evaluate the potential effects of all postponed statements once the statements are closer to implementation.

Q. Extraordinary Item

The District incurred substantial tornado damage and was reimbursed for that loss in the current year. Various government wide capital assets of \$365,939 sustained damage and were removed from the books at net book value, accordingly. The District also recorded \$240,064 in an insurance settlement related to the tornado damage.

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, 2020

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	\$ 5,516,076	\$ 5,516,076	\$ 5,775,973	\$	259,897
5800 State Program Revenues	22,717,548	22,856,548	23,947,699		1,091,151
5900 Federal Program Revenues	125,000	317,900	266,951		(50,949)
5020 Total Revenues	28,358,624	28,690,524	29,990,623		1,300,099
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011 Instruction	16,775,759	15,710,689	15,696,773		13,916
0012 Instructional Resources and Media Services	435,248	377,389	309,872		67,517
0013 Curriculum and Staff Development	1,239,519	1,321,654	1,319,351		2,303
Total Instruction & Instr. Related Services	18,450,526	17,409,733	17,325,996		83,737
Instructional and School Leadership:					
0021 Instructional Leadership	495,016	772,802	756,200		16,602
0023 School Leadership	1,500,295	1,450,314	1,328,829		121,485
Total Instructional & School Leadership	1,995,311	2,223,116	2,085,029		138,087
Support Services - Student (Pupil):					
0031 Guidance, Counseling and Evaluation Services	806,859	1,053,537	1,022,250		31,287
0033 Health Services	291,524	419,429	397,310		22,119
0034 Student (Pupil) Transportation	682,659	772,659	705,004		67,655
0035 Food Services	42,000	42,000	579		41,421
0036 Cocurricular/Extracurricular Activities	1,030,715	1,088,289	1,043,051		45,238
Total Support Services - Student (Pupil)	2,853,757	3,375,914	3,168,194		207,720
Administrative Support Services:					
0041 General Administration	994,634	1,055,329	995,251		60,078
Total Administrative Support Services	994,634	1,055,329	995,251		60,078
Support Services - Nonstudent Based:					
0051 Plant Maintenance and Operations	2,632,123	2,919,527	2,845,838		73,689
0052 Security and Monitoring Services	471,072	517,374	500,731		16,643
0053 Data Processing Services	425,965	575,965	537,239		38,726
Total Support Services - Nonstudent Based	3,529,160	4,012,866	3,883,808		129,058
Ancillary Services:					
0061 Community Services	1,500	1,500	150		1,350
Total Ancillary Services	1,500	1,500	150		1,350
Debt Service:					
0071 Principal on Long-Term Debt	180,000	165,856	58,000		107,856
0073 Bond Issuance Costs and Fees	--	14,144	14,134		10
Total Debt Service	180,000	180,000	72,134		107,866
Capital Outlay:					
0081 Capital Outlay	300,000	325,000	211,056		113,944
Total Capital Outlay	300,000	325,000	211,056		113,944
0099 Other Intergovernmental Charges	53,736	82,423	68,027		14,396
Total Intergovernmental Charges	53,736	82,423	68,027		14,396
6030 Total Expenditures	28,358,624	28,665,880	27,809,645		856,235
1100 Excess (Deficiency) of Revenues Over (Under)					
1100 Expenditures	--	24,644	2,180,978		2,156,334
Other Financing Sources (Uses):					
7912 Sale of Real or Personal Property	--	--	3,875		3,875
8911 Transfers Out	--	(25,000)	(10,000)		15,000
7080 Total Other Financing Sources and (Uses)	--	(25,000)	(6,125)		18,875
EXTRAORDINARY ITEM:					
7919 Extraordinary Item (Resource)-Insurance Claim	--	--	240,064		240,064
1200 Net Change in Fund Balance	--	(356)	2,414,917		2,415,273
0100 Fund Balance - Beginning	10,979,294	10,979,294	10,979,294		--
3000 Fund Balance - Ending	\$ 10,979,294	\$ 10,978,938	\$ 13,394,211	\$	2,415,273

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT OF TEXAS
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Measurement Year									
District's proportion of the net pension liability (asset)	0.014%	0.014%	0.015%	0.015%	0.015%	0.009%	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 7,069,076	\$ 8,165,403	\$ 4,678,091	\$ 5,770,430	\$ 5,322,308	\$ 2,467,624	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	13,349,622	14,233,987	8,167,160	8,638,035	8,373,279	7,457,820	--	--	--	--
Total	\$ 20,418,698	\$ 22,399,390	\$ 12,845,251	\$ 14,408,465	\$ 13,695,587	\$ 9,925,444	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 17,110,611	\$ 16,888,356	\$ 16,414,962	\$ 14,927,253	\$ 14,220,295	\$ 13,724,582	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.31%	48.35%	28.50%	38.66%	37.43%	17.98%	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Contractually required contribution	\$ 556,409	\$ 475,974	\$ 507,752	\$ 473,299	\$ 485,126	\$ 245,497	\$ --	\$ --	\$ --	\$ --	
Contributions in relation to the contractually required contribution	(556,409)	(475,974)	(507,752)	(473,299)	(485,126)	(245,497)	--	--	--	--	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
District's covered payroll	\$ 19,186,204	\$ 17,110,611	\$ 16,888,356	\$ 16,414,962	\$ 14,927,253	\$ 14,220,295	\$ --	\$ --	\$ --	\$ --	
Contributions as a percentage of covered payroll	2.90%	2.78%	3.01%	2.88%	3.25%	1.73%	--	--	--	--	

* This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Measurement Year Ended									
District's proportion of the collective net OPEB liability	0.021%	0.023%	0.019%	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 10,029,850	\$ 11,312,057	\$ 8,457,091	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 13,327,427	\$ 14,705,052	\$ 12,768,992	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 23,357,277	\$ 26,017,109	\$ - 21,226,083	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 17,110,611	\$ 16,888,356	\$ 16,414,962	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.62%	66.98%	51.52%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily or contractually required District contribution	\$ 163,835	\$ 150,523	\$ 156,916	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	163,835	150,523	156,916	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 19,186,204	\$ 17,110,611	\$ 16,888,356	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.85%	0.88%	0.93%	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for the General Fund, National School Breakfast and Lunch Program Debt Service Fund and Capital Projects Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

See footnote H for changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

See footnote H for changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Defined Benefit OPEB Plan

Changes of benefit terms

See footnote I for changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions

See footnote I for changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

FERRIS INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT H-1

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ --	\$ 14,975	\$ 14,975
5020	Total Revenues	--	14,975	14,975
	EXPENDITURES:			
	Capital Outlay:			
0081	<i>Capital Outlay</i>	1,127,878	576,381	551,497
	Total Capital Outlay	1,127,878	576,381	551,497
6030	Total Expenditures	1,127,878	576,381	551,497
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(1,127,878)	(561,406)	566,472
1200	Net Change in Fund Balance	(1,127,878)	(561,406)	566,472
0100	Fund Balance - Beginning	1,532,447	1,532,447	--
3000	Fund Balance - Ending	\$ 404,569	\$ 971,041	\$ 566,472

FERRIS INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT H-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	OPERATING REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 64,810	\$ 57,869	\$ (6,941)
5800	<i>State Program Revenues</i>	75,800	54,326	(21,474)
5020	Total Revenues	140,610	112,195	(28,415)
	OPERATING EXPENSES:			
6100	<i>Payroll Costs</i>	767,262	741,971	25,291
6200	<i>Professional and Contracted Services</i>	75,943	60,709	15,234
6300	<i>Supplies and Materials</i>	925,131	719,753	205,378
6400	<i>Other Operating Costs</i>	27,840	11,914	15,926
6600	<i>Capital Outlay - Land, Buildings & Equipment</i>	6,374	--	6,374
6030	Total Expenses	1,802,550	1,534,347	268,203
	Operating Income (Loss)	(1,661,940)	(1,422,152)	239,788
	NON-OPERATING REVENUES (EXPENSES):			
7952	<i>National School Breakfast Program</i>	370,000	367,671	(2,329)
7953	<i>National School Lunch Program</i>	1,175,000	920,113	(254,887)
7954	<i>USDA Donated Commodities</i>	111,940	122,891	10,951
7955	<i>Earnings from Temp. Deposits and Investments</i>	5,000	--	(5,000)
8030	Total Non-operating Revenues (Expenses)	1,661,940	1,410,675	(251,265)
0100	Total Net Position - Beginning	615,065	615,065	--
3300	Total Net Position - Ending	\$ 615,065	\$ 603,588	\$ (11,477)

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, 2020*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
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		355,164,925
2019		1.17		.3473		404,301,314
2020 (School Year Under Audit)		1.0684		.3789		504,071,234
1000 Totals						

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 49,145	\$ --	\$ 338	\$ 27	\$ (7,199)	\$ 41,581
7,807	--	379	97	(973)	6,358
11,017	--	4,500	1,152	1,718	7,083
15,895	--	5,367	1,393	753	9,888
22,407	--	6,954	1,906	832	14,379
23,965	--	7,980	2,417	796	14,364
30,167	--	10,858	1,717	3,924	21,516
47,732	--	15,256	2,833	(2,401)	27,242
167,619	--	82,615	24,523	(13,481)	47,000
--	7,295,166	5,217,108	1,850,290	--	227,768
<u>\$ 375,754</u>	<u>\$ 7,295,166</u>	<u>\$ 5,351,355</u>	<u>\$ 1,886,355</u>	<u>\$ (16,031)</u>	<u>\$ 417,179</u>

FERRIS INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-2****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2020**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 13,394,211
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	77,759
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)	4,980,000
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	4,600,000
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)	9,657,759
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,736,452

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, 2020

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,743,234	\$ 1,931,354	\$ 188,120
5800	State Program Revenues	1,254,166	1,821,715	567,549
5020	Total Revenues	2,997,400	3,753,069	755,669
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	993,218	993,218	--
0072	Interest on Long-Term Debt	1,988,182	1,988,182	--
0073	Bond Issuance Costs and Fees	82,000	81,917	83
	Total Debt Service	3,063,400	3,063,317	83
6030	Total Expenditures	3,063,400	3,063,317	83
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(66,000)	689,752	755,752
	Other Financing Sources (Uses):			
7901	Refunding Bonds Issued	2,170,000	2,170,000	--
7916	Premium or Discount on Issuance of Bonds	419,144	419,144	--
8940	Payment to Bond Refunding Escrow Agent	(2,500,000)	(2,500,000)	--
7080	Total Other Financing Sources and (Uses)	89,144	89,144	--
1200	Net Change in Fund Balance	23,144	778,896	755,752
0100	Fund Balance - Beginning	113,260	113,260	--
3000	Fund Balance - Ending	\$ 136,404	\$ 892,156	\$ 755,752

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

**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, 2020, 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 10, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 10, 2021

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

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, 2020. 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 for the year ended August 31, 2020.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 10, 2021

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2020

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)
84.027	IDEA-B Formula
84.173	IDEA-B Preschool

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, 2020

B. Financial Statement Findings

None noted

C. Federal Award Findings and Questioned Costs

None noted

FERRIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The District exceeded its budget in several functional areas	Corrected	
The District failed to properly request reimbursement for expenditures of \$109,634	Corrected	
Federal Award: The District exceeded its budget in Major Program Child Nutrition Cluster	Corrected	

FERRIS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

None noted so none required

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ -- \$ 367,672
National School Lunch Program	10.555	070-905	-- 920,113
National School Lunch Program (Non-cash)	10.555	070-905	-- 122,891
Total CFDA Number 10.555			-- 1,043,004
Total Passed Through State Department of Education			-- 1,410,676
Total U. S. Department of Agriculture			-- 1,410,676
Total Child Nutrition Cluster			-- 1,410,676
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Formula	84.027	H027A190008	-- 834,571
IDEA-Part B, Formula	84.027	H027A190008	-- 6,068
Total CFDA Number 84.027			-- 840,639
IDEA -B Preschool	84.173	H173A190004	-- 601
IDEA-Part B, Preschool	84.173	H173A190004	-- 15,385
Total CFDA Number 84.173			-- 15,986
Total Passed Through State Department of Education			-- 856,625
Total U. S. Department of Education			-- 856,625
Total Special Education (IDEA) Cluster			-- 856,625
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	S010A190043	-- 13,182
ESEA Title I Part A - Improving Basic Programs	84.010a	S010A190043	-- 21,332
ESEA Title I Part A - Improving Basic Programs	84.010a	S010A190043	-- 296,540
Total CFDA Number 84.010a			-- 331,054
Career and Technical - Basic Grant	84.048	2042000607090	-- 25,142
Title III Part A English Language Acquisition and Language Enhance	84.365A	S365A190043	-- 12,962
Title III Part A English Language Acquisition and Language Enhance	84.365A	S365A190043	-- 53,559
Title III, Part A-English Language Acquisition and Language Enhanc	84.365a	S365A190043	-- 9,384
Total CFDA Number 84.365a			-- 75,905
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367a	S367A190041	-- 53,125
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	S367A190045	-- 52,985
Total CFDA Number 84.367a			-- 106,110
Title IV, Part A	84.424A	S424A190045	-- 7,122
Title IV, Part A	84.424A	S424A190045	-- 26,013
Total CFDA Number 84.424A			-- 33,135
CARES Act Coronavirus Relief Fund (CRF) - ESSER	84.425d	2052100070905	-- 32,028
Total Passed Through State Department of Education			-- 603,374
Total U. S. Department of Education			-- 603,374
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 2,870,675

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, 2020

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.

Reconciliation of federal awards:

Exhibit C-2 federal amounts	\$	1,726,349
Total Child Nutrition Cluster reported on Exhibit D-2		1,410,675
Less: Student Health and Related Services (Not applicable for SEFA)		(266,349)
Total expenditures of federal awards	\$	<u>2,870,675</u>

FERRIS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020*

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 698,755