

FERRIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Ferris Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditors' Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	C-3
Statement of Net Position - Proprietary Funds.....	18	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	19	D-2
Statement of Cash Flows - Proprietary Funds.....	20	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	21	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	22	E-2
Notes to the Financial Statements	23	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	52	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teachers Retirement Of Texas.....	54	G-2
Schedule of District's Contributions - Teachers Retirement System Of Texas.....	55	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	56	G-4
Schedule of District's Contributions - OPEB Plan.....	57	G-5
Notes to Required Supplementary Information.....	58	

Ferris Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

TABLE OF CONTENTS

	Page	Exhibit
<u>Supplementary Information</u>		
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Projects Fund.....	60	H-1
Enterprise Funds:		
Budgetary Comparison Schedule:		
National School Breakfast and Lunch Program.....	61	H-2
Schedule of Delinquent Taxes Receivable.....	62	J-1
Use of Funds Report - Select State Allotment Program	64	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
Debt Service Fund.....	65	J-3
 OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	68	
Schedule of Findings and Questioned Costs	71	
Summary Schedule of Prior Audit Findings.....	73	
Corrective Action Plan.....	74	
Schedule of Expenditures of Federal Awards	75	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	77	
 OTHER INFORMATION		
Schedule of Required Responses to Selected School FIRST Indicators.....	78	K-2

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, 2022, at a meeting of the board of trustees of such school district on the 22 day of January, 2023


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

**FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA**

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Ferris Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in 2022, Ferris Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Ferris Independent School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ferris Independent School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ferris Independent School District's basic financial statements. The supplementary information, as listed in the table of contents, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the Schedule of Required Responses to Selected School FIRST Indicators, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 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.

Corsicana, TX
January 27, 2023

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, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

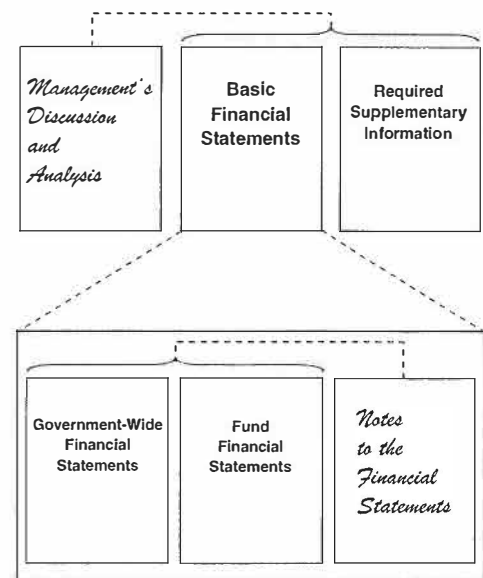
- The District's total combined net position on financial statement exhibit A-1 was \$17,825,498 on August 31, 2022.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$371,743 less than the \$36,046,440 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased by \$3,282,409. This was primarily caused by increases in capital outlay and student transportation costs.
- The general fund reported a general fund balance this year on financial statement exhibit C-1 of \$12,564,774. The District began the current year with a fund balance in the amount of \$13,429,100.

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 *custodian* 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows, liabilities, and deferred inflows—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 \$17.83 million on August 31, 2022. (See Table A-1).

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

	<u>2022</u>	<u>2021</u>	Total Percentage Change <u>2022-2021</u>
Current assets:			
Cash and cash equivalents	0.7	0.5	40
Investments	13.9	16.8	-17
Due from other governments	2.9	1.7	71
Due from other funds	.0	.0	**
Other receivables	.4	.4	0
Inventories – supplies and materials	.1	.1	0
Total current assets:	<u>18.0</u>	<u>19.5</u>	-8
Noncurrent assets:			
Land, furniture and equipment	84.3	82.9	2
Less accumulated depreciation	(31.6)	(29.8)	-6
Total noncurrent assets	<u>52.7</u>	<u>53.1</u>	-1
Total Assets	<u>70.7</u>	<u>72.6</u>	-3
Deferred Outflows of Resources	<u>6.5</u>	<u>6.1</u>	7
Current liabilities:			
Accounts payable and accrued liabilities	2.9	2.4	21
Claims payable	.0	.0	**
Due to other governments	.2	.9	-78
Due to other funds	.0	.0	**
Unearned revenue	.1	.1	0
Total current liabilities	<u>3.2</u>	<u>3.4</u>	-6
Long-term liabilities:			
Noncurrent liabilities due in one year	2.2	2.0	10
Noncurrent liabilities due more than 1 yr	28.8	30.3	-5
Net pension liability	4.0	7.5	-47
Net OPEB liability	8.8	8.4	5
Total Liabilities	<u>47.0</u>	<u>51.6</u>	-9
Deferred Inflows of Resources	<u>12.4</u>	<u>9.7</u>	28
Net Position:			
Net investment in capital assets	21.1	20.3	4
Restricted	1.5	1.5	0
Unrestricted	(4.8)	(4.4)	-9
Total Net Position	<u>17.8</u>	<u>17.4</u>	2

The District has \$1,516,288 of restricted net position in governmental and business-type activities that represents proceeds from state and federal programs of \$283,569, debt service of \$733,864, capital projects of \$417,855, and \$81,000 nonspendable for inventories. The \$(4,761,309) 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 \$34,304,989. A significant portion, 24 percent, of the District's revenue comes from taxes. (See Table A-2.) 57 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 \$34,046,774; 81 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 \$8,119,959.

Business Type Activities

The District accounts for its food service as a business type activity. During the year, this activity had revenue of \$1,741,451, and after deducting expenses of \$1,627,923, had a net income of \$113,528. The activity had net position of \$423,668 at August 31, 2022.

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

	<u>2022</u>	<u>2021</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.3	.2	50
Operating Grants and Contributions	8.0	7.6	5
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	8.1	7.8	4
State Aid – Formula	19.4	20.7	-6
Investment Earnings	.1	.0	**
Other	.1	.0	**
Total Revenues	<u>36.0</u>	<u>36.3</u>	-1
Instruction	19.2	20.8	-8
Instructional Resources and Media Services	.3	.4	-25
Curriculum Dev. And Instructional Staff Dev.	1.7	1.4	21
Instructional Leadership	.8	.7	14
School Leadership	1.9	1.8	6
Guidance, Counseling and Evaluation Services	1.6	1.5	7
Social Work Services	.1	.0	**
Health Services	.4	.4	0
Student (Pupil) Transportation	.6	.7	-14
Food Services	1.6	1.3	23
Curricular/Extracurricular Activities	1.4	1.2	17
General Administration	1.2	1.2	0
Plant Maintenance & Oper.	2.7	2.9	-7
Security & Monitoring Svcs.	.5	.5	0
Data Processing Services	.5	.6	-17
Community Services	.1	.0	**
Debt Services	.9	1.6	-44
Facilities Acquisition and Construction	.0	.0	**
Other Governmental Charges	.1	.1	0
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.0	.0	**
Public Education Grant Progr.	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Total Expenses	<u>35.6</u>	<u>37.1</u>	-4
Excess (Deficiency) Before Other Resources,			
Uses & Transfers	.4	(.8)	150
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>.4</u>	<u>(.8)</u>	150

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 \$34.0 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$8.1 million.
- Some of the cost was paid by those who directly benefited from the programs \$.20 million, or
- By grants and contributions \$6.4 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>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Instruction	19.2	20.8	-8	15.5	16.4	-5
School administration	1.2	1.2	0	1.1	1.1	0
Plant Maintenance & Operations	2.7	2.9	-7	2.6	2.7	-4
Debt Service – Interest & Fiscal Charges	.9	1.6	-44	.0	.8	**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$36.2 million, while the previous year it was \$34.5 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 2 times. Even with this adjustment, actual expenditures were \$877,521 below final budget amounts.

On the other hand, resources available were \$46,080 below the final budgeted amount with state revenue being under budget by \$88,273.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$84,329,446 in a broad range of capital and right-to-use assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$1,435,618 or 2% percent from last year. This includes Governmental type assets and business type assets.

Table A-4
District's Capital and Right-to-Use Assets
(In millions of dollars)

	<u>2022</u>	<u>2021</u>	Total Percentage Change <u>2022-2021</u>
Land	.619	.652	-5
Construction in progress	.465	0.000	**
Buildings and improvements	76.190	74.395	2
Vehicles	3.061	4.025	-24
Equipment	3.205	3.822	-16
Capital leased assets	.497	.000	**
Right to use asset	.293	.000	**
Totals at historical cost	84.330	82.894	2
Total accumulated depr/amort	(31.660)	(29.800)	-6
Net capital assets	<u>52.670</u>	<u>53.094</u>	-1

The District's fiscal year 2023 capital budget projects no major spending. 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 \$43.823 million in bonds, notes, financed purchase leases, net pension and OPEB liability, compensated absences, and right of use activities outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Total Percentage Change
	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Financed purchase leases	.389	.000	**
Bonds payable	27.910	29.694	-6
Compensated absences	.654	.580	13
Notes payable	.589	.649	-9
Net pension liability	3.966	7.539	-47
Net OPEB liability	8.841	8.440	5
Net premium on debt	1.259	1.369	-8
Right of use activities	.215	.000	**
Total long-term debt	<u>43.823</u>	<u>48.271</u>	-9

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2023 budget preparation is \$722,989,979, an increase of \$128,796,403, or 22% from 2022.
- General operating fund spending per student decreases in the 2023 budget from \$13,063 to \$11,035. This is a 16% decrease.
- The District's 2023 refined average daily attendance is expected to be 2,750, indicating a 13% increase from the previous year.

These indicators were considered when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are \$30,345,394, a decrease of 4 percent from the final 2022 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2023.

In December 2022, a complaint was filed under the Equal Employment Opportunity Commission (EEOC) against the District. The matter is still pending.

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, 2022

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 Cash and Cash Equivalents	\$ 644,003	\$ 70,902	\$ 714,905
1120 Current Investments	12,568,190	1,371,304	13,939,494
1225 Property Taxes Receivable (Net)	426,044	--	426,044
1240 Due from Other Governments	2,710,658	169,719	2,880,377
1260 Internal Balances	771,595	(771,595)	--
1290 Other Receivables (Net)	3,240	--	3,240
1300 Inventories	81,000	36,632	117,632
Capital and Right of Use Assets:			
1510 Land	618,939	--	618,939
1520 Buildings and Improvements, Net	49,394,444	--	49,394,444
1530 Furniture and Equipment, Net	1,512,340	70,327	1,582,667
1550 Capital Lease Assets, Net	397,675	--	397,675
1550 Right to Use Assets, Net	211,452	--	211,452
1580 Construction in Progress	464,561	--	464,561
1000 Total Assets	<u>69,804,141</u>	<u>947,289</u>	<u>70,751,430</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	2,884,599	82,961	2,967,560
Deferred Outflow Related to OPEB	3,442,382	95,553	3,537,935
1700 Total Deferred Outflows of Resources	<u>6,326,981</u>	<u>178,514</u>	<u>6,505,495</u>
LIABILITIES:			
2110 Accounts Payable	235,573	--	235,573
2140 Interest Payable	54,569	--	54,569
2165 Accrued Liabilities	2,558,189	43,736	2,601,925
2177 Due to Fiduciary	6,290	--	6,290
2180 Due to Other Governments	155,409	--	155,409
2300 Unearned Revenue	99,356	--	99,356
Noncurrent Liabilities:			
2501 Due Within One Year	2,233,620	--	2,233,620
2502 Due in More Than One Year	28,782,143	--	28,782,143
2540 Net Pension Liability	3,855,339	110,879	3,966,218
2545 Net OPEB Liability	8,602,279	238,779	8,841,058
2000 Total Liabilities	<u>46,582,767</u>	<u>393,394</u>	<u>46,976,161</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflow Related to Gain on Bond Refunding	1,182,501	--	1,182,501
Deferred Inflow Related to Pensions	4,395,532	126,415	4,521,947
Deferred Inflow Related to OPEB	6,568,492	182,326	6,750,818
2600 Total Deferred Inflows of Resources	<u>12,146,525</u>	<u>308,741</u>	<u>12,455,266</u>
NET POSITION:			
3200 Net Investment in Capital Assets	21,000,192	70,327	21,070,519
Restricted For:			
3820 State and Federal Programs	--	283,569	283,569
3850 Debt Service	733,864	--	733,864
3860 Capital Projects	417,855	--	417,855
3890 Other Purposes - Nonspendable	81,000	--	81,000
3900 Unrestricted	(4,831,081)	69,772	(4,761,309)
3000 Total Net Position	<u>\$ 17,401,830</u>	<u>\$ 423,668</u>	<u>\$ 17,825,498</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2022

	1	3	4	
		Program Revenues		
Data Control Codes	Functions/Programs	Charges for Services	Operating Grants and Contributions	
	Expenses			
	Governmental Activities:			
11	Instruction	\$ 19,164,494	\$ 35,433	\$ 3,633,737
12	Instructional Resources and Media Services	314,761	--	42,627
13	Curriculum and Staff Development	1,718,922	35,647	501,274
21	Instructional Leadership	790,686	--	99,162
23	School Leadership	1,884,170	13,058	178,826
31	Guidance, Counseling, and Evaluation Services	1,590,929	--	331,263
32	Social Work Services	74,771	--	73,715
33	Health Services	435,036	--	30,029
34	Student Transportation	643,259	--	46,898
35	Food Service	11,708	--	34,317
36	Cocurricular/Extracurricular Activities	1,401,759	100,603	68,478
41	General Administration	1,166,870	--	96,861
51	Facilities Maintenance and Operations	2,742,175	14,243	169,190
52	Security and Monitoring Services	479,756	--	39,043
53	Data Processing Services	547,896	--	68,513
61	Community Services	64,602	--	12,236
72	Interest on Long-term Debt	934,973	--	983,348
73	Bond Issuance Costs and Fees	12,999	--	--
95	Payments to Juvenile Justice Alternative Ed. Programs	6,450	--	92
99	Other Intergovernmental Charges	60,558	--	--
TG	Total Governmental Activities	34,046,774	198,984	6,409,609
	Business-type Activities:			
05	Food Services	1,615,173	70,123	1,649,171
01	Beverage Services	12,750	16,640	--
TB	Total Business-type Activities	1,627,923	86,763	1,649,171
TP	Total Primary Government	\$ 35,674,697	\$ 285,747	\$ 8,058,780
	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			
	Loss on Disposal of Capital Assets			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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8

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (15,495,324)		\$ (15,495,324)
(272,134)		(272,134)
(1,182,001)		(1,182,001)
(691,524)		(691,524)
(1,692,286)		(1,692,286)
(1,259,666)		(1,259,666)
(1,056)		(1,056)
(405,007)		(405,007)
(596,361)		(596,361)
22,609		22,609
(1,232,678)		(1,232,678)
(1,070,009)		(1,070,009)
(2,558,742)		(2,558,742)
(440,713)		(440,713)
(479,383)		(479,383)
(52,366)		(52,366)
48,375		48,375
(12,999)		(12,999)
(6,358)		(6,358)
(60,558)		(60,558)
<u>(27,438,181)</u>		<u>(27,438,181)</u>
--	\$ 104,121	104,121
--	3,890	3,890
--	108,011	108,011
<u>(27,438,181)</u>	<u>108,011</u>	<u>(27,330,170)</u>
6,092,049	--	6,092,049
2,027,910	--	2,027,910
89,094	3,623	92,717
19,389,543	--	19,389,543
194,940	1,894	196,834
(97,140)	--	(97,140)
<u>27,696,396</u>	<u>5,517</u>	<u>27,701,913</u>
258,215	113,528	371,743
16,648,589	805,166	17,453,755
495,026	(495,026)	--
17,143,615	310,140	17,453,755
<u>\$ 17,401,830</u>	<u>\$ 423,668</u>	<u>\$ 17,825,498</u>

FERRIS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 465,534	\$ 21,050	\$ 144,159	\$ 630,743
1120 Current Investments	10,355,882	1,806,917	405,391	12,568,190
1225 Taxes Receivable, Net	328,248	97,796	--	426,044
1240 Due from Other Governments	1,693,297	--	1,017,361	2,710,658
1260 Due from Other Funds	2,512,968	--	--	2,512,968
1290 Other Receivables, Net	3,240	--	--	3,240
1300 Inventories	81,000	--	--	81,000
1000 Total Assets	<u>\$ 15,440,169</u>	<u>\$ 1,925,763</u>	<u>\$ 1,566,911</u>	<u>\$ 18,932,843</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 45,842	\$ --	\$ --	\$ 45,842
2150 Payroll Deductions and Withholdings	866	--	--	866
2160 Accrued Wages Payable	2,291,752	--	265,571	2,557,323
2170 Due to Other Funds	208,687	1,036,490	704,883	1,950,060
2180 Due to Other Governments	--	155,409	--	155,409
2300 Unearned Revenue	--	--	99,356	99,356
2000 Total Liabilities	<u>2,547,147</u>	<u>1,191,899</u>	<u>1,069,810</u>	<u>4,808,856</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	328,248	97,796	--	426,044
2600 Total Deferred Inflows of Resources	<u>328,248</u>	<u>97,796</u>	<u>--</u>	<u>426,044</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	81,000	--	--	81,000
Restricted Fund Balances:				
3470 Capital Acquisitions and Contractual Obligations	--	--	417,855	417,855
3480 Retirement of Long-Term Debt	--	636,068	--	636,068
Assigned Fund Balances:				
3590 Other Assigned Fund Balance - Improvements	4,980,000	--	--	4,980,000
3590 Other Assigned Fund Balance - Campus Activity	--	--	79,247	79,247
3600 Unassigned	7,503,774	--	--	7,503,774
3000 Total Fund Balances	<u>12,564,774</u>	<u>636,068</u>	<u>497,102</u>	<u>13,697,944</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 15,440,169</u>	<u>\$ 1,925,763</u>	<u>\$ 1,566,912</u>	<u>\$ 18,932,844</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, 2022**

Total fund balances - governmental funds balance sheet \$ 13,697,944

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.	52,599,411
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	426,044
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	25,926
Payables for bond principal which are not due in the current period are not reported in the funds.	(27,117,859)
Payables for financed purchase leases which are not due in the current period are not reported in the funds.	(389,516)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(214,854)
Payables for debt interest which are not due in the current period are not reported in the funds.	(54,569)
Payables for notes which are not due in the current period are not reported in the funds.	(589,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(653,614)
Deferred gain on bond refunding is not reported in the funds.	(1,182,501)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,855,339)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(4,395,532)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,884,599
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(792,054)
Bond premiums are amortized in the SNP but not in the funds.	(1,258,866)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(8,602,279)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(6,568,492)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	3,442,382
Rounding difference	(1)

Net position of governmental activities - Statement of Net Position \$ 17,401,830

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, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 6,418,118	\$ 2,044,408	\$ 152,057	\$ 8,614,583
5800 State Program Revenues	22,573,611	983,348	175,838	23,732,797
5900 Federal Program Revenues	459,140	--	3,412,965	3,872,105
5020 Total Revenues	<u>29,450,869</u>	<u>3,027,756</u>	<u>3,740,860</u>	<u>36,219,485</u>
EXPENDITURES:				
Current:				
0011 Instruction	17,054,710	--	2,484,515	19,539,225
0012 Instructional Resources and Media Services	300,025	--	20,589	320,614
0013 Curriculum and Staff Development	1,122,036	--	581,834	1,703,870
0021 Instructional Leadership	771,147	--	36,147	807,294
0023 School Leadership	1,866,601	--	57,685	1,924,286
0031 Guidance, Counseling, and Evaluation Services	1,346,214	--	250,508	1,596,722
0032 Social Work Services	--	--	73,701	73,701
0033 Health Services	426,828	--	6,083	432,911
0034 Student Transportation	1,126,572	--	10,143	1,136,715
0035 Food Service	--	--	34,730	34,730
0036 Cocurricular/Extracurricular Activities	1,327,422	--	60,438	1,387,860
0041 General Administration	1,164,032	--	18,194	1,182,226
0051 Facilities Maintenance and Operations	2,917,738	--	43,801	2,961,539
0052 Security and Monitoring Services	481,458	--	5,070	486,528
0053 Data Processing Services	518,728	--	32,855	551,583
0061 Community Services	56,111	--	8,289	64,400
0071 Principal on Long-term Debt	246,028	1,910,000	--	2,156,028
0072 Interest on Long-term Debt	8,371	1,125,800	--	1,134,171
0073 Bond Issuance Costs and Fees	11,259	1,740	--	12,999
0081 Capital Outlay	--	--	549,796	549,796
0095 Payments to Juvenile Justice Alternative				
0095 Education Programs	6,450	--	--	6,450
0099 Other Intergovernmental Charges	60,558	--	--	60,558
6030 Total Expenditures	<u>30,812,288</u>	<u>3,037,540</u>	<u>4,274,378</u>	<u>38,124,206</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(1,361,419)</u>	<u>(9,784)</u>	<u>(533,518)</u>	<u>(1,904,721)</u>
Other Financing Sources and (Uses):				
7913 Issuance of Capital Leased Assets	497,093	--	--	497,093
7080 Total Other Financing Sources and (Uses)	497,093	--	--	497,093
1200 Net Change in Fund Balances	<u>(864,326)</u>	<u>(9,784)</u>	<u>(533,518)</u>	<u>(1,407,628)</u>
0100 Fund Balances - Beginning	13,429,100	645,852	1,030,620	15,105,572
3000 Fund Balances - Ending	<u>\$ 12,564,774</u>	<u>\$ 636,068</u>	<u>\$ 497,102</u>	<u>\$ 13,697,944</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Net change in fund balances - total governmental funds \$ (1,407,628)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	1,446,913
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,056,863)
The loss on the disposal of capital assets is not reported in the funds.	(97,140)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(11,604)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,910,000
Repayment of loan and lease principal is an expenditure in the funds but is not an expense in the SOA.	246,028
Bond issuance premiums and similar items are amortized in the SOA but not in the funds.	109,971
(Increase) decrease in accrued interest from beginning of period to end of period.	89,227
The net revenue (expense) of internal service funds is reported with governmental activities.	65,483
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(73,853)
Proceeds of capital leases are recognized as other financial resources in the funds but not revenue in the SOA.	(497,093)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	294,796
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	239,978

Change in net position of governmental activities - Statement of Activities \$ 258,215

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

AUGUST 31, 2022

Data Control Codes	Enterprise Fund National Breakfast/Lunch Program	Nonmajor Enterprise Fund Beverage Services	Total Enterprise Funds	Nonmajor Internal Service Fund Insurance Fund
ASSETS:				
Current Assets:				
1110 Cash and Cash Equivalents	\$ 1,130	\$ 69,772	\$ 70,902	\$ 13,260
1120 Investments	1,371,304	--	1,371,304	--
Receivables:				
1240 Due from Other Governments	169,719	--	169,719	--
1260 Due from Other Funds	--	--	--	202,397
1310 Inventories, at Cost	36,632	--	36,632	--
Total Current Assets	<u>1,578,785</u>	<u>69,772</u>	<u>1,648,557</u>	<u>215,657</u>
Noncurrent Assets:				
Capital Assets:				
1530 Furniture and Equipment	292,559	--	292,559	--
1570 Accumulated Depreciation	(222,232)	--	(222,232)	--
Total Noncurrent Assets	<u>70,327</u>	<u>--</u>	<u>70,327</u>	<u>--</u>
1000 Total Assets	<u>1,649,112</u>	<u>69,772</u>	<u>1,718,884</u>	<u>215,657</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Pensions	82,961	--	82,961	--
Deferred Outflow Related to OPEB	95,553	--	95,553	--
1700 Total Deferred Outflows of Resources	<u>178,514</u>	<u>--</u>	<u>178,514</u>	<u>--</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	--	--	--	189,731
2160 Accrued Wages Payable	43,736	--	43,736	--
2170 Due to Other Funds	771,595	--	771,595	--
Total Current Liabilities	<u>815,331</u>	<u>--</u>	<u>815,331</u>	<u>189,731</u>
Noncurrent Liabilities:				
2540 Net Pension Liability	110,879	--	110,879	--
2545 Net OPEB Liability	238,779	--	238,779	--
Total Noncurrent Liabilities	<u>349,658</u>	<u>--</u>	<u>349,658</u>	<u>--</u>
2000 Total Liabilities	<u>1,164,989</u>	<u>--</u>	<u>1,164,989</u>	<u>189,731</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to Pension	126,415	--	126,415	--
Deferred Inflow Related to OPEB	182,326	--	182,326	--
2600 Total Deferred Inflows of Resources	<u>308,741</u>	<u>--</u>	<u>308,741</u>	<u>--</u>
NET POSITION:				
3200 Net Investment in Capital Assets	70,327	--	70,327	--
3800 Restricted-For State and Federal Programs	283,569	--	283,569	--
3900 Unrestricted	--	69,772	69,772	25,926
3000 Total Net Position	<u>\$ 353,896</u>	<u>\$ 69,772</u>	<u>\$ 423,668</u>	<u>\$ 25,926</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Enterprise Fund	Nonmajor Enterprise Fund		Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Beverage Services	Total Enterprise Funds	Insurance Fund
OPERATING REVENUES:					
5700	Local and Intermediate Sources	\$ 75,640	\$ 16,640	\$ 92,280	\$ 252,264
5800	State Program Revenues	23,997	--	23,997	--
5020	Total Revenues	99,637	16,640	116,277	252,264
OPERATING EXPENSES:					
6100	Payroll Costs	659,022	--	659,022	186,781
6200	Professional and Contracted Services	31,362	--	31,362	--
6300	Supplies and Materials	887,686	--	887,686	--
6400	Other Operating Costs	37,103	12,750	49,853	--
6030	Total Expenses	1,615,173	12,750	1,627,923	186,781
	Operating Income (Loss)	(1,515,536)	3,890	(1,511,646)	65,483
NON-OPERATING REVENUES (EXPENSES):					
7951	Other Non-oper. Revenues-PEBT/SFSP Grants	31,080	--	31,080	--
7952	National School Breakfast Program	370,496	--	370,496	--
7953	National School Lunch Program	1,144,626	--	1,144,626	--
7954	USDA Donated Commodities	78,972	--	78,972	--
8030	Total Non-operating Revenues (Expenses)	1,625,174	--	1,625,174	--
1300	Change in Net Position	109,638	3,890	113,528	65,483
0100	Total Net Position - Beginning	739,284	65,882	805,166	(39,557)
	Prior Period Adjustment	(495,026)	--	(495,026)	--
	Total Net Position - Beginning, as Restated	244,258	65,882	310,140	(39,557)
3300	Total Net Position - Ending	\$ 353,896	\$ 69,772	\$ 423,668	\$ 25,926

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, 2022

	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:				
Cash Received from Customers	\$ 75,640	\$ 16,640	\$ 92,280	\$ --
Cash Received from Grants	1,601,382	--	1,601,382	--
Cash Receipts (Payments) for Quasi-external	--	--	--	252,264
Cash Payments to Employees for Services	(646,152)	--	(646,152)	(181,289)
Cash Payments to Other Suppliers for Goods and Services	(957,257)	(13,969)	(971,226)	--
Net Cash Provided (Used) by Operating Activities	73,613	2,671	76,284	70,975
Cash Flows from Non-capital Financing Activities:				
Increase (Decrease) in Amounts Due to Other Funds	(23,006)	--	(23,006)	(68,233)
Increase (Decrease) in Pension and OPEB Obligations	(15,141)	--	(15,141)	--
Net Cash Provided (Used) by Non-capital Financing Activities	(38,147)	--	(38,147)	(68,233)
Cash Flows from Capital and Related Financing Activities:				
Purchase of Fixed Assets	--	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	--	--	--	--
Cash Flows from Investing Activities:				
Investment (Purchases) Sales	(35,466)	--	(35,466)	254
Net Cash Provided (Used) for Investing Activities	(35,466)	--	(35,466)	254
Net Increase (Decrease) in Cash and Cash Equivalents	--	2,671	2,671	2,996
Cash and Cash Equivalents at Beginning of Year	1,130	67,101	68,231	10,264
Cash and Cash Equivalents at End of Year	\$ 1,130	\$ 69,772	\$ 70,902	\$ 13,260
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Net Income (Loss)	\$ 109,638	\$ 3,890	\$ 113,528	\$ 65,483
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	10,673	--	10,673	--
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(47,789)	--	(47,789)	--
(Increase) Decrease in Prepaid Expenditures	--	--	--	--
Increase (Decrease) in Accounts Payable	(1,106)	(1,219)	(2,325)	5,492
Increase (Decrease) in Accrued Wages Payable	2,197	--	2,197	--
Total Adjustments	(36,025)	(1,219)	(37,244)	5,492
Net Cash Provided (Used) by Operating Activities	\$ 73,613	\$ 2,671	\$ 76,284	\$ 70,975

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2022

		Custodial Funds
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 166,196
1260	Due from Other Funds	6,290
1000	Total Assets	172,486
LIABILITIES:		
2000	Total Liabilities	--
NET POSITION:		
3800	Restricted for Indiv., Org. & Other Gov.	172,486
3000	Total Net Position	\$ 172,486

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Funds
	Student Activity
ADDITIONS:	
Student Group Fundraising Activities	\$ 199,399
Total Additions	<u>199,399</u>
DEDUCTIONS:	
Benefits to Student Groups	<u>203,396</u>
Total Deductions	<u>203,396</u>
Change in Fiduciary Net Position	(3,997)
Net Position-Beginning of the Year	176,483
Net Position-End of the Year	<u>\$ 172,486</u>

The accompanying notes are an integral part of this statement.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

Debt Service Fund: This fund accounts for all dedicated revenues for bonded debt along with the corresponding debt payments.

The District reports the following major enterprise funds:

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

In addition, the District reports the following fund types:

Capital Projects Fund: These funds are used to account for significant, ongoing capital projects of the District.

Special Revenue Funds: These funds account for the resources restricted or committed for specific purposes. Federal revenues are generally accounted for in special revenue funds, as is some state assistance. Amounts unspent may be returned to the grantor agency at the close of the applicable project period.

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.

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the 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 custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

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 \$75,184 is reflected in the financial statements as of August 31, 2022.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program.

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

d. Capital and Right of Use Assets

Purchased or constructed capital and right of use 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 and right of use assets are being depreciated/amortized 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
Capital Leased Assets	3-5
Right of Use Lease Assets	3-5

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.

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, deferred outflows, liabilities, deferred inflows, 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.

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

Net position in the government-wide financial statements is classified as Net Investment in Capital Assets, Restricted, and unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consists of assets and deferred resource outflows, net of any related liabilities and deferred resource inflows, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets or Restricted Net Position. Beginning pension and OPEB related items represented an overall reduction of net position in the amount of \$(18,124,460). For the current fiscal year, the overall unrestricted net position increased \$1,029,799 for pension and OPEB related items. As of August 31, 2022, the net effect of these amounts on overall net position was \$(17,094,661).

m. 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.

n. 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, 2022

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 /¹ deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

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

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. All applicable existing leases have been re-valued at the beginning of the fiscal year to reflect the change, and new leases have also been reported in accordance with the provisions of this statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business- type activity. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91, Conduit Debt Obligations

This statement requires issuers of Conduit Debt Obligations to disclose general information organized by type of commitment, including the aggregate outstanding principal amount of the issuers' debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The provisions of this statement are effective for reporting periods beginning after December 31, 2020. There is no current year impact to the District related to this Statement.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics that relate most directly to this district in the current fiscal year include the amendments to certain GASB No. 68 provisions. The provisions of GASB Statement No. 92, excluding the requirements related to Statements No. 87 and Implementation Guide 2019-3 which were effective upon issuance, are effective for fiscal years and reporting periods beginning after June 15, 2021. There is no significant impact related to this Statement to the District in the current year.

GASB Statement No. 93, Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The requirements of this Statement, except for paragraphs 11b, 13 and 14 were implemented in the fiscal year ended August 31, 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements of paragraphs 11b, 13, and 14 of this Statement are effective for reporting periods beginning after June 15, 2021. There is no significant current year impact to the District related to this Statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The District previously adopted paragraphs 4 and 5 of GASB Statement No. 92. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The provisions of this Statement have no significant impact to the District in the current year.

GASB Statement No. 98, The Annual Comprehensive Financial Report

This statement was issued in October 2021 and establishes the term Annual Comprehensive Financial Report and its acronym, ACFR. This new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The District implemented this Statement in the current fiscal year, with no significant impact.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

GASB Statement No. 99, *Omnibus 2022*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge
- Guidance clarification for short-term leases when there is a modification of terms
- Considerations for public-private partnerships (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets
- Clarifications of subscription-based information technology arrangement (SBITA) terms, and liability measurement and recognition
- Disclosures related to nonmonetary transactions
- Certain provisions of GASB Statement No. 34
- Pledges of future revenues when resources are not received by the pledging government
- Terminology updates related to deferred inflows and outflows of resources and net position
- Resource flows statements terminology related to GASB Statement No. 53
- Accounting for SNAP distributions
- Requirements related to the extension of the use of LIBOR

The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates took effect upon issuance, and were implemented during the District's current fiscal year, with no significant impact.

The requirements related to leases, PPPs, and SBITAs will be effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will be effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Future Implementation of New Standards

The District is currently evaluating the impact related to the implementation of the following GASB Statements, scheduled to become effective in fiscal years 2023, 2024 and 2025:

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

Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*

Statement No. 101, *Compensated Absences*

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:

Violation

Undercollateralization of Deposits

Action Taken

District will require bank to maintain adequate collateral for its deposits at all times during the year.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$881,101 and the bank balance was \$1,162,770. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Commercial State Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,511,157.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$3,433,656 and occurred during the month of July, 2022.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$273,816.

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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

The District's investments at August 31, 2022 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star -First Public	N/A	\$ 9,975,053
Texpool	N/A	368,234
Texas Term	N/A	1,843,832
Logic	N/A	1,752,375
Total Investments		<u>\$ 13,939,494</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, 2022, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

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 Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

Lone Star

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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 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

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, which 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.

D. Capital and Right of Use Assets

Capital and right of use asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Transfers & Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 652,223	\$ --	\$ 33,284	\$ 618,939
Construction in progress	--	464,561	--	464,561
Total capital assets not being depreciated/amortized	652,223	464,561	33,284	1,083,500
Capital assets being depreciated/amortized:				
Buildings and improvements	74,394,966	302,505	(1,492,513)	76,189,984
Equipment	3,529,122	118,513	735,399	2,912,236
Vehicles	4,024,958	64,241	1,028,430	3,060,769
Capital Leased Assets	--	497,093	--	497,093
Right-to-Use Asset	--	293,305	--	293,305
Total capital assets being depreciated/amortized	81,949,046	1,275,657	271,316	82,953,387
Less accumulated depreciation/amortization for:				
Buildings and improvements	(25,602,185)	(1,562,212)	(368,857)	(26,795,540)
Equipment	(1,561,839)	(193,089)	60,206	(1,815,134)
Vehicles	(2,424,049)	(120,291)	101,191	(2,645,531)
Capital Lease Assets	--	(99,418)	--	(99,418)
Right-to-Use Asset	--	(81,853)	--	(81,853)
Total accumulated depreciation/amortization	(29,588,073)	(2,056,863)	(207,460)	(31,437,476)
Total capital assets being deprec/amort, net	52,360,973	(781,206)	63,856	51,515,911
Governmental activities capital assets, net	\$ 53,013,196	\$ (316,645)	\$ 97,140	\$ 52,599,411

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Equipment	292,559	--	--	292,559
Total capital assets being depreciated	292,559	--	--	292,559
Less accumulated depreciation for:				
Equipment	(211,559)	(10,673)	--	(222,232)
Total accumulated depreciation	(211,559)	(10,673)	--	(222,232)
Total capital assets being depreciation, net	81,000	(10,673)	--	70,327
Business-type activities capital assets, net	<u>\$ 81,000</u>	<u>\$ (10,673)</u>	<u>\$ --</u>	<u>\$ 70,327</u>

Capital outlay increases differ from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds due to the implementation of GASB 87 and how previous right of use assets are reported. See Note G for the breakdown of right of use assets.

Depreciation/amortization was charged to functions as follows:

Instruction	\$ 1,195,100
Instructional Resources and Media Services	19,746
Curriculum and Staff Development	104,939
Instructional Leadership	49,720
School Leadership	118,514
Guidance, Counseling, & Evaluation Services	98,340
Social Work Services	4,539
Health Services	26,662
Student Transportation	39,393
Food Services	2,139
Extracurricular Activities	85,476
General Administration	72,812
Plant Maintenance and Operations	171,581
Security and Monitoring Services	29,965
Data Processing Services	33,971
Community Services	3,966
	<u>\$ 2,056,863</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Debt Service Fund	\$ 1,036,490	Short-term loans
General Fund	National Breakfast/Lunch Program	771,595	Short-term loans
General Fund	Other Governmental Funds	704,883	Short-term loans
Fiduciary Funds	General Fund	6,290	Short-term loans
Nonmajor Internal Serv. Fund	General Fund	202,397	Short-term loans
	Total	<u>\$ 2,721,655</u>	

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

2. Transfers To and From Other Funds

There were no transfers during the year ended August 31, 2022.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 13,804,800	\$ --	\$ (1,505,000)	\$ 12,299,800	\$ 1,575,000
Capital Appreciation Bonds	15,223,059	--	(405,000)	14,818,059	425,000
QCEB Notes	649,000	--	(60,000)	589,000	61,000
Financed Lease Purchases from Direct Borrowings & Direct Placements	--	497,093	(107,577)	389,516	91,581
Right of Use Activities	--	293,305	(78,451)	214,854	81,039
Compensated absences *	579,761	188,519	(114,666)	653,614	--
Accreted CAB interest	666,179	125,875	--	792,054	--
Net Premium	1,368,837	--	(109,971)	1,258,866	--
Net Pension Liability*	7,327,993	(2,826,606)	(646,048)	3,855,339	--
Net OPEB Liability*	8,212,585	563,911	(174,217)	8,602,279	--
Total governmental activities	\$ 47,832,214	\$ (1,157,903)	\$ (3,200,930)	\$ 43,473,381	\$ 2,233,620
<u>Business-type activities:</u>					
Net Pension Liability*	\$ 210,753	\$ (81,293)	\$ (18,581)	\$ 110,879	\$ --
Net OPEB Liability*	227,962	15,653	(4,836)	238,779	--
Total business-type activities	\$ 438,715	\$ (65,640)	\$ (23,417)	\$ 349,658	\$ --

* 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
Net Pension Liability	Business-type	National School Breakfast/Lunch Program
Net OPEB Liability	Business-type	National School Breakfast/Lunch Program

General Obligation Bonds

General obligation school building bonds payable at August 31, 2022, with their outstanding balance are comprised of the following individual issues.

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, 2022 is \$6,695,000. 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, 2022 is \$1,108,059. Included in this issue is a CAB. An additional \$1,082,141 must be accreted over the life of the issue. The accretion payable of \$432,679 is included above. The bonds mature in 2035. There is an unamortized gain on this issue of \$111,985 after \$9,407 was amortized this year.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022 is \$3,524,800 with \$0 classified as Capital Appreciation as final CAB portion has been paid and all accreted interest has been cleared. Also, there was a gain on refinancing of \$1,969,298 of which \$196,930 was amortized this year leaving a balance of \$787,658.

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, 2022 is \$13,710,000. 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, 2022 is \$359,375. Also, there was a premium on this issue of \$1,710,355 of which \$106,597 was amortized this year leaving a balance of \$1,176,170.

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, 2022 is \$2,080,000. The bonds mature in 2034. The District recorded a gain on refinancing of \$330,000 and after an amortization of \$23,571 this year leaves a balance of \$282,858 at August 31, 2022. The District recorded a premium of \$89,144 and after an amortization of \$3,074 leaves a balance of \$82,996 at August 31, 2022.

Notes

During 2016, the District issued \$900,000 of Taxable Series 2016 QCEB 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, 2022 is \$589,000 and it matures in 2031. This note is not considered a direct borrowing.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2022, are as follows:

<u>Year Ending 2022.</u>	Governmental Activities				
	Bonds		QCEB Notes		Total
	Principal	Interest	Principal	Interest	
2023	\$ 2,000,000	\$ 1,062,600	\$ 61,000	\$ 9,530	\$ 3,133,130
2024	2,050,000	990,275	62,000	8,543	3,110,818
2025	2,180,000	915,300	63,000	7,540	3,165,840
2026	2,270,000	841,125	64,500	6,521	3,182,146
2027	2,245,000	753,550	65,500	5,477	3,069,527
2028-2032	11,835,000	2,297,300	273,000	9,029	14,414,329
2033-2036	5,620,000	277,338	--	--	5,897,338
Totals	<u>\$ 28,200,000</u>	<u>\$ 7,137,488</u>	<u>\$ 589,000</u>	<u>\$ 46,640</u>	<u>\$ 35,973,128</u>

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, 2022 included in this schedule is CAB interest of \$1,082,141 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 \$28,200,000.

The accreted interest of \$792,054 and Net Premium of \$1,256,866 in Note F item 1 are not included in the Bond Counsel debt service schedule above. The premium is amortized \$109,971 yearly until satisfied.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Year Ending August 31,	Governmental Activities-Compensated Absences		
	Principal	Interest	Total
2023	\$ --	\$ --	\$ --
2024	50,000	--	50,000
2025	50,000	--	50,000
2026	50,000	--	50,000
2027	50,000	--	50,000
2028-2032	453,614	--	453,614
Totals	\$ 653,614	\$ --	\$ 653,614

G. Leases

Lease activity for the year ended August 31, 2022, was as follows:

Right of Use Leases

The District previously entered into a sixty month leasing arrangement for copiers which was revalued to a forty-three month leasing arrangement at September 1, 2021 under GASB Statement No. 87, totaling \$293,305, payable in annual installments of \$7,235 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases. The balance at August 31, 2022 is \$214,854.

Financed Lease Purchases from Direct Borrowings and Direct Placements

The District entered into a five year leasing arrangement for buses totaling \$497,093 payable in annual installments of \$107,577 at an interest rate of 4.03 percent. The balance at August 31, 2022 was \$389,516. The vehicles serve as collateral and the District assumes ownership of the vehicles at the end of the lease term. In the event of default, the entire outstanding amount may become due and payable.

Future lease payment maturity schedule is as follows:

Year ended August 31,	Principal	Interest	Total
2023 \$	172,620	\$ 21,779	\$ 194,399
2024	179,055	15,344	194,399
2025	149,360	8,864	158,224
2026	103,335	4,242	107,577
\$	604,370	\$ 50,229	\$ 654,599

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
District's 2022 Employer Contributions		\$ 762,592
District's 2022 Member Contributions		\$ 1,706,096
2021 NECE On-Behalf Contributions (State)		\$ 1,126,851

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

5. Actuarial Assumptions

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

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25 percent. 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 System's target asset allocation as of August 31, 2021 are summarized below:

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	100.0%		6.90%

* Absolute Return includes Credit Sensitive Investments.
 ** Target allocations are based on the FY2021 policy model.
 *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
 **** The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	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:	\$ 8,666,816	\$ 3,966,218	\$ 152,606

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$3,966,218 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,966,218
State's proportionate share that is associated with District	<u>6,724,565</u>
Total	<u>\$ 10,690,783</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0155742797 percent which was an increase (decrease) of 0.0014984155 percent from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$486,201 and revenue of \$26,884 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 6,637	\$ 279,225
Changes in Actuarial Assumptions	1,401,981	611,143
Difference Between Projected and Actual Investment Earnings	--	3,325,622
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	796,350	305,957
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	762,592	--
Total	<u>\$ 2,967,560</u>	<u>\$ 4,521,947</u>

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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
2023	\$ (402,310)
2024	\$ (448,363)
2025	\$ (705,784)
2026	\$ (881,302)
2027	\$ 94,194
Thereafter	\$ 26,586

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

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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		
	<u>2021</u>	<u>2022</u>
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 2022 Employer Contributions	\$	186,214
District's 2022 Member Contributions	\$	138,621
2021 NECE On-Behalf Contributions (state)	\$	239,891

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to *(regardless of whether they participate in the TRS Care OPEB Program)*. When hiring a TRS retiree, employers are required to pay 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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

5. Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. 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 based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 10,664,353	\$ 8,841,058	\$ 7,406,065

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

At August 31, 2022, the District reported a liability of \$8,841,058 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	\$ 8,841,058
State's proportionate share that is associated with the District	<u>11,845,048</u>
Total	<u>\$ 20,686,106</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0229194554 percent which was an increase (decrease) of 0.0007159703 percent from its proportion measured as of August 31, 2020.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 7,160,964	\$ 8,841,058	\$ 11,095,327

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

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

At August 31, 2022, 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	\$ 380,649	\$ 4,279,691
Changes in actuarial assumptions	979,251	1,869,720
Difference between projected and actual investment earnings	9,598	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,982,223	601,407
Contributions paid to TRS subsequent to the measurement date	186,214	
Total	<u>\$ 3,537,935</u>	<u>\$ 6,750,818</u>

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

Year ended August 31:	OPEB Expense Amount
2023	\$ (696,737)
2024	\$ (696,954)
2025	\$ (696,898)
2026	\$ (464,177)
2027	\$ (149,112)
Thereafter	\$ (695,219)

For the year ended August 31, 2022, the District recognized OPEB expense of \$(497,598) and revenue of \$(437,173) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021 and 2020 the subsidy payments received by TRS-Care on behalf of the District were \$91,803, \$88,999 and \$81,549.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

K. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2022, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2021, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

In December 2022, a filing under complaint under the Equal Employment Opportunity Commission (EEOC) was filed against the District. As of the date of the audit report, this matter is still pending.

M. 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 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.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

N. Self-Funded Workman's Compensation Insurance

During the year ended August 31, 2022, 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 \$189,731 is reflected in the internal service fund.

Statement of Change in Liability	2022	2021
Unpaid claims at September 1	\$ 184,239	\$ 151,602
Claims and adjustments during the year	82,754	73,936
Payments of claims during the year	(77,262)	(41,299)
Total unpaid claims at August 31	<u>\$ 189,731</u>	<u>\$ 184,239</u>

O. 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, \$653,614, at August 31, 2022 is reflected in the Government Wide Statement of Net Assets and will be paid with future resources.

	2022	\$ 2021
Vested sick at September 1	\$ 579,761	614,190
Additions during the year	188,519	30,508
Amounts paid during the year	(114,666)	(64,937)
Balance at August 31	<u>\$ 653,614</u>	<u>\$ 579,761</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, 2022 which are not recorded on the financial statements in the amount of \$968,902. These benefits are recorded as expenditures as used.

P. Prior Period Adjustment

In allocating the Pension and OPEB liabilities (GASB Statement Nos. 68 and 75) to the business type activities, the District required a prior period adjustment. On Exhibit A-1 this resulted in a decrease in the Governmental Activities of \$86,162 in Deferred Outflow Related to Pension, \$210,753 in Net Pension Liability, and \$38,221 in Deferred Inflow Related to Pension. There was also a decrease in the governmental Activities of \$81,610 in Deferred Outflow Related to OPEB, \$227,962 in Net OPEB Liability, and \$185,861 in Deferred Inflow Related to OPEB. The total decrease to the Net Position of Governmental Activities was \$495,026. The Business-type activities on Exhibit A-1 reflect the inverted adjustment in the same amounts resulting in no change to the total Statement of Net Position. These same amounts for the business-type activities are also reflected on Exhibit D-1.

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, 2022

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,376,425	\$ 6,376,425	\$ 6,418,118	\$ 41,693
5800	State Program Revenues	22,661,884	22,661,884	22,573,611	(88,273)
5900	Federal Program Revenues	300,000	458,640	459,140	500
5020	Total Revenues	29,338,309	29,496,949	29,450,869	(46,080)
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	16,505,319	17,430,319	17,054,710	375,609
0012	Instructional Resources and Media Services	354,616	334,616	300,025	34,591
0013	Curriculum and Staff Development	1,366,915	1,158,915	1,122,036	36,879
	Total Instruction and Instr. Related Services	18,226,850	18,923,850	18,476,771	447,079
Instructional and School Leadership:					
0021	Instructional Leadership	636,928	792,928	771,147	21,781
0023	School Leadership	1,643,019	1,885,019	1,866,601	18,418
	Total Instructional and School Leadership	2,279,947	2,677,947	2,637,748	40,199
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,581,213	1,356,213	1,346,214	9,999
0033	Health Services	341,456	476,456	426,828	49,628
0034	Student (Pupil) Transportation	564,944	1,184,944	1,126,572	58,372
0036	Cocurricular/Extracurricular Activities	1,206,474	1,456,474	1,327,422	129,052
	Total Support Services - Student (Pupil)	3,694,087	4,474,087	4,227,036	247,051
Administrative Support Services:					
0041	General Administration	1,198,532	1,198,532	1,164,032	34,500
	Total Administrative Support Services	1,198,532	1,198,532	1,164,032	34,500
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,701,410	3,001,410	2,917,738	83,672
0052	Security and Monitoring Services	453,522	483,522	481,458	2,064
0053	Data Processing Services	513,168	523,168	518,728	4,440
	Total Support Services - Nonstudent Based	3,668,100	4,008,100	3,917,924	90,176
Ancillary Services:					
0061	Community Services	16,793	56,793	56,111	682
	Total Ancillary Services	16,793	56,793	56,111	682
Debt Service:					
0071	Principal on Long-Term Debt	126,000	254,707	246,028	8,679
0072	Interest on Long-Term Debt	53,000	12,792	8,371	4,421
0073	Bond Issuance Costs and Fees	--	11,501	11,259	242
	Total Debt Service	179,000	279,000	265,658	13,342
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	--	6,500	6,450	50
0099	Other Intergovernmental Charges	75,000	65,000	60,558	4,442
	Total Intergovernmental Charges	75,000	71,500	67,008	4,492
6030	Total Expenditures	29,338,309	31,689,809	30,812,288	877,521

FERRIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(2,192,860)	(1,361,419)	831,441
	Other Financing Sources (Uses):				
7913	Issuance of Capital Leased Assets	--	535,000	497,093	(37,907)
7080	Total Other Financing Sources and (Uses)	--	535,000	497,093	(37,907)
1200	Net Change in Fund Balance	--	(1,657,860)	(864,326)	793,534
0100	Fund Balance - Beginning	13,429,100	13,429,100	13,429,100	--
3000	Fund Balance - Ending	\$ 13,429,100	\$ 11,771,240	\$ 12,564,774	\$ 793,534

FERRIS INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year Ended August 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.016%	0.014%	0.014%	0.014%	0.015%	0.015%	0.015%	0.009%	--	--
District's proportionate share of the net pension liability (asset)	\$ 3,966,218	\$ 7,538,746	\$ 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	6,724,565	14,590,143	13,349,622	14,233,987	8,167,160	8,638,035	8,373,279	7,457,820	--	--
Total	<u>\$ 10,690,783</u>	<u>\$ 22,128,889</u>	<u>\$ 20,418,698</u>	<u>\$ 22,399,390</u>	<u>\$ 12,845,251</u>	<u>\$ 14,408,465</u>	<u>\$ 13,695,587</u>	<u>\$ 9,925,444</u>	<u>--</u>	<u>\$ --</u>
District's covered payroll	\$ 20,105,859	\$ 19,186,204	\$ 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	19.73%	39.29%	41.31%	48.35%	28.50%	38.66%	37.43%	17.98%	--	--
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	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 Ended August 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 762,592	\$ 664,629	\$ 556,409	\$ 475,974	\$ 507,752	\$ 473,299	\$ 485,126	\$ 245,497	--	\$ --
Contributions in relation to the contractually required contribution	(762,592)	(664,629)	(556,409)	(475,974)	(507,752)	(473,299)	(485,126)	(245,497)	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 21,326,221	\$ 20,105,859	\$ 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	3.58%	3.31%	2.90%	2.78%	3.01%	2.88%	3.25%	1.73%	--	--

* 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

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

	Measurement Year Ended August 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective net OPEB liability	0.023%	0.022%	0.021%	0.023%	0.019%	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 8,841,058	\$ 8,440,547	\$ 10,029,850	\$ 11,312,057	\$ 8,457,091	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	11,845,048	11,342,072	13,327,427	14,705,052	12,768,992	--	--	--	--	--
Total	<u>\$ 20,686,106</u>	<u>\$ 19,782,619</u>	<u>\$ 23,357,277</u>	<u>\$ 26,017,109</u>	<u>\$ 21,226,083</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 20,105,859	\$ 19,186,204	\$ 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	43.97%	43.99%	58.62%	66.98%	51.52%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	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 August 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required District contribution	\$ 186,214	\$ 179,053	\$ 163,835	\$ 150,523	\$ 156,916	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	186,214	179,053	163,835	150,523	156,916	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 21,326,221	\$ 20,105,859	\$ 19,186,204	\$ 17,110,611	\$ 16,888,356	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.87%	0.89%	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, 2022

Budget

The official budget was prepared for adoption for 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 in actuarial assumptions and inputs

Measurement Date August 31	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2021	7.25%	7.25%	1.95%
2020	7.25%	7.25%	2.33%
2019	7.25%	7.25%	2.63%
2018	6.91%	7.25%	3.69%
2017	8.00%	8.00%	3.42%
2016	8.00%	8.00%	-
2015	8.00%	8.00%	-
2014	8.00%	8.00%	-

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Changes in demographic and economic assumptions

For measurement date August 31, 2018-Net Pension Liability and Net OPEB Liability

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

For measurement date August 31, 2020-Net OPEB Liability:

The participant rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

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

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT H-1

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ --	\$ 2,657	\$ 2,657
5020	Total Revenues	<u>--</u>	<u>2,657</u>	<u>2,657</u>
	EXPENDITURES:			
	Current:			
	Support Services - Nonstudent Based:			
0051	Plant Maintenance and Operations	7,040	7,040	--
	Total Support Services - Nonstudent Based	<u>7,040</u>	<u>7,040</u>	<u>--</u>
	Capital Outlay:			
0081	Capital Outlay	964,994	549,796	415,198
	Total Capital Outlay	<u>964,994</u>	<u>549,796</u>	<u>415,198</u>
6030	Total Expenditures	<u>972,034</u>	<u>556,836</u>	<u>415,198</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(972,034)	(554,179)	417,855
1200	Net Change in Fund Balance	<u>(972,034)</u>	<u>(554,179)</u>	<u>417,855</u>
0100	Fund Balance - Beginning	972,034	972,034	--
3000	Fund Balance - Ending	<u>\$ --</u>	<u>\$ 417,855</u>	<u>\$ 417,855</u>

FERRIS INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT H-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	OPERATING REVENUES:			
5700	Local and Intermediate Sources	\$ 35,300	\$ 75,640	\$ 40,340
5800	State Program Revenues	53,573	23,997	(29,576)
5020	Total Revenues	88,873	99,637	10,764
	OPERATING EXPENSES:			
6100	Payroll Costs	757,113	659,022	98,091
6200	Professional and Contracted Services	52,936	31,362	21,574
6300	Supplies and Materials	975,087	887,686	87,401
6400	Other Operating Costs	47,003	37,103	9,900
6600	Capital Outlay - Land, Buildings and Equipment	6,374	--	6,374
6030	Total Expenses	1,838,513	1,615,173	223,340
	Operating Income (Loss)	(1,749,640)	(1,515,536)	234,104
	NON-OPERATING REVENUES (EXPENSES):			
7951	Other Non-operating Revenues - PEBT/SFSP Grants	--	31,080	31,080
7952	National School Breakfast Program	375,000	370,496	(4,504)
7953	National School Lunch Program	1,231,640	1,144,626	(87,014)
7954	USDA Donated Commodities	138,000	78,972	(59,028)
7955	Earnings from Temp. Deposits and Investments	5,000	--	(5,000)
8030	Total Non-operating Revenues (Expenses)	1,749,640	1,625,174	(124,466)
1300	Change in Net Position	--	109,638	109,638
0100	Total Net Position - Beginning	739,264	739,284	--
	Prior Period Adjustment	(495,026)	(495,026)	--
	Total Net Position - Beginning, as Restated	244,258	244,258	--
3300	Total Net Position - Ending	\$ 244,258	\$ 353,896	\$ 109,638

FERRIS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE FOR THE YEAR ENDED AUGUST 31, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.0684		.3789		504,071,234
2021		.9854		.3284		581,424,874
2022 (School Year Under Audit)		.9559		.3184		634,106,804
1000 Totals						

10 Beginning Balance 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 48,244	\$ --	\$ 5,721	\$ 443	\$ 729	\$ 42,809
7,002	--	2,359	612	1	4,032
11,648	--	2,470	677	(86)	8,415
11,256	--	2,194	665	(186)	8,211
15,354	--	3,822	604	(1,999)	8,929
19,639	--	4,873	905	(1,933)	11,928
30,087	--	9,206	2,733	1,864	20,012
81,013	--	4,419	1,567	(25,985)	49,042
290,636	--	109,793	36,590	(57,650)	86,603
--	8,080,423	5,865,456	1,953,720	--	261,247
<u>\$ 514,879</u>	<u>\$ 8,080,423</u>	<u>\$ 6,010,313</u>	<u>\$ 1,998,516</u>	<u>\$ (85,245)</u>	<u>\$ 501,228</u>

FERRIS INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,141,215
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 1,904,942
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 554,505
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 353,770

FERRIS INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-3

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 2,204,913	\$ 2,044,408	\$ (160,505)
5800	State Program Revenues	833,387	983,348	149,961
5020	Total Revenues	3,038,300	3,027,756	(10,544)
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	1,910,000	1,910,000	--
0072	Interest on Long-Term Debt	1,125,800	1,125,800	--
0073	Bond Issuance Costs and Fees	2,500	1,740	760
	Total Debt Service	3,038,300	3,037,540	760
6030	Total Expenditures	3,038,300	3,037,540	760
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(9,784)	(9,784)
1200	Net Change in Fund Balance	--	(9,784)	(9,784)
0100	Fund Balance - Beginning	645,852	645,852	--
3000	Fund Balance - Ending	\$ 645,852	\$ 636,068	\$ (9,784)

*Overall Compliance, Internal Control Section
and Federal Awards*

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA**

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, 2022, 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 27, 2023.

Internal Control Over Financial Reporting

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

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

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

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2022-001.

Ferris Independent School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, TX
January 27, 2023

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA**

**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

Opinion on Each Major Federal Program

We have audited Ferris Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Ferris Independent School District's major federal programs for the year ended August 31, 2022. 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.

In our opinion, Ferris Independent School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ferris Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Ferris Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ferris Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, TX
January 27, 2023

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

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? X Yes 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: April 2022

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

84.425	ESSER Funds
--------	-------------

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, 2022

B. Financial Statement Findings

2022-001 Undercollateralization of Deposits

Condition: The District was not properly collateralized by the bank on the date of high cash balance.

Criteria: The District should require the bank to maintain adequate collateral for its deposits at all times during the year.

Effect: The District had deposits in the bank that were not properly collateralized.

Cause: The District failed to require the bank to increase its collateral.

Recommendation: The District should require the bank to provide adequate margin on its collateral pledged to handle all deposits.

District's response: The District will contact their bank to get the adequate collateralization to cover their deposits at all times throughout the year.

C. Federal Award Findings and Questioned Costs

NONE

FERRIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

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

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

The District will monitor their daily deposits to verify that they remain in compliance with regard to undercollateralization. Lavina Straley at phone number 972-544-3858 will be responsible for maintaining proper coverage. This will be accomplished by August 31, 2023.

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Summer Food Service Program	10.559	070-905	\$ -- \$ 28,017
National School Lunch Program	10.555	070-905	-- 1,144,626
National School Lunch Program (Non-cash)	10.555	070-905	-- 78,972
Total ALN Number 10.555			-- 1,223,598
School Breakfast Program	10.553	070-905	-- 370,496
Total Passed Through Texas Department of Agriculture			-- 1,622,111
Total U. S. Department of Agriculture			-- 1,622,111
Total Child Nutrition Cluster			-- 1,622,111
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-Part B, Formula	84.027a	23660001070905	-- 91,570
IDEA-Part B, Formula	84.027a	22660001070905	-- 491,981
Total ALN Number 84.027a			-- 583,551
COVID-19 IDEA - Part B, Formula - American Rescue Plan (ARP)	84.027x	22535001070905	-- 11,466
IDEA-Part B, Preschool	84.173a	23661001070905	-- 2,406
IDEA-Part B, Preschool	84.173a	22661001070905	-- 13,322
Total ALN Number 84.173a			-- 15,728
COVID-19 IDEA - Part B, Preschool - American Rescue Plan (ARP)	84.173x	22536001070905	-- 92
Total Passed Through State Department of Education			-- 610,837
Total U. S. Department of Education			-- 610,837
Total Special Education (IDEA) Cluster			-- 610,837
OTHER PROGRAMS:			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
COVID-19 Pandemic EBT	10.542		-- 3,063
Total U. S. Department of Agriculture			-- 3,063
<u>U. S. Department of Labor</u>			
Passed Through State Department of Education:			
PTech Planning and Implementation	17.258	213933017110012	-- 41,843
Total U. S. Department of Labor			-- 41,843
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
COVID-19 ELC Reopening Schools	93.323	39352201	-- 47,847
Total U. S. Department of Health and Human Services			-- 47,847

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	23038712070905	\$ -- \$ 133,478
ESEA Title I Part A - Improving Basic Programs	84.010a	226101057950	-- 408,544
Total ALN Number 84.010a			-- 542,022
Career and Technical Education - Basic Grant	84.048	22420006070905	-- 32,927
Title III Part A English Language Acq. and Language Enhancement	84.365a	20671003057590	-- 1,831
Title III Part A English Language Acq. and Language Enhancement	84.365a	2360001070905	-- 5,418
Title III Part A English Language Acq. and Language Enhancement	84.365a	22660001070905	-- 66,433
Total ALN Number 84.365a			-- 73,682
22-23 Principal Residency Cycle 5	84.367a	226945677110014	-- 114,511
Educator Assessments	84.367a	69452171	-- 531
ESEA Title II, Part A - Teacher & Principal Training and Recruiting	84.367a	23420006070905	-- 81,901
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367a	22420006070905	-- 2,854
Total ALN Number 84.367a			-- 199,797
LEP Summer School	84.369a	S369A190045	-- 1,475
Title IV Part A Student Support and Academic Enrichment	84.424a	23661001070905	-- 28,850
Title IV Part A Student Support and Academic Enrichment	84.424a	22680101057950	-- 37,340
Total ALN Number 84.424a			-- 66,190
COVID-19 ESSER Fund II of the CRRSA Act	84.425d	21521001070905	-- 582,719
COVID-19 ESSER Fund III of the American Rescue Plan Act	84.425u	21528001070905	-- 127,500
COVID-19 ESSER Fund III of the American Rescue Plan Act	84.425u	21528001070905	-- 1,162,921
COVID-19 TX COVID Learning Acc. Supp.(TCLAS)-ESSER III-HQAS	84.425u	215280587110055	-- 39,363
COVID-19 TX COVID Learning Acc. Supp.(TCLAS)-ESSER III-ADSY	84.425u	21528042070905	-- 7,956
Total ALN Number 84.425u			-- 1,337,740
COVID-19 (ARP)-Homeless II-Edu. for Homeless Children & Youth	84.425w	21533002070905	-- 3,386
Total Passed Through State Department of Education			-- 2,839,938
Total U. S. Department of Education			-- 2,839,938
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 5,165,639

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, 2022

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	\$	3,872,105
Exhibit D-2 federal amounts		1,625,174
Less: Student Health and Related Services (Not applicable for SEFA)		<u>(331,640)</u>
Total expenditures of federal awards	\$	<u><u>5,165,639</u></u>

Other Information

FERRIS INDEPENDENT SCHOOL DISTRICTSCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2022

<u>Data Control Codes</u>		<u>Responses</u>
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	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 warrant hold was issued, the school district is considered to not have made timely payments.) 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. 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.	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?	Yes
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	\$ 792,054