



**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
June 30, 2019**

Neffendorf & Knopp, P.C.
Certified Public Accountants
Fredericksburg, Texas

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2019

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

Fredericksburg Independent School District Gillespie 086901
Name of School District County 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 June 30, 2019 at a meeting of the Board of Trustees of such school district on the 11th of November, 2019.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reasons(s) for disapproving it is (are):
(attach list as necessary)

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Financial Statements Issued in Accordance with
Government Auditing Standards or in a Single Audit

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fredericksburg Independent School District
Fredericksburg, Texas 78624

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fredericksburg Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fredericksburg Independent School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability, schedule of the district's contributions, schedule of the district's proportionate share of the net OPEB liability and the schedule of district

contributions for other post-employment benefits on pages 4-15 and 50-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulation of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of Fredericksburg 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 Fredericksburg Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fredericksburg Independent School District's internal control over financial reporting and compliance.



NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas

October 24, 2019

Fredericksburg Independent School District Management's Discussion and Analysis Year Ended June 30, 2019



This section of the Fredericksburg Independent School District's annual financial report presents FISD Administration's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read this narrative overview and analysis of the financial activities of the District in conjunction with the District's financial statements, which follow this section.

DISTRICT HIGHLIGHTS

The Fredericksburg Independent School District (FISD) is located in central Texas in the Texas Hill Country area. Following are some district highlights:

- FISD Tagline: Inspiring Excellence
- FISD Vision: FISD students are inspired to be successful and innovative in a diverse and changing world.
- FISD Mission: FISD partners with families, students, and community to provide a safe and supportive learning environment. We excite the imagination of every student. We engage them in relevant, compelling learning experiences in order to prepare for life in a diverse, global society.
- FISD Core Values: RISE – Respect, Integrity, Students First, and Excellence
- FISD Goals
 - FISD aspires to ensure that the Five Year Strategic Plan is executed with fidelity.
 - FISD will achieve academic excellence by continuously improving and delivering high quality rigorous instruction so ALL students will graduate college, military, and career ready.
 - FISD will maintain financial excellence and maximize district resources.
 - FISD will develop and implement a successful bond strategy in partnership with the community, parents, and schools.
- The Texas Education Agency rated FISD as a B (88) on the A - F Accountability scale in 2019.
- FISD has one high school serving grades 9 through 12. There is one middle school serving grades 6 through 8. There is one large elementary school in the city serving grades 2 through 5 and one small rural elementary school that serves grades k through 5. A primary school serves grade Pre-k through grade 1. Additionally, there is one alternative high school.
- The enrollment of the district decreased about 1.5%. Enrollment approximated 3,100, with the average daily attendance approximating 96% or 2,970 daily.
- The School Nutrition department serves up approximately 625 breakfasts and 1,875 lunches daily, for a total of approximately 2,500 meals a day.
- According to city data.com, approximately an additional 523 students attend private schools in the area. This amounts to approximately 15% of the local school aged children are not in the public schools compared to 6.5% for the state of Texas as a whole.
- The student growth averages only about -1.5 to -3% a year. The population change is mainly due to retirees moving into the area. According to Texas Demographics.com, the median age for a resident 50.2 years old, which is significantly above the state average median age of 34.7 years old.
- FISD administrative offices is located in the city of Fredericksburg in Gillespie County. The population of the city in 2017 was 11,369, which is nearly 43% of the population of the entire county of 26,646.
- FISD has approximately 500 employees that handle school district business in more than 606,000 square feet on 121 nearly acres.
- The FISD is located mainly in Gillespie County but also has a small amount of property that extends into Blanco and Kendall counties.
- The land area of the city is only 8.58 square miles, but the square miles that the school district serves is 758. The FISD school buses travelled 354,817 miles to and from school in 2018/19, or an average of nearly 2,063 miles per school day.
- The district is considered a wealthy school district based on property wealth per student according to the Texas Education Agency. Therefore, the district sent \$12.9 million of local property tax revenue to the state of Texas to fund other school districts in the current fiscal year. This amounted to nearly 34% of local property tax revenue sent out of the district, however, 52% of the students in the district qualified as Economically Disadvantaged.
- According to Data USA, the median household income was \$56,267 annually as compared to the state average of \$59,206. However, the median home value was \$257,600 in Fredericksburg, but only \$190,600 in the state as a whole.
- The population of the city is 70% Anglo and 29% Hispanic, yet the population of the school district students was 48% Anglo, 50% Hispanic, and 2% various other.
- The city thrives in the tourism industry and boasts a crime rate of about half that of the Texas average. The unemployment rate of 2.6%, compared to the state average of 3.4% according to Data USA.
- The oldest school building in use in the district was built in 1875 and the newest was built in 1994. The district continues to renovate older buildings and build additions to existing facilities.



FINANCIAL HIGHLIGHTS

- The District’s total net position for governmental activities increased by \$223,163 during 2018-2019 to \$15,691,968 at June 30, 2019 (Exhibits A-1 and B-1). This was mainly due to the recognition of Other Post Employment Benefit liability and Net Pension Liabilities and Deferred Inflows for the retirement system.
- The General Fund reported an ending fund balance this year of \$12,537,454 (Exhibits C-1 and C-3), which is an increase of \$2,761,238. This is mainly due to the property value increase and the time lag of when recapture payments commence on that increase. Most of this amount will be paid back to the state in recapture payments in 2019-2020.
- Since its inception, for the 17th year in a row, FISD earned a rating of Passed by the Texas Education Agency (TEA) under its Financial Integrity Rating System of Texas (FIRST). Superior Achievement is the highest rating possible and is based on criteria used to determine the overall financial health and stability of school districts throughout Texas.

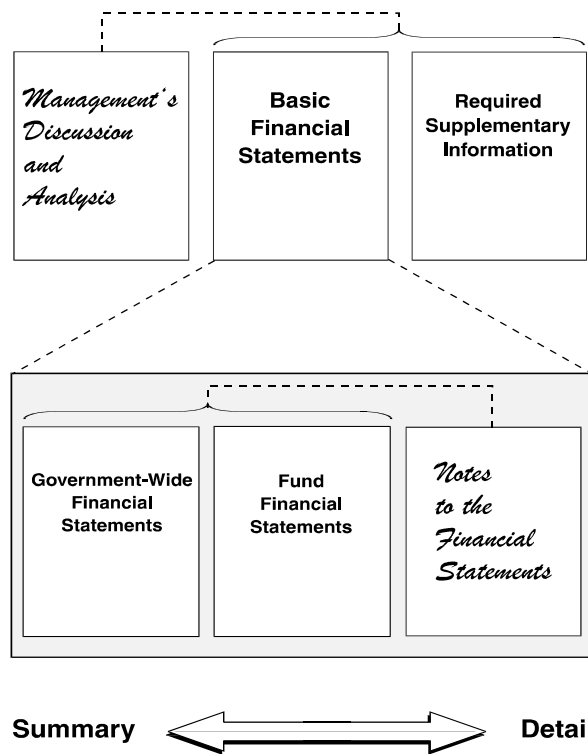
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts

- **Management’s Discussion and Analysis (this section)**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining statements for non-major governmental funds (optional).**

Figure A-1 below identifies the required components of the District’s Annual Financial Report.

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



Fredericksburg Independent School District Management's Discussion and Analysis Year Ended June 30, 2019



The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements (Exhibits A-1 and B-1) are **government-wide financial statements** that provide both long-term and short-term information about the District's overall financial status. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- 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.

Fund financial statements may include governmental funds statements, proprietary fund statements, and fiduciary fund statements.

- **The governmental funds statements** tell how general government services were financed in the short term as well as what remains for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
- **Proprietary fund statements** offer short-term and long-term financial information about the activities the government operates like businesses.
- **Fiduciary fund statements** provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of those outside the district.

The financial statements also include notes that explain some of the information in the financial statements with narrative and provide additional data needed for full disclosure in the government-wide statements or the fund financial statements. The section of the report containing combining statements is not required by the Texas Education Agency (TEA) but contains detailed information about the District's individual funds.

The statements are followed by a section of required supplementary information titled **Required TEA Schedules** that further explains and supports the information in the financial statements. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants it receives.

Government-wide Financial Statements – Reporting the District as a Whole

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

The two government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets and liabilities) is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, changes in the District's average daily attendance and the condition of District facilities.

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

In the prior fiscal year 2018, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB 45. GASB 75 establishes financial reporting standards and/or accounting standards for state and local governments defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. GASB 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note K.

Fredericksburg Independent School District Management's Discussion and Analysis Year Ended June 30, 2019



Fund Financial Statements – Reporting the District's Most Significant Funds

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. Laws and contracts require the District to establish some funds. Other funds, such as Campus Activity Funds, are set up to help the District manage and control money for particular purposes.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on how cash, and other financial assets that can readily be converted to cash, flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them because this information does not encompass the additional long-term focus of the government-wide statements.
- *Proprietary funds*—These funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District has no business-type activities or enterprise funds. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. At year end, the District has no Internal Service Funds.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for certain funds. Due to a trust arrangement, the District is responsible for assets that 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. Fiduciary funds for the District include scholarship and student activity funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All of the District's restricted net position represents proceeds from tax collections that are restricted for bond debt payment and capital projects and other minor purposes.

Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Table A-1 provides detail on the District's combined net position, which was \$15,691,968 on June 30, 2019.

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2019**



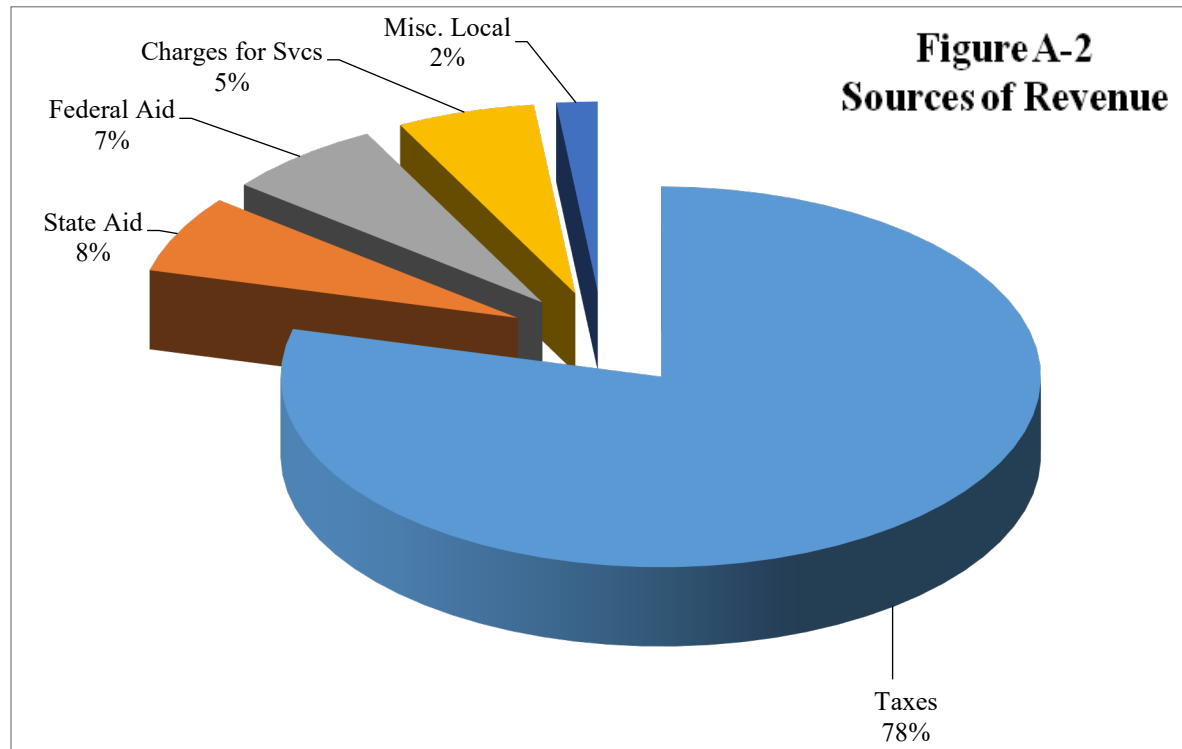
**Table A-1
Fredericksburg Independent School District
Changes in Net Position**

	<u>2017 / 2018</u>	<u>2018 / 2019</u>	<u>% Change</u>
Current Assets:			
Cash and cash equivalents	\$ 17,618,831	\$ 26,449,828	50.12%
Due from Other Governments	\$ 871,740	\$ 1,334,556	53.09%
Receivables/Supplies	\$ 1,917,314	\$ 1,861,548	-2.91%
Total Current Assets	<u>\$ 20,407,885</u>	<u>\$ 29,645,932</u>	<u>45.27%</u>
Noncurrent Assets:			
Prepayments	\$ 15,852	\$ 22,116	39.52%
Total Noncurrent Assets	<u>\$ 15,852</u>	<u>\$ 22,116</u>	<u>39.52%</u>
Capital Assets:			
Land and Buildings	\$ 39,358,442	\$ 38,211,069	-2.92%
Furniture & Equipment	\$ 2,232,292	\$ 2,233,236	0.04%
Construction in Progress	\$ -	\$ 1,522,353	n/a
Total Noncurrent Assets	<u>\$ 41,590,734</u>	<u>\$ 41,966,658</u>	<u>0.90%</u>
Total Assets	<u>\$ 62,014,471</u>	<u>\$ 71,634,706</u>	<u>15.51%</u>
Deferred Outflows of Resources:			
Deferred outflows-Other Post Retirement Benefits	\$ 157,768	\$ 1,085,303	587.91%
Deferred outflows-TRS Pension	\$ 1,689,430	\$ 4,388,093	159.74%
Total Deferred Outflows of Resources	<u>\$ 1,847,198</u>	<u>\$ 5,473,396</u>	<u>196.31%</u>
Current Liabilities:			
Accounts Payable and Accrued liabilities	\$ 5,947,099	\$ 7,938,177	33.48%
Bonds Payable-current	\$ 1,225,000	\$ 3,200,000	161.22%
Deferred/Unearned Revenue	\$ 123,757	\$ 531,002	329.07%
Total Current Liabilities	<u>\$ 7,295,856</u>	<u>\$ 11,669,179</u>	<u>59.94%</u>
Noncurrent Liabilities:			
Bonds Payable-due in more than one year	\$ 18,080,000	\$ 22,330,000	23.51%
Net Pension Liability (District share)	\$ 5,553,890	\$ 8,889,995	60.07%
Net OPEB Liability (District's Share)	\$ 11,699,022	\$ 13,328,020	13.92%
Total Noncurrent Liabilities	<u>\$ 35,332,912</u>	<u>\$ 44,548,015</u>	<u>26.08%</u>
Total Liabilities	<u>\$ 42,628,768</u>	<u>\$ 56,217,194</u>	<u>31.88%</u>
Deferred Inflows of Resources:			
Deferred Inflows-OPEB	\$ 4,893,723	\$ 4,330,192	-11.52%
Deferred Inflows-TRS Pension	\$ 870,373	\$ 868,748	-0.19%
Total Deferred Inflows of Resources	<u>\$ 5,764,096</u>	<u>\$ 5,198,940</u>	<u>-9.80%</u>
Net Position:			
Net Investment in Capital Assets	\$ 22,285,734	\$ 19,862,846	-10.87%
Restricted for Federal and State Programs	\$ 316,150	\$ 442,465	39.95%
Restricted for Debt Service	\$ 2,017,679	\$ 2,279,134	12.96%
Restricted for Capital Projects	\$ 665,483	\$ 626,288	-5.89%
Restricted for Campus Activities	\$ 271,639	\$ 267,003	-1.71%
Restricted for Other Purposes	\$ 1,500,000	\$ -	-100.00%
Unrestricted	<u>\$ (11,587,880)</u>	<u>\$ (7,785,768)</u>	<u>-32.81%</u>
Total Net Position	<u>\$ 15,468,805</u>	<u>\$ 15,691,968</u>	<u>1.44%</u>
Total Liabilities and Net Position	<u>\$ 62,014,471</u>	<u>\$ 71,634,706</u>	<u>15.51%</u>

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2019**



The District's total revenues were \$53.3 million (Exhibit C-3). A significant portion (78%) of the District's revenue comes from local taxes.



House Bill 1, which passed during the final special legislative session in 2005, changed the way school districts receive revenue from both state and local sources. Property tax rates were required to be reduced for two years and replaced with a combination of business franchise taxes and an increase in the tobacco tax. House Bill 1 required that a district's M & O rate be compressed to 66.67% of the 2004-2005 rate plus pennies up to \$1 maximum compressed rate plus up to four additional pennies on the tax rate.

The funding formula caps the amount of money a district can retain in combined state/local revenue per Weighted Average Daily Attendance (WADA). This "hold harmless" provision was set using a greater of amount between 2005 and 2006 funding under the old law and the set amount per WADA will remain in effect until changed by the legislature at a later session. Districts can only increase their operating revenue by adding students. Increases in local property values and collections are negated by the funding formula.

The State has mandated that a district's property value per WADA is limited to \$514,000. When values exceed this amount a district must share its wealth with the State to equalize access to revenue by a method known as recapture. A portion of the District's revenues are recaptured back to the state.

Governmental Activities

The combined tax rate for 2018-2019 stayed the same as in the prior year at \$1.1462.

- The tax rate for the General Operating Fund was the same as the prior year at \$1.04 per \$100 of valuation.
- The Debt Service portion of the tax rate was the same as in the prior year at \$.1062.

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2019**



The total cost of all programs and services was \$54.3 million (Exhibit B-1). Of these costs, 56% are for instructional and student support services and 33% paid to educate students from another district under Recapture ruling. Other costs total 11%.

The amount that our taxpayers paid for these activities through property taxes was \$41.6 million (86%). Costs paid by those who directly benefited from the programs totaled \$2.8 million (5%) State and Federal Grants and Contributions negatively affected these costs by \$3.2 million. Grants and contributions increased from the prior year primarily due to adjustments to revenue for implementation of GASB Statement Number 75 for other post-employment retirement benefit liabilities.

The increase in functional expenses is also primarily due to adjustments to functional expenses to record the State's negative on-behalf contributions for OPEB in conjunction with the implementation of GASB 75.

**Table A-2
Fredericksburg Independent School District
Changes in Net Position**

	<u>2017 / 2018</u>	<u>2018 / 2019</u>	<u>% Change</u>
Program Revenues:			
Charges for Services	\$ 2,840,997	\$ 2,765,118	2.67%
Operating Grants & Contributions	\$ (1,511,637)	\$ 4,321,508	385.88%
General Revenues:			
Property Taxes	\$ 38,183,221	\$ 41,593,339	8.93%
State Aid - Formula Grants	\$ 1,354,303	\$ 2,797,765	106.58%
Grants & Contributions-not restricted	\$ 256,067	\$ 1,609,066	528.38%
Investment Earnings	\$ 258,842	\$ 586,907	126.74%
Other	\$ 647,770	\$ 819,129	26.45%
Total Revenues	\$ 42,029,563	\$ 54,492,832	29.65%
Expenses:			
Instruction & Related Services	\$ 13,184,443	\$ 20,739,376	57.30%
Instructional & School Leadership	\$ 1,581,841	\$ 2,627,015	66.07%
Student Support Services	\$ 4,936,696	\$ 6,965,102	41.09%
General Administrative & Support Services	\$ 887,056	\$ 1,380,625	55.64%
Plant Support Services	\$ 3,781,536	\$ 6,650,149	75.86%
Ancillary Services	\$ 200,712	\$ 307,681	53.29%
Debt Service	\$ 468,059	\$ 684,331	46.21%
Facilities Acquisition & Construction	\$ 126,522	\$ -	-100.00%
Contracted Instructional Services	\$ 9,770,139	\$ 12,947,801	32.52%
Inter-governmental charges	\$ 1,759,217	\$ 1,967,589	11.84%
Total Expenses	\$ 36,696,221	\$ 54,269,669	47.89%
Increase (Decrease) in Net Position	\$ 5,333,342	\$ 223,163	-95.82%
Net Position Beginning	\$ 29,483,065	\$ 15,468,805	-47.53%
Prior Period Adjustments	\$(19,347,602)	\$ -	-100.00%
Net Position Ending	\$ 15,468,805	\$ 15,691,968	1.44%

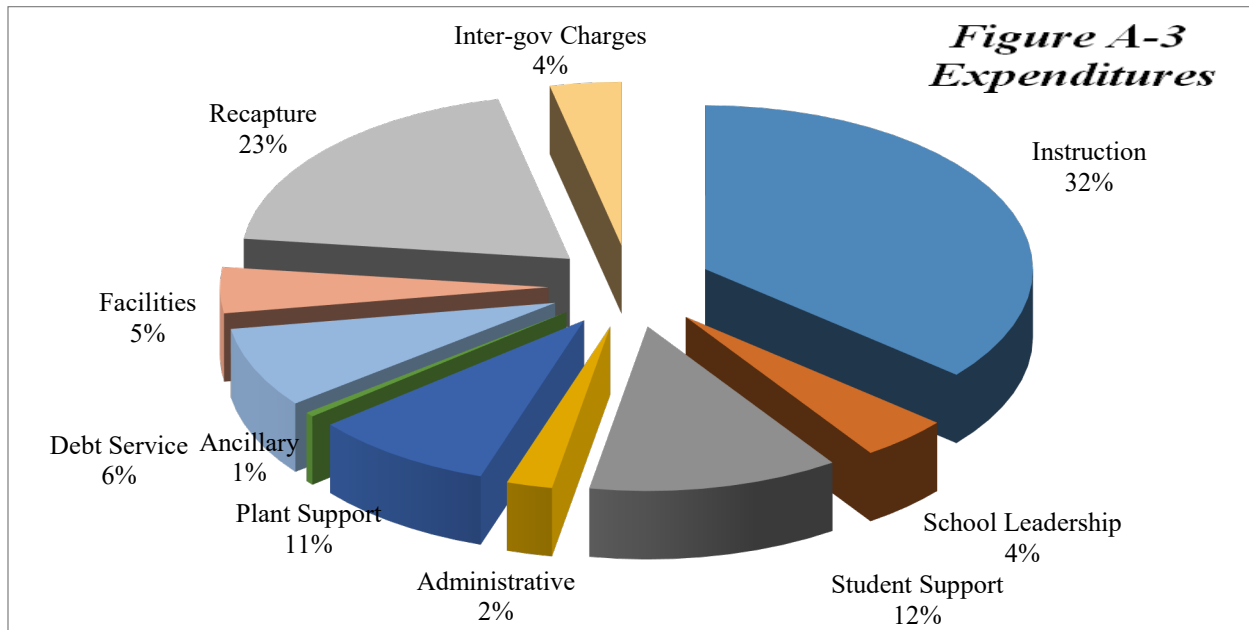
**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2019**



Table A-3 below 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 \$36.7 million (Exhibit B-1).

**Table A-3
Fredericksburg Independent School District
Net Cost of Selected District Functions**

	Total Cost			Net Cost		
	2017/2018	2018/2019	% Change	2017/2018	2018/2019	% Change
Instruction	\$ 13,184,443	\$ 20,739,376	57.30%	\$ 12,805,695	\$ 17,856,298	39.44%
School Leadership	\$ 1,581,841	\$ 2,627,015	66.07%	\$ 1,815,829	\$ 2,444,564	34.63%
Extra/Co-Curricular	\$ 1,157,494	\$ 1,894,537	63.68%	\$ 1,009,387	\$ 1,383,466	37.06%
General Administration	\$ 887,056	\$ 1,380,625	55.64%	\$ 1,068,093	\$ 1,380,625	29.26%
Plant Maintenance & Operations	\$ 3,781,536	\$ 6,650,149	75.86%	\$ 4,377,528	\$ 6,558,364	49.82%
Debt Service - Interest & Fiscal Charges	\$ 468,059	\$ 684,331	46.21%	\$ 468,059	\$ 684,331	46.21%
Contracted Instructional Services	\$ 9,770,139	\$ 12,947,801	32.52%	\$ 9,770,139	\$ 12,947,801	32.52%



The District's total expenditures were \$55,802,177 (Exhibit C-3). Note that the direct instructional percentage increases from 32% to 42% when the Recapture payment to other school districts and TEA and Debt Service and Construction expenditures are removed from the calculation.

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2019**



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from all governmental fund types totaled \$53.3 million, an increase of \$5 million, and the recapture payment increased by \$3.2 million, providing a net increase of approximately \$1.8 million, or a 3.7% increase. Student enrollment decreased by 72, or 2%. Initial estimates were for an increase in students and level funding, however, the property tax values increased and due to a one-year lag, the district received the benefits from that increase for this one year. Among other increased costs, employees were provided with a 2% raise on average in the form of a \$500 raise and a \$500 cost of living adjustment. Payroll costs comprise about 80% of the district's operating expenditures.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget monthly as needed. General Fund actual expenditures were \$2.1 million below final budget amounts (Exhibit G-1).

The most significant positive variance resulted the need to increase the recapture expenditure budget because at the end of June it is not known what the final results will become the end of September when final numbers come from the state. At times the recapture payment is increased, or the revenue may be decreased. Since the District is required to meet the functional level categories, we must have budgets in both places. Other adjustments are from staffing and contracted services. Staffing is budgeted for full employment of all positions during the year. Budget amounts for vacant positions throughout the year are not adjusted in the budget since they are expected to be filled by the next budget cycle. Inter-district charges require budgets to be twice as high as actual charges. This includes activities such as transportation trip charges, certain maintenance, utility, and technology charges. Additionally, other planned purchases were not made prior to year-end such as the new school year expenditure which were expected to be spent in the beginning of the new fiscal and school year. Spending was controlled due to the strict budget system the school district utilizes.

Resources available were slightly more than the final budgeted amount. This was mainly due to the retention of more local property taxes due to the one-year time lag in values applied to the funding formula.

School Nutrition Fund Highlights

On December 1, 2007, in fiscal 2007-2008, the District became a self-operated, self-sustaining School Nutrition Program. Since that time, the District fully serves the school nutrition needs of FISD students. The School Nutrition Fund ended with a positive fund balance of \$442,465 for the fiscal year which is within the allowable level (see Exhibit H-1, H-2, and J-2).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had cumulatively invested \$41.9 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4 and Note III, F) This amount represents a net increase (including additions and deductions) of approximately \$300,000 over the prior year.

**Table A-4
Fredericksburg Independent School District
Capital Assets
(Net of accumulated depreciation)**

**Fredericksburg Independent School District
Management’s Discussion and Analysis
Year Ended June 30, 2019**



	Governmental Activities		
	2017 / 2018	2018 / 2019	% Change
Land	\$ 1,306,816	\$ 1,306,817	0.00%
Buildings & Improvements	\$ 67,956,159	\$ 69,163,005	-1.74%
Equipment	\$ 10,040,152	\$ 10,912,649	-8.00%
Construction in Progress	\$ -	\$ 1,522,353	-100.00%
Totals at historical cost	\$ 79,303,127	\$ 82,904,824	-4.34%
Total Accumulated Depreciation	\$ 37,712,398	\$ 40,938,166	-7.88%
Net Capital Assets	\$ 41,590,729	\$ 41,966,658	-0.90%

Long Term Debt

At year-end the District had \$25,530,000 in bonds outstanding as shown in Table A-5 and on Exhibit A-1. The district issued \$9.3 million in new debt during the year. More detailed information about the District’s debt is presented in the Notes III, G to the financial statements.

**Table A-5
Fredericksburg Independent School District
Long Term Debt**

	2017 / 2018	2018 / 2019	% change
\$	19,305,000	\$ 25,530,000	32.25%

Bond Ratings

The District’s bonds presently carry “AAA” ratings with an underlying rating from Standard & Pooors of “AA-”.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

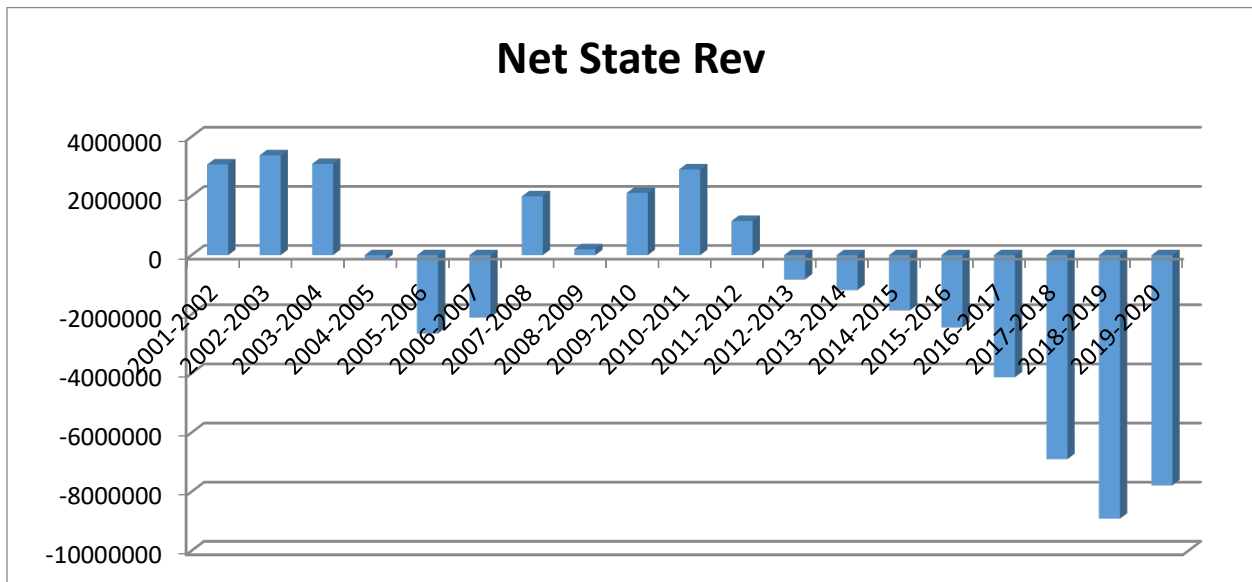
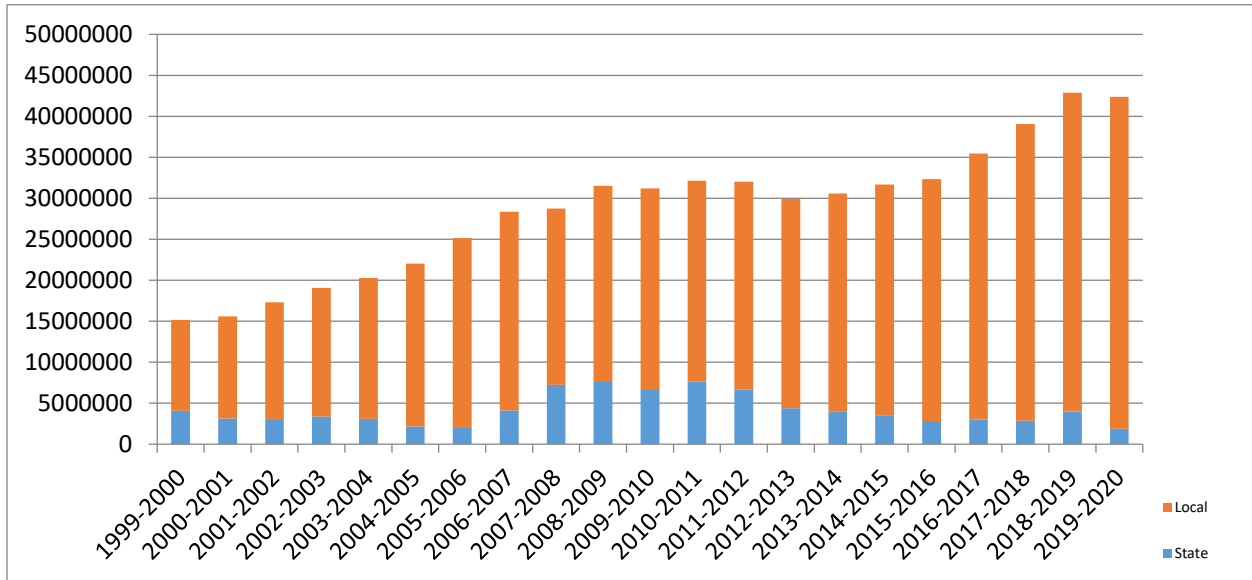
The District’s budget for the next year 2019–2020 was adopted on June 26, 2019. The following factors were considered by the Board in adopting the budget for 2019–2020:

Revenues

- The General Operating Fund revenue budget was approved for nearly \$43 million reflecting approximately \$200,000 lower than the final for the prior year due to the required property tax compression with higher property values.
- Since 2007/2008, the District’s compressed M & O rate remained at \$1.00 and the adopted rate was \$1.04. The Debt Service (I & S) portion of the tax rate remained at \$.1062 reflecting no change. For 2019/20, the M&O rate dropped to .97 and the I & S remained at .1062, for a total tax rate of \$1.0762.
- The Gillespie County certified tax roll freeze adjusted taxable value totaling \$3.4 billion for 2019-2020 for the District reflects an increase of \$400 million or 12.5% over the adjusted roll for the prior year.
- The property value change would normally generate a proportional change in local tax revenue; however, due to the funding formulas, the local property tax revenue change is expected to offset by changes in state funds, for a near net change of \$0. Essentially all tax increases are sent to the state to educate non FISD students.

The district does receive a small amount of state revenue, however the amount sent to the state has far exceeded the amount received over the last many years as shown in the charts below.

**Fredericksburg Independent School District
 Management's Discussion and Analysis
 Year Ended June 30, 2019**



**Fredericksburg Independent School District
Management’s Discussion and Analysis
Year Ended June 30, 2019**



- Average Daily Attendance (ADA) is a component of the state funding formulas for schools in Texas. An increase in average daily attendance can result in increased state funding, depending on other factors in the formula. An increase in ADA will result in increased state funding. Changes in ADA usually result from overall changes in the student population. Total refined average daily attendance (ADA) changes slightly from year to year.

Fiscal Year	Refined ADA	Percentage Change
2005-2006	2,676	
2006-2007	2,632	- 1.6%
2007-2008	2,660	+ 1.1%
2008-2009	2,670	+ .4%
2009-2010	2,764	+3.5%
2010-2011	2,794	+1.1%
2011-2012	2,769	- .9%
2012-2013	2,804	+1.3%
2013-2014	2,794	- .3%
2014-2015	2,844	+ 1.8%
2015-2016	2,940	+ 3.4%
2016-2017	2,987	+ 1.6%
2017-2018	2,970	- .5%
2018-2019	2,918	-1.75%
2019-2020	3,000 est	2.8%

Expenditures

- The General Operating Fund expenditure budget was approved for nearly \$43 million for a balanced budget.
- There was a 3% on average employee compensation increase fueled by the 2018 Texas Legislature House Bill 3.
- The recapture payment to TEA is estimated at \$11.4 million for 2019/20. This is a decrease of \$1.5 million in expenditures, while state and local revenue will also decrease \$600 million, for an estimated net positive revenue of \$900,000 for 2019/20.
- In mid-June 2019 the 86th Texas Legislature passed House Bill 3, a sweeping and historic school finance bill. Most of the changes and requirements were effective with the 2019/20 year. The budget had already been prepared with the possibilities in mind. The Texas Education Agency continues to determine legislative intent and provides guidance as they are able. The Fisd continues to analyze and monitor the required changes and adjusts accordingly. The final outcome of the changes won’t be known until the 2019/20 fiscal year is over when TEA provides the near final Summary of Finance in late September 2020.
- The District’s fund balance position as of June 30, 2019 reflects funds available to use for one-time or capital expenditures. The Board has identified a number of projects for consideration from the available local capital projects fund.

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 Fisd Assistant Superintendent for Business or log on at <https://fredericksburg.esc11.net/Domain/24>.

BASIC FINANCIAL STATEMENTS

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,141,181
1120 Current Investments	24,308,647
1220 Property Taxes - Delinquent	1,697,164
1230 Allowance for Uncollectible Taxes	(84,858)
1240 Due from Other Governments	1,334,556
1290 Other Receivables, Net	177,949
1300 Inventories	71,293
1410 Prepayments	22,116
Capital Assets:	
1510 Land	1,306,817
1520 Buildings, Net	36,904,252
1530 Furniture and Equipment, Net	2,233,236
1580 Construction in Progress	1,522,353
1000 Total Assets	71,634,706
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	4,388,093
1706 Deferred Outflow Related to TRS OPEB	1,085,303
1700 Total Deferred Outflows of Resources	5,473,396
LIABILITIES	
2110 Accounts Payable	1,162,240
2150 Payroll Deductions and Withholdings	13,040
2160 Accrued Wages Payable	2,790,226
2180 Due to Other Governments	3,725,673
2200 Accrued Expenses	246,998
2300 Unearned Revenue	531,002
Noncurrent Liabilities:	
2501 Due Within One Year	3,200,000
2502 Due in More Than One Year	22,330,000
2540 Net Pension Liability (District's Share)	8,889,995
2545 Net OPEB Liability (District's Share)	13,328,020
2000 Total Liabilities	56,217,194
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	868,748
2606 Deferred Inflow Related to TRS OPEB	4,330,192
2600 Total Deferred Inflows of Resources	5,198,940
NET POSITION	
3200 Net Investment in Capital Assets	19,862,846
3820 Restricted for Federal and State Programs	442,465
3850 Restricted for Debt Service	2,279,134
3860 Restricted for Capital Projects	626,288
3870 Restricted for Campus Activities	267,003
3900 Unrestricted	(7,785,768)
3000 Total Net Position	\$ 15,691,968

The notes to the financial statements are an integral part of this statement.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 20,213,544	\$ 1,531,856	\$ 1,881,457	\$ (16,800,231)
12 Instructional Resources and Media Services	382,474	-	31,105	(351,369)
13 Curriculum and Instructional Staff Development	143,358	-	88,365	(54,993)
21 Instructional Leadership	732,478	-	190,268	(542,210)
23 School Leadership	1,894,537	-	88,974	(1,805,563)
31 Guidance, Counseling and Evaluation Services	1,774,661	-	150,511	(1,624,150)
32 Social Work Services	81,692	-	66,640	(15,052)
33 Health Services	403,323	-	9,172	(394,151)
34 Student (Pupil) Transportation	1,137,588	-	39,718	(1,097,870)
35 Food Services	1,706,415	663,520	1,024,683	(18,212)
36 Extracurricular Activities	1,861,423	477,957	26,743	(1,356,723)
41 General Administration	1,380,625	-	39,850	(1,340,775)
51 Facilities Maintenance and Operations	3,965,202	91,785	111,128	(3,762,289)
52 Security and Monitoring Services	48,287	-	19	(48,268)
53 Data Processing Services	2,636,660	-	26,654	(2,610,006)
61 Community Services	307,681	-	44,221	(263,460)
72 Debt Service - Interest on Long-Term Debt	683,523	-	-	(683,523)
73 Debt Service - Bond Issuance Cost and Fees	808	-	-	(808)
91 Contracted Instructional Services Between Schools	12,915,801	-	-	(12,915,801)
92 Incremental Costs related to WADA	32,000	-	-	(32,000)
93 Payments Related to Shared Services Arrangements	1,314,416	-	502,000	(812,416)
99 Other Intergovernmental Charges	653,173	-	-	(653,173)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 54,269,669</u>	<u>\$ 2,765,118</u>	<u>\$ 4,321,508</u>	<u>(47,183,043)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			37,750,622
DT	Property Taxes, Levied for Debt Service			3,842,717
SF	State Aid - Formula Grants			2,797,765
GC	Grants and Contributions not Restricted			1,609,066
IE	Investment Earnings			586,907
MI	Miscellaneous Local and Intermediate Revenue			819,129
TR	Total General Revenues			<u>47,406,206</u>
CN	Change in Net Position			223,163
NB	Net Position - Beginning			<u>15,468,805</u>
NE	Net Position--Ending			<u>\$ 15,691,968</u>

The notes to the financial statements are an integral part of this statement.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 794,192	\$ 2,787	\$ 3,885
1120 Investments - Current	17,070,251	2,262,503	4,230,668
1220 Property Taxes - Delinquent	1,520,324	176,840	-
1230 Allowance for Uncollectible Taxes	(76,016)	(8,842)	-
1240 Due from Other Governments	730,868	13,844	-
1260 Due from Other Funds	303,236	-	-
1290 Other Receivables	60,289	-	-
1300 Inventories	35,164	-	-
1410 Prepayments	22,116	-	-
1000 Total Assets	<u>\$ 20,460,424</u>	<u>\$ 2,447,132</u>	<u>\$ 4,234,553</u>
LIABILITIES			
2110 Accounts Payable	\$ 162,635	\$ -	\$ 553,201
2150 Payroll Deductions and Withholdings Payable	13,040	-	-
2160 Accrued Wages Payable	2,407,851	-	-
2170 Due to Other Funds	147,781	-	135
2180 Due to Other Governments	3,725,673	-	-
2300 Unearned Revenue	21,682	-	-
2000 Total Liabilities	<u>6,478,662</u>	<u>-</u>	<u>553,336</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,444,308	167,998	-
2600 Total Deferred Inflows of Resources	<u>1,444,308</u>	<u>167,998</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	35,164	-	-
3430 Prepaid Items	22,116	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	3,681,217
3480 Retirement of Long-Term Debt	-	2,279,134	-
Committed Fund Balance:			
3510 Construction	-	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	12,480,174	-	-
3000 Total Fund Balances	<u>12,537,454</u>	<u>2,279,134</u>	<u>3,681,217</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,460,424</u>	<u>\$ 2,447,132</u>	<u>\$ 4,234,553</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 1,340,317	\$ 2,141,181
745,225	24,308,647
-	1,697,164
-	(84,858)
589,844	1,334,556
1,060	304,296
117,660	177,949
36,129	71,293
-	22,116
<u>\$ 2,830,235</u>	<u>\$ 29,972,344</u>
\$ 446,404	\$ 1,162,240
-	13,040
382,375	2,790,226
156,380	304,296
-	3,725,673
509,320	531,002
<u>1,494,479</u>	<u>8,526,477</u>
-	1,612,306
<u>-</u>	<u>1,612,306</u>
36,129	71,293
-	22,116
406,336	406,336
-	3,681,217
-	2,279,134
626,288	626,288
267,003	267,003
-	12,480,174
<u>1,335,756</u>	<u>19,833,561</u>
<u>\$ 2,830,235</u>	<u>\$ 29,972,344</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	19,833,561
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$79,303,128 and the accumulated depreciation was (\$37,712,394). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		22,285,734
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		6,687,445
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,388,093, a deferred resource inflow in the amount of \$868,748, and a net pension liability in the amount of \$8,889,995. This resulted in a decrease in net position.		(5,370,650)
Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,085,303, a deferred resource inflow in the amount of \$4,330,192, and a net OPEB liability in the amount of \$13,328,020. This resulted in a decrease in net position.		(16,572,909)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,236,522)
Bond proceeds are recorded as an increase in liabilities in the government-wide statements, but as other sources in the fund financial statements.		(9,388,000)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,453,309
Net Position of Governmental Activities	\$	15,691,968

The notes to the financial statements are an integral part of this statement.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 39,318,207	\$ 3,929,659	\$ 134,164
5800 State Program Revenues	3,941,753	23,040	-
5900 Federal Program Revenues	442,038	-	-
5020 Total Revenues	<u>43,701,998</u>	<u>3,952,699</u>	<u>134,164</u>
EXPENDITURES:			
Current:			
0011 Instruction	15,324,004	-	520,491
0012 Instructional Resources and Media Services	287,053	-	-
0013 Curriculum and Instructional Staff Development	36,683	-	-
0021 Instructional Leadership	284,098	-	-
0023 School Leadership	1,616,762	-	-
0031 Guidance, Counseling and Evaluation Services	788,577	-	-
0032 Social Work Services	-	-	-
0033 Health Services	251,553	-	-
0034 Student (Pupil) Transportation	896,946	-	665,590
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,364,316	-	85,008
0041 General Administration	1,199,008	-	-
0051 Facilities Maintenance and Operations	3,343,457	-	197,618
0052 Security and Monitoring Services	39,698	-	-
0053 Data Processing Services	869,579	-	1,522,326
0061 Community Services	231,636	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	3,075,000	-
0072 Interest on Long-Term Debt	-	615,436	-
0073 Bond Issuance Cost and Fees	-	88,808	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	2,761,914
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	12,915,801	-	-
0092 Incremental Costs Associated with Chapter 41	32,000	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	806,416	-	-
0099 Other Intergovernmental Charges	653,173	-	-
6030 Total Expenditures	<u>40,940,760</u>	<u>3,779,244</u>	<u>5,752,947</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,761,238</u>	<u>173,455</u>	<u>(5,618,783)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	9,300,000
7916 Premium or Discount on Issuance of Bonds	-	88,000	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>88,000</u>	<u>9,300,000</u>
1200 Net Change in Fund Balances	2,761,238	261,455	3,681,217
0100 Fund Balance - July 1 (Beginning)	<u>9,776,216</u>	<u>2,017,679</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 12,537,454</u>	<u>\$ 2,279,134</u>	<u>\$ 3,681,217</u>

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	2,261,446	\$ 45,643,476
	95,718	4,060,511
	3,142,546	3,584,584
	5,499,710	53,288,571
	1,641,931	17,486,426
	46,372	333,425
	94,285	130,968
	344,899	628,997
	12,582	1,629,344
	738,409	1,526,986
	69,016	69,016
	107,714	359,267
	-	1,562,536
	1,547,379	1,547,379
	209,745	1,659,069
	1,000	1,200,008
	53,016	3,594,091
	4,429	44,127
	-	2,391,905
	38,449	270,085
	-	3,075,000
	-	615,436
	-	88,808
	-	2,761,914
	-	12,915,801
	-	32,000
	508,000	1,314,416
	-	653,173
	5,417,226	55,890,177
	82,484	(2,601,606)
	-	9,300,000
	-	88,000
	-	9,388,000
	82,484	6,786,394
	1,253,272	13,047,167
\$	1,335,756	\$ 19,833,561

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	6,786,394
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to decrease net position.		6,687,446
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(3,236,522)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		147,594
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$456,502. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$464,609. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$627,710. The net result is a decrease in the change in net position.		(635,817)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase \$153,250. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$155,938. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$135,244. The net result is a decrease in the change in net position.		(137,932)
Bond proceeds are recorded as an increase to liabilities in the government-wide statements, but as other sources in the fund financial statements.		(9,388,000)
Change in Net Position of Governmental Activities	\$	223,163

The notes to the financial statements are an integral part of this statement.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT E-1

	836-849 Investment Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 50,509	\$ 157,467
Investments - Current	442,743	-
Other Receivables	3,242	-
Restricted Assets	43,633	-
Total Assets	540,127	\$ 157,467
LIABILITIES		
Due to Student Groups	-	\$ 157,467
Total Liabilities	-	\$ 157,467
NET POSITION		
Unrestricted Net Position	540,127	
Total Net Position	\$ 540,127	

The notes to the financial statements are an integral part of this statement.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT E-2

	836-849 Investment Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 67,254
Total Additions	67,254
DEDUCTIONS:	
Professional and Contracted Services	585
Other Operating Costs	42,185
Total Deductions	42,770
Change in Net Position	24,484
Total Net Position - July 1 (Beginning)	515,643
Total Net Position - June 30 (Ending)	\$ 540,127

The notes to the financial statements are an integral part of this statement.



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fredericksburg Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 56*, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Fredericksburg Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operations have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating. The District has no such funds.



C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Funds - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund - The capital projects fund accounts for the bond proceeds and related construction and renovation projects of the District.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



Additionally, the District reports the following fund type(s):

Governmental Funds:

- 1. Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

- 1. Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
- 2. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Account.

E. FUND BALANCE POLICY

Fredericksburg Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in that same order.

	General Fund	School Nutrition Fund	Capital Projects Fund	Debt Service Fund	Local Capital Projects	Other Funds	Totals
Non-Spendable:							
Inventory	35,164	36,129					71,293
Pre-paid Items	22,116						22,116
Restricted For:							
School Nutrition		406,336					406,336
Debt Service				2,279,134			2,279,134
Bond Capital Projects			3,681,217				3,681,217
Committed To:							
Campus Activity Fund						267,003	267,003
Local Capital Projects					626,288		626,288
Unassigned	12,480,174						12,480,174
Total Fund Balance	12,537,454	442,465	3,681,217	2,279,134	626,288	267,003	19,833,561

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



F. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. See Section III, Note A for more details.
2. Temporary investments that have a remaining maturity at the time of purchase of one year or less are valued at amortized cost because the fair value of the investments generally is not affected by the impairment of the credit standing of the issuer or by other factors. Investments are valued at fair value.
3. The District reports inventories of General Fund supplies at cost including consumable paper and fuel. Supplies are recorded as expenditures when they are consumed. Inventories of School Nutrition food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as commodity expenditures and commodity revenue when received. At year end, the inventory balance and unearned income/deferred revenue is recorded.
4. Unearned revenue accounted for on the balance sheet of the general fund relates to excess funds received from the Texas Education Agency over earned amounts.
5. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.
6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Material bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
9. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>	<u>Asset Type</u>	<u>Years</u>
Buildings	30	Other Equipment	5 to 7
Improvements	5 to 30	Computer Equipment	5
Buses	10	Office Equipment	5
Other Vehicles	5 to 7	Computer Software	3

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



10. In the fund financial statements, governmental funds report restricted and committed fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
11. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
12. *Pensions*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
13. *Other Post-Employment Benefits*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.
14. In addition to assets, the statement of financial position 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 that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of deferred charges for pension contributions made after the measurement date of August 31, 2018 and during the District's current reporting period, differences between the expected and actual economic experience in the pension plan and changes in actuarial assumptions.
15. In addition to liabilities, the statement 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports the deferred inflows for pension for the District's proportionate share of the deferred inflow for the difference between the projected and actual investment earnings in the pension plan.

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019**



II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Each budget 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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2019 Fund Balance	
Appropriated Budget Funds	
Food Service Special Revenue Fund	\$ 442,465
Nonappropriated Budget Fund	267,003
All Special Revenue Funds	\$ 709,468

B. VARIANCES FROM FINAL ADOPTED BUDGET

Budgets are required to be adopted for the General Fund, the School Nutrition Fund, and the Debt Service Fund. Original and Final Budgets are compared with the actual amounts at fiscal year-end. Variances with the final budget are noted.

1. The General Fund is analyzed in Exhibit G-1. All variances were positive except state funding was slightly less than anticipated.
2. The School Nutrition Fund is analyzed in Exhibit J-2. All variances were positive except local revenue was slightly less than anticipated.
3. The Debt Service Fund is analyzed in Exhibit J-3. All variances were positive.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal Contractual Provision Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by an agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



At June 30, 2019, the carrying amount of the District’s deposits was \$1,904,959 and the bank balance was \$2,241,726.

Investments

The District is required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA), to adopt and implement an investment policy. That policy must address the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investments staff quality and capabilities, and bid solicitation preferences for certificates of deposit. Statues authorize the District to invest in obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, and money market guaranteed investment contracts. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the PFIA. The District is in substantial compliance with the requirements of the PFIA and with local policies.

The investment pools used by the District are 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. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. 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 portfolios, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

For all funds, excluding Agency Funds, presented below is the percentage invested for each short term investment, the fair value as of June 30, 2019 (Exhibit C-1), the investment rating and the minimum rating required by the Act.

Description	Percentage Invested	Fair Value \$	Investment Rating	Minimum Legal Rating
TexasTerm Pool		\$ 205	AAA	AAA
LOGIC Pool	16%	4,057,262	AAA	AAA
Lone Star Pool	52%	12,360,812	AAA	AAA
Texas Class Pool	32%	7,890,368	AAA	AAA
Totals	100%	\$ 24,308,647		

The District’s investments in investment pools, which are exempt from regulation by the SEC, provides for the objectives for safety, flexibility, and competitive yields. Most of the pools have the objective of a net asset value of \$1.00 wherein the book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share. The District utilizes the pools described below.

TexasTerm Local Government Investment Pool was created by and for Texas local governments to provide investment programs. This pool is a fixed-rate, fixed-term portfolio. PFM Asset Management are the program representatives.

The Local Government Investment Cooperative (LOGIC) uses amortized cost rather than market value to report net assets to compute share prices. LOGIC is governed by a six-member board of directors. First Southwest Asset Management, Inc. and JP Morgan Fleming Asset management, Inc. served as LOGIC’s general manager and investment manager, respectively.

Lone Star Liquidity Corporate Overnight Plus Fund is governed by a board of trustees who are Pool participants. The Corporate Overnight Plus Fund does not invest its assets in any one nongovernmental issuer in an amount that exceeds 4% of the total fund assets. Lone Star is distributed by First Public, a subsidiary of the Texas Association of School Boards.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



Texas Class is an inter-local trust comprised solely of governmental entities and is therefore exempt from registration with the SEC. Public Trust Advisors LLC is the program administrator and Wells Fargo Bank Texas, NA is the custodian.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk:

The District places no limit on the amount it may invest in any one issuer; rather, investments are governed by the objectives of preservation and safety of principal, liquidity, and yield.

Interest Rate Risk:

Generally, interest rate risk recognizes that changes in interest rates could adversely affect the value of investments. The District does not purchase any investments with maturities greater than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment within the legal limits of five (5) years. The District uses its investments in the investment pools to mitigate interest rate risk.

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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collect during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

D. INTERFUND RECEIVABLES AND PAYABLES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. During the course of operations, numerous transactions occur between individual funds for good provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances (Exhibit C-1) as of June 30, 2019 is as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 303,236	\$ 147,781
Capital Projects Fund	-	135
Special Revenue Fund	1,060	156,380
TOTAL	\$ 304,296	\$ 304,296

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2019 were as follows:

	Property Taxes	Other Governments	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 1,520,324	\$ 730,868	\$ 60,289	\$ 2,311,481
Debt Service Fund	176,840	13,844	-	190,684
Capital Projects Fund	-	-	-	-
Nonmajor Governmental Funds	-	589,844	117,660	707,504
Total Governmental Activities	\$ 1,697,164	\$ 1,334,556	\$ 177,949	\$ 3,209,669

Amounts not scheduled for collection

during the subsequent year	\$ 84,858	\$ -	\$ -	\$ 84,858
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Payables at June 30, 2019 were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 162,635	\$ 2,420,891	\$ 147,781	\$ 3,725,673	\$ 6,456,980
Debt Service Fund	-	-	-	-	-
Capital Projects Fund	553,201	-	135	-	553,336
Nonmajor Governmental Funds	446,404	382,375	156,380	-	985,159
Total Governmental Activities	\$ 1,162,240	\$ 2,803,266	\$ 304,296	\$ 3,725,673	\$ 7,995,475

Amounts not scheduled for payment

during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -
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**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019**



F. CAPITAL ASSET ACTIVITY

Capital asset activity (Exhibit A-1) for the District for the year ended June 30, 2019 was as follows:

	Primary Government															
	Beginning Balance	Additions	Retirements	Ending Balance												
Governmental Activities:																
Non-depreciable Assets:																
Land	\$ 1,306,817		\$	\$ 1,306,817												
Construction in Progress	-	1,522,353		1,522,353												
Depreciable Assets:																
Buildings & Improvements	67,956,157	1,206,848		69,163,005												
Furniture & Equipment	10,040,154	883,245	(10,750)	10,912,649												
Totals at Historic Cost	<u>79,303,128</u>	<u>3,612,446</u>	<u>(10,750)</u>	<u>82,904,824</u>												
Less: Accumulated																
Depreciation For:																
Buildings & Improvements	(29,904,532)	(2,354,221)		(32,258,753)												
Furniture & Equipment	(7,807,862)	(882,301)	10,750	(8,679,413)												
Total Accumulated Depreciation	<u>(37,712,394)</u>	<u>(3,236,522)</u>	<u>10,750</u>	<u>(40,938,166)</u>												
Governmental Activities																
Capital Assets, Net	<u>\$ 41,590,734</u>	<u>\$ 375,924</u>	<u>\$ -</u>	<u>\$ 41,966,658</u>												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Buildings</th> <th style="text-align: center;">Furniture & Equipment</th> </tr> </thead> <tbody> <tr> <td>Asset Value</td> <td style="text-align: right;">\$ 69,163,005</td> <td style="text-align: right;">\$ 10,912,649</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(32,258,753)</td> <td style="text-align: right;">(8,679,413)</td> </tr> <tr> <td>Assets, net value (Exhibit A-1)</td> <td style="text-align: right;"><u>\$ 36,904,252</u></td> <td style="text-align: right;"><u>\$ 2,233,236</u></td> </tr> </tbody> </table>						Buildings	Furniture & Equipment	Asset Value	\$ 69,163,005	\$ 10,912,649	Depreciation	(32,258,753)	(8,679,413)	Assets, net value (Exhibit A-1)	<u>\$ 36,904,252</u>	<u>\$ 2,233,236</u>
	Buildings	Furniture & Equipment														
Asset Value	\$ 69,163,005	\$ 10,912,649														
Depreciation	(32,258,753)	(8,679,413)														
Assets, net value (Exhibit A-1)	<u>\$ 36,904,252</u>	<u>\$ 2,233,236</u>														

Depreciation expense totaling \$3,236,522 was charged to governmental functions as follows:

Function	Amount	Function	Amount
Instruction	1,643,602	Student (Pupil) Transportation	146,867
Instructional Resources	31,340	School Nutrition	145,443
Curriculum	12,310	Co-curricular/Extracurricular Activities	155,941
Instructional Leadership	59,121	General Administration	112,792
School Leadership	153,147	Plant Maintenance & Operations	337,820
Guidance, Counseling & Evaluation	143,526	Security	4,148
Social Work Services	6,487	Data Processing	224,822
Health Services	33,769	Community Services	25,387

Fredericksburg Independent School District
Notes to the Financial Statements
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G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position (Exhibit A-1) in the government-wide financial statements. Current year payments for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit C-3) in the fund financial statements. A summary of changes in general long-term debt for the year ended June 30, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2018	Issued	Retired	Amounts Outstanding 6/30/2019
School Tax Bonds - 2011	8-3.75%	\$ 9,975,000	\$ 241,983	\$ 7,685,000	\$ -	\$ 725,000	\$ 6,960,000
School Tax Bonds - 2015	1.05-6.8%	\$ 7,500,000	\$ 114,864	\$ 4,830,000	\$ -	\$ 150,000	\$ 4,680,000
School Tax Bonds - 2016	1.81%	\$ 9,000,000	\$ 122,843	\$ 6,790,000	\$ -	\$ 350,000	\$ 6,440,000
School Tax Bonds - 2018	2.81%	\$ 9,300,000	\$ 135,746	\$ -	\$ 9,300,000	\$ 1,850,000	\$ 7,450,000
			\$ 615,436	\$ 19,305,000	\$ 9,300,000	\$ 3,075,000	\$ 25,530,000

Debt service requirements are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2020	\$ 3,200,000	\$ 662,318	\$ 3,862,318
2021	3,435,000	578,707	4,013,707
2022	3,065,000	489,299	3,554,299
2023	3,110,000	407,793	3,517,793
2024	2,375,000	323,002	2,698,002
2025-2029	7,855,000	822,154	8,677,154
2030-2034	2,490,000	70,409	2,560,409
	\$ 25,530,000	\$ 3,353,682	\$ 28,883,682

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2019.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term Governmental activity for bonds and notes payable for the year ended June 30, 2019, was as follows (Exhibit A-1):

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 19,305,000	\$ 9,300,000	\$ 3,075,000	\$ 25,530,000	\$ 3,200,000
Bond Premium/Discount	-	88,000	88,000	-	-
Bond Refunding Loss	-	-	-	-	-
Sub-Total	19,305,000	9,388,000	3,163,000	25,530,000	3,200,000
Net Pension Liability	5,553,890	3,880,197	544,092	8,889,995	-
Net OPEB Liability	11,699,022	1,813,141	184,143	13,328,020	-
Total Long-Term Liabilities	\$ 36,557,912	\$ 15,081,338	\$ 3,891,235	\$ 47,748,015	\$ 3,200,000

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

In accordance with GASB 16, Accounting for Compensated Absences, sick leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

**Fredericksburg Independent School District
Notes to the Financial Statements
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The District’s policy for vacation/non-duty days does not allow for accumulation. All available days must be used or lost yearly. Individuals may accumulate and carry over local sick leave up to sixty days. Any accumulation over sixty days is paid to the individual by June 30 at the end of the year. Upon leaving the employment of the district for any reason, local sick days remaining are lost except in certain circumstances. If an employee retires or resigns in good standing and provides ample notice, they will be paid by the end of June an amount equal to half of a sub pay rate for the number of unused local sick leave days that are equal to the number of unused state days up to a maximum of sixty days. State personal days carry forward indefinitely with the district and move as available days with an employee to other districts as required by State law. Payment is not made or required to be made for unused state days. Accordingly, no liability was incurred or recorded for any days.

J. DEFINED BENEFIT PENSION PLAN

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

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

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

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 above.

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

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

Contribution Rates

	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Fredericksburg ISD – Current Year Employer Contributions	\$ 539,750	
Fredericksburg ISD – Current Year Member Contributions	\$ 1,644,964	
Fredericksburg ISD - 2018 NECE On-behalf Contributions	\$ 1,094,940	

Fredericksburg Independent School District
Notes to the Financial Statements
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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 (NECE) for public education, 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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

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

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Ad hoc Post Employment Benefit Changes	None

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

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

Fredericksburg Independent School District
Notes to the Financial Statements
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Asset Class	Target Allocation ⁽¹⁾	Long-Term Expected Arithmetic Real Rate of Return ⁽²⁾	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag			-0.79%
Total	100%		7.25%

⁽¹⁾ Target allocations are based on the FY2016 policy model

⁽²⁾ Capital market assumptions come from Aon Hewitt (2017 Q4)

⁽³⁾ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate share of the net pension liability:	\$ 13,417,134	\$ 8,889,995	\$ 5,225,007

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the Fredericksburg Independent School District reported a liability of \$8,889,995 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Fredericksburg Independent School District. The amount recognized by the Fredericksburg Independent School 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 Fredericksburg Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$8,889,995
State's proportionate share that is associated with the District	<u>\$17,901,514</u>
Total	<u>\$26,791,509</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was .0161511683% which is a decrease of (.0012185195%) from its proportion measured as of August 31, 2017.

Fredericksburg Independent School District
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Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

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

For the year ended June 30, 2019, the Fredericksburg Independent School District recognized pension expense of \$2,864,092 and revenue of \$1,771,773 for support provided by the State.

At June 30, 2019, the Fredericksburg Independent School District reported its proportionate share of the TRS's 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	\$ 55,413	\$ 218,125
Changes in actuarial assumptions	3,205,271	100,165
Difference between projected and actual investment earnings	-	168,681
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	670,907	381,777
Total as of August 31, 2018 measurement date	3,931,591	868,748
Contributions paid to TRS subsequent to the measurement date	456,502	
Totals as of fiscal year-end	\$ 4,388,093	\$ 868,748

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

Year Ended June 30	Pension Expense Amount
2020	\$ 861,304
2021	506,326
2022	410,448
2023	510,837
2024	464,530
Thereafter	309,398

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

**Fredericksburg Independent School District
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Texas Insurance Code, Chapter 1575.

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

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

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

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

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

**or surviving spouse*

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% 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. 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.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</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%
Fredericksburg ISD- Current Fiscal Year Employer Contributions	\$181,531	
Fredericksburg ISD- Current Fiscal Year Member Contributions	\$138,860	
Fredericksburg ISD- 2018 NECE On-behalf Contributions	\$254,947	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. 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 (NECE) in the amount of \$182.6 million in fiscal year 2018. The 85th Legislature, House Bill 30 provided an additional

Fredericksburg Independent School District
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\$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 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 applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability	\$ 15,864,923	\$ 13,328,020	\$ 11,321,166

**Fredericksburg Independent School District
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Healthcare Cost Trend Rates Sensitivity Analysis. The following present the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 11,069,137	\$ 13,328,020	\$ 16,303,016

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2019, the Fredericksburg Independent School District reported a liability of \$13,328,020 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Fredericksburg Independent School 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 Fredericksburg Independent School District were as follows:

Fredericksburg ISD’s Proportionate share of the collective Net OPEB Liability	\$ 13,328,020
State’s proportionate share that is associated with Fredericksburg ISD	<u>\$ 18,479,026</u>
Total	<u>\$ 31,807,046</u>

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

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.0266929207%, which was a decrease of (0.0002098874%) from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return on the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the Fredericksburg Independent School District recognized OPEB expense of \$963,338 and revenue of \$672,156 for support provided by the State.

At June 30, 2019, the Fredericksburg Independent School District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019**



	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 707,268	\$ 210,336
Changes in actuarial assumptions	222,409	4,004,305
Difference between projected and actual investment earnings	2,331	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	45	115,551
Total as of August 31, 2018 measurement date	932,053	4,330,192
Contributions paid to TRS subsequent to the measurement date	153,250	
Totals as of fiscal year-end	\$ 1,085,303	\$ 4,330,192

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

Year ended June 30:	OPEB Expense Amount
2020	(538,927)
2021	(538,927)
2022	(538,927)
2023	(539,368)
2024	(539,620)
Thereafter	(702,370)

L. MEDICARE PART D - ON BEHALF PAYMENTS

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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Fredericksburg Independent School District for fiscal years 2017, 2018, and 2019 were \$66,909, \$88,128, and \$83,931, respectively.

M. LITIGATION

The District is occasionally involved in various legal actions. Attorneys for the District indicate there is none as of June 30, 2019.

N. CONTINGENCIES

The District participates in numerous State and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



0. GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for SHARS, JROTC salary reimbursements and indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended June 30, 2019, from various federal sources as follows:

<u>Program or Source</u>	<u>Amount</u>
SHARS	\$ 77,146
Navy-JROTC Program	74,180
E-Rate Reimbursements	107,030
Indirect Costs:	
ESEA Title I, Part A	27,585
ESEA Title II, Part A	3,241
ESSA Title III, Part A, ELA	608
IDEA - Part B, Formula	25,127
Title IV, Part A, Subpart I	1,939
Food Service Fund	124,575
Career and Technical	607
Total	442,038

Indirect cost revenues were determined by applying approved indirect costs rates to allowable applicable expenditures of federally funded grant programs.

P. UNEARNED/UNAVAILABLE REVENUE

Unearned and unavailable revenue (Exhibits C-1 and H-1) at year-end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable-Property Taxes	1,444,308		167,998	1,612,306
Unearned-School Nutrition		28,109		28,109
State Program Revenues	15,582	481,211		496,793
Donations	6,100			6,100
Total	1,465,990	509,320	167,998	2,143,308

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources (Exhibit C-3 and H-2) consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 37,636,817	\$	\$ 3,837,003	\$	\$ 41,473,820
Penalties & Interest	414,287		41,836		456,123
Donations/Gifts	346,355				346,355
Special Education Coop	19,400	1,240,467			1,259,867
Investment Income	392,337	16,002	50,820	134,164	593,323
Facility Rental	91,785				91,785
Sale of Assets					-
Insurance Recovery	8,737				8,737
Food Sales		664,204			664,204
Campus Activity Fund		340,773			340,773
Community Education	219,710				219,710
Co-curricular Activities	137,185				137,185
Appraisal District Refunds					-
Other	51,594				51,594
Total	\$ 39,318,207	\$ 2,261,446	\$ 3,929,659	\$ 134,164	\$ 45,643,476

The property tax collections noted above do not agree to the Exhibit J-1 Schedule of Delinquent Taxes Receivable mainly due to refunds and miscellaneous adjustments as allowable in the Texas Property Tax Code Section 33.05.

General Ledger Tax Collections	\$ 41,473,820
Tax Office Misc Adjustments/Refunds	(8,165)
Tax Office Tax Collections on J-1	\$ 41,465,655

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019**



R. JOINT VENTURE – SHARED SERVICE ARRANGEMENT

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides for the efficient delivery of legally required special education and related services to eligible students with disabilities from the member districts. In addition to the District, other member districts include Comfort ISD, Harper ISD, and Doss CCSD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 437 (Exhibit H-2), Shared Services Arrangements – Special Education and is accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Fredericksburg Independent School District	\$	806,311
Comfort Independent School District		303,842
Harper Independent School District		130,943
Doss CCSD		12,771
		<u>1,253,867</u>

S. LEASES

Fredericksburg ISD operates no capital leases. Commitments under operating (non-capital) lease agreements for equipment (mainly copy machines) provides for minimum future rental payments as of June 30, 2019 as follows:

Year Ending	Amount
6/30/2020	\$ 58,479
6/30/2021	58,479
Total Minimum Rentals	<u>\$ 116,958</u>
Rental Expense in current fiscal year	<u>\$ 58,479</u>

T. INSURANCE COVERAGE

During the fiscal year, Fredericksburg ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in:

Auto Liability	Auto Physical Damage
General Liability	Legal & School Liability
Property	Privacy & Information Security

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year, the fund anticipates Fredericksburg ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019**



U. RECAPTURE PAYMENTS TO THE STATE

In the 2004-2005 fiscal year, the District was designated a property wealthy district by the State. To that end, the District must share its local property tax revenue with the State or other districts. The District passed the necessary election to authorize payment of tax revenues to another district or to the State. Following are the recapture payments and percentage of local revenue made each year:

2004-2005	\$ 2,302,451	12.98%
2005-2006	\$ 4,728,723	22.95%
2006-2007	\$ 6,205,368	29.48%
2007-2008	\$ 5,231,373	27.59%
2008-2009	\$ 7,409,328	36.22%
2009-2010	\$ 4,511,341	20.54%
2010-2011	\$ 4,725,458	21.85%
2011-2012	\$ 5,516,456	25.58%
2012-2013	\$ 5,309,142	23.93%
2013-2014	\$ 5,107,694	21.51%
2014-2015	\$ 5,374,882	21.10%
2015-2016	\$ 5,258,645	22.82%
2016-2017	\$ 7,119,606	25.47%
2017-2018	\$ 9,738,005	30.84%
<u>2018-2019</u>	<u>\$ 12,915,801</u>	<u>33.94%</u>
Total to Date	<u>\$ 91,454,273</u>	25.12%

For the upcoming year 2019/2020, the District anticipates and has budgeted to make payments to the State of approximately \$11.5 million.

The financial calculation for sharing local property tax revenue is strictly based on wealth per average daily attendance. The amount that the district spends is not relevant, only the tax revenues collected and the number of weighted students attending FISD schools. The appraisals cannot be lowered so that the tax revenues are lower because the local appraisal district is charged to appraise properties based on market value. The Texas State Comptroller's office verifies the market values annually. If the local appraisal district does not value within a certain range of the state's calculations, the state will presume their values are accurate and will use their values instead of the local appraisal values. Recapture payments would still be due to the State based on those calculations and the District would receive less tax revenue and have less to spend on the education of the local students.

V. EMPLOYEE BENEFITS

The District provides opportunities for employees to participate in elective employee paid benefits such as dental, disability, life, accident, emergency transport, cancer insurances. Additionally, the district provides these benefits:

Social Security

The District participates in a Section 218 Agreement with the IRS for non- professional employees. This voluntary agreement between the District and the Social Security Administration was established to provide Social Security and Medicare Hospital Insurance (HI) or Medicare coverage only for non-professional employees of the District. All employees are covered for the Medicare. This agreement is authorized under Section 218 of the Social Security Act. Employees covered under a Section 218 Agreement have the same coverage and benefit rights as employees in the private sector. The District contributed to the Social Security insurance plan as follows:

Year Ended 6/30/17	\$ 684,202
Year Ended 6/30/18	\$ 690,523
Year Ended 6/30/19	\$ 668,759

Employee Health Care Coverage

The District utilizes TRS-ActiveCare, the statewide health coverage program for public education employees established by the 77th Texas Legislature in 2002. Of the more than one thousand school districts/entities eligible to participate in TRS-ActiveCare, over 90 percent do so. The District employees are eligible to participate in one of three PPO plan options administered by Aetna and WellSystems and Caremark.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



TRS-ActiveCare is a self-funded program, not an insured plan. Rates and benefits are not determined by the vendors administering the program, but are established by the TRS Trustees based on the claims experience of the plan.

During the year the District contributed \$225.00 per month toward the plan premiums for each enrolled employee.

Contributions to health care coverage for employees are as follows:

Year Ended 6/30/17	\$ 985,696
Year Ended 6/30/18	\$ 911,334
Year Ended 6/30/19	\$ 898,725

Workers' Compensation Pool

During the fiscal year, Fredericksburg ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carried a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the current fiscal year, the Fund anticipated no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the fiscal year, Fredericksburg ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the current fiscal year, the Fund anticipates that the District has no additional liability beyond their contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

W. OFFICE SPACE LEASE AGREEMENT

In August of 2017, the district entered into an interlocal office lease agreement with Gillespie Central Appraisal District. The lease agreement is \$6,000 per month for 180 months ending August 31, 2031. Total rent revenue for 2019 was \$72,000.

X. NEGATIVE UNRESTRICTED NET POSITION

The unrestricted net position for the governmental activities reflects a large negative balance in the amount of (\$7,785,768). This is due to the implementation of GASB statement No. 75 regarding *Other Post-Employment Benefits*. The District was required to recognize their proportionate share of the TRS Care Plan liability, deferred outflows and deferred inflows of resources.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2019



Y. FIDUCIARY/AGENCY FUNDS

The school district has two types of Agency Funds: Scholarship and Student Activity Funds. As these funds are not owned by the district, but merely entrusted to and accounted for by the district, only the Assets and Liabilities are reported for such funds (E-1 and E-2).

However, following is the aggregate of revenue and expenditures for these funds which are entrusted to us:

	<u>Scholarship Funds</u>	<u>Student Activity Funds</u>
Net Position at Beginning of Year	\$ 515,643	\$ 157,467
Revenues	67,254	
Expenditures	<u>42,770</u>	
Net Position at End of Year	<u>\$ 540,127</u>	<u>\$ 157,467</u>

Z. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued. On July 22, 2019, the District issued \$6,135,000 Unlimited Tax Refunding Bonds, Series 2019 to refund the District's Unlimited Tax School Building Bonds, Series 2011. The District is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 37,714,858	\$ 39,085,548	\$ 39,318,207	\$ 232,659
5800 State Program Revenues	3,462,955	3,974,129	3,941,753	(32,376)
5900 Federal Program Revenues	146,000	146,000	442,038	296,038
5020 Total Revenues	<u>41,323,813</u>	<u>43,205,677</u>	<u>43,701,998</u>	<u>496,321</u>
EXPENDITURES:				
Current:				
0011 Instruction	15,463,487	15,906,103	15,324,004	582,099
0012 Instructional Resources and Media Services	293,544	304,316	287,053	17,263
0013 Curriculum and Instructional Staff Development	104,510	115,903	36,683	79,220
0021 Instructional Leadership	269,780	286,424	284,098	2,326
0023 School Leadership	1,622,685	1,641,847	1,616,762	25,085
0031 Guidance, Counseling and Evaluation Services	786,592	800,149	788,577	11,572
0033 Health Services	236,989	265,669	251,553	14,116
0034 Student (Pupil) Transportation	1,142,049	1,155,542	896,946	258,596
0036 Extracurricular Activities	1,283,321	1,378,431	1,364,316	14,115
0041 General Administration	1,446,504	1,449,280	1,199,008	250,272
0051 Facilities Maintenance and Operations	3,738,990	3,728,509	3,343,457	385,052
0052 Security and Monitoring Services	40,420	41,820	39,698	2,122
0053 Data Processing Services	980,431	1,025,606	869,579	156,027
0061 Community Services	243,109	252,790	231,636	21,154
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	12,269,402	13,186,000	12,915,801	270,199
0092 Incremental Costs Associated with Chapter 41	32,000	32,000	32,000	-
0093 Payments to Fiscal Agent/Member Districts of	740,000	828,362	806,416	21,946
0099 Other Intergovernmental Charges	630,000	670,000	653,173	16,827
6030 Total Expenditures	<u>41,323,813</u>	<u>43,068,751</u>	<u>40,940,760</u>	<u>2,127,991</u>
1200 Net Change in Fund Balances	-	136,926	2,761,238	2,624,312
0100 Fund Balance - July 1 (Beginning)	<u>9,776,216</u>	<u>9,776,216</u>	<u>9,776,216</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 9,776,216</u>	<u>\$ 9,913,142</u>	<u>\$ 12,537,454</u>	<u>\$ 2,624,312</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.016151168%	0.017369688%	0.017432007%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,889,995	\$ 5,553,890	\$ 6,587,296
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	17,901,514	10,914,881	13,438,432
Total	<u>\$ 26,791,509</u>	<u>\$ 16,468,771</u>	<u>\$ 20,025,728</u>
District's Covered Payroll	\$ 21,959,531	\$ 21,951,811	\$ 22,804,569
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	40.48%	25.30%	28.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

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

<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.0172795%	0.0125887%
\$ 6,108,073	\$ 3,362,617
12,882,586	11,068,612
<u>\$ 18,990,659</u>	<u>\$ 14,431,229</u>
\$ 22,489,371	\$ 20,241,241
27.16%	16.61%
78.43%	83.25%

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 539,750	\$ 553,415	\$ 462,233
Contribution in Relation to the Contractually Required Contribution	(539,750)	(553,415)	(462,233)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 21,363,794	\$ 22,048,830	\$ 22,804,569
Contributions as a Percentage of Covered Payroll	2.53%	2.51%	2.02%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

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

<u>2016</u>		<u>2015</u>	
\$	502,958	\$	448,455
	(502,958)		(448,455)
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
<hr/>			
\$	22,489,371	\$	21,241,241
	2.22%		2.11%

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.026692921%	0.026902808%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 13,328,020	\$ 11,699,022
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,479,026	17,249,115
Total	<u>\$ 31,807,046</u>	<u>\$ 28,948,137</u>
District's Covered Payroll	\$ 21,959,531	\$ 21,951,811
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.69%	53.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 181,531	\$ 178,347
Contribution in Relation to the Contractually Required Contribution	(181,531)	(178,347)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 21,363,794	\$ 22,048,830
Contributions as a Percentage of Covered Payroll	0.85%	0.81%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

A. Defined Benefit Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

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

B. Other Post-Employment Benefit Plan

Changes in Benefit Terms

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

- Created a high-deductible health plan that provides zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions

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

- The total OPEB Liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This

change lowered the Total OPEB Liability to \$2.3 billion.

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

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

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

COMBINING AND OTHER STATEMENTS

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	226 IDEA - Part B Discretionary
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 38,451	\$ -
1120 Investments - Current	-	-	-	-
1240 Due from Other Governments	41,953	143,220	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	30	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 41,953</u>	<u>\$ 143,250</u>	<u>\$ 38,451</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ 6,004	\$ 104,585	\$ -	\$ -
2160 Accrued Wages Payable	35,949	38,665	38,451	-
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>41,953</u>	<u>143,250</u>	<u>38,451</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3510 Construction	-	-	-	-
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 41,953</u>	<u>\$ 143,250</u>	<u>\$ 38,451</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
\$ 386,945	\$ -	\$ -	\$ -	\$ -	\$ 856	\$ -	\$ -
254,779	-	-	-	-	-	-	-
10,977	12,428	4,937	42,619	608	17,674	308,297	-
1,060	-	-	-	-	-	-	-
1,590	40	-	-	-	-	-	-
36,129	-	-	-	-	-	-	-
<u>\$ 691,480</u>	<u>\$ 12,468</u>	<u>\$ 4,937</u>	<u>\$ 42,619</u>	<u>\$ 608</u>	<u>\$ 18,530</u>	<u>\$ 308,297</u>	<u>\$ -</u>
\$ 28	\$ 12,468	\$ 4,937	\$ 39,438	\$ 608	\$ 13,062	\$ 264,699	\$ -
72,448	-	-	-	-	4,612	43,598	-
148,430	-	-	3,181	-	-	-	-
28,109	-	-	-	-	856	-	-
<u>249,015</u>	<u>12,468</u>	<u>4,937</u>	<u>42,619</u>	<u>608</u>	<u>18,530</u>	<u>308,297</u>	<u>-</u>
36,129	-	-	-	-	-	-	-
406,336	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>442,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 691,480</u>	<u>\$ 12,468</u>	<u>\$ 4,937</u>	<u>\$ 42,619</u>	<u>\$ 608</u>	<u>\$ 18,530</u>	<u>\$ 308,297</u>	<u>\$ -</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

Data Control Codes	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	410 State Textbook Fund	429 Other State Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 480,355	\$ -
1120 Investments - Current	-	-	-	-
1240 Due from Other Governments	575	-	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 480,355</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ 575	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenue	-	-	480,355	-
2000 Total Liabilities	<u>575</u>	<u>-</u>	<u>480,355</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3510 Construction	-	-	-	-
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 480,355</u>	<u>\$ -</u>

437 SSA Special Education	461 Campus Activity Funds	459 Other SSA Special Revenue Funds	Total Nonmajor Special Revenue Funds	690 Local Capital Projects	Total Nonmajor Governmental Funds
\$ 143,065	\$ 267,003	\$ -	\$ 1,316,675	\$ 23,642	\$ 1,340,317
-	-	-	254,779	490,446	745,225
6,556	-	-	589,844	-	589,844
-	-	-	1,060	-	1,060
-	-	-	1,660	116,000	117,660
-	-	-	36,129	-	36,129
<u>\$ 149,621</u>	<u>\$ 267,003</u>	<u>\$ -</u>	<u>\$ 2,200,147</u>	<u>\$ 630,088</u>	<u>\$ 2,830,235</u>
\$ -	\$ -	\$ -	\$ 446,404	\$ -	\$ 446,404
148,652	-	-	382,375	-	382,375
969	-	-	152,580	3,800	156,380
-	-	-	509,320	-	509,320
<u>149,621</u>	<u>-</u>	<u>-</u>	<u>1,490,679</u>	<u>3,800</u>	<u>1,494,479</u>
-	-	-	36,129	-	36,129
-	-	-	406,336	-	406,336
-	-	-	-	626,288	626,288
-	267,003	-	267,003	-	267,003
<u>-</u>	<u>267,003</u>	<u>-</u>	<u>709,468</u>	<u>626,288</u>	<u>1,335,756</u>
<u>\$ 149,621</u>	<u>\$ 267,003</u>	<u>\$ -</u>	<u>\$ 2,200,147</u>	<u>\$ 630,088</u>	<u>\$ 2,830,235</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	246,718	502,286	252,000	10,000
5020 Total Revenues	246,718	502,286	252,000	10,000
EXPENDITURES:				
Current:				
0011 Instruction	246,718	449,493	252,000	-
0012 Instructional Resources and Media Services	-	20,178	-	-
0013 Curriculum and Instructional Staff Development	-	26,821	-	-
0021 Instructional Leadership	-	3,858	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	10,000
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	1,936	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	246,718	502,286	252,000	10,000
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
\$ 670,373	\$ 248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,777	19,298	-	-	-	-	-	-
958,998	-	37,619	59,022	30,414	42,067	987,872	15,550
1,654,148	19,546	37,619	59,022	30,414	42,067	987,872	15,550
-	-	35,650	2,763	2,956	5,372	180,905	15,550
-	-	-	-	-	-	-	-
-	-	-	30,164	27,458	-	3,861	-
-	-	-	10,702	-	-	156,776	-
-	-	-	11,115	-	-	-	-
-	-	1,969	4,225	-	235	77,690	-
-	-	-	-	-	-	66,640	-
-	-	-	-	-	-	-	-
1,527,833	19,546	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	53	-	36,460	-	-
-	-	-	-	-	-	502,000	-
1,527,833	19,546	37,619	59,022	30,414	42,067	987,872	15,550
126,315	-	-	-	-	-	-	-
316,150	-	-	-	-	-	-	-
\$ 442,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	410 State Textbook Fund	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	3,080	8,069	40,494	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>3,080</u>	<u>8,069</u>	<u>40,494</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,770	8,069	40,494	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	310	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>3,080</u>	<u>8,069</u>	<u>40,494</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

437 SSA Special Education	461 Campus Activity Funds	459 Other SSA Special Revenue Funds	Total Nonmajor Special Revenue Funds	690 Local Capital Projects	Total Nonmajor Governmental Funds
\$ 1,240,467	\$ 341,207	\$ -	\$ 2,252,295	\$ 9,151	\$ 2,261,446
-	-	-	95,718	-	95,718
-	-	-	3,142,546	-	3,142,546
1,240,467	341,207	-	5,490,559	9,151	5,499,710
306,120	93,071	-	1,641,931	-	1,641,931
-	26,194	-	46,372	-	46,372
5,882	99	-	94,285	-	94,285
173,563	-	-	344,899	-	344,899
-	1,467	-	12,582	-	12,582
633,452	10,838	-	738,409	-	738,409
2,376	-	-	69,016	-	69,016
107,404	-	-	107,714	-	107,714
-	-	-	1,547,379	-	1,547,379
-	209,745	-	209,745	-	209,745
1,000	-	-	1,000	-	1,000
4,670	-	-	4,670	48,346	53,016
-	4,429	-	4,429	-	4,429
-	-	-	38,449	-	38,449
6,000	-	-	508,000	-	508,000
1,240,467	345,843	-	5,368,880	48,346	5,417,226
-	(4,636)	-	121,679	(39,195)	82,484
-	271,639	-	587,789	665,483	1,253,272
\$ -	\$ 267,003	\$ -	\$ 709,468	\$ 626,288	\$ 1,335,756

T.E.A REQUIRED SCHEDULES

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 18,041,051,330
2011	1.040000	0.106200	2,274,012,127
2012	1.040000	0.106200	2,312,487,088
2013	1.040000	0.106200	2,388,047,461
2014	1.040000	0.106200	2,466,491,973
2015	1.040000	0.106200	2,602,405,775
2016	1.040000	0.106200	2,725,936,050
2017	1.040000	0.106200	2,963,946,519
2018	1.040000	0.106200	3,340,446,344
2019 (School year under audit)	1.040000	0.106200	3,623,776,653
1000 TOTALS			

(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$ 168,127	\$ -	\$ 11,318	\$ 1,136	\$ (2)	\$ 155,671
57,973	-	14,551	1,486	(778)	41,158
59,805	-	17,753	1,812	(947)	39,293
59,538	-	18,654	1,903	(893)	38,088
60,010	-	27,430	2,798	7,804	37,586
99,679	-	29,746	2,724	6,449	73,658
110,966	-	29,798	3,031	5,200	83,337
191,806	-	55,728	5,646	258	130,690
754,859	-	471,828	47,848	(3,403)	231,780
-	41,535,728	36,951,783	3,768,682	50,640	865,903
<u>\$ 1,562,763</u>	<u>\$ 41,535,728</u>	<u>\$ 37,628,589</u>	<u>\$ 3,837,066</u>	<u>\$ 64,328</u>	<u>\$ 1,697,164</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 667,675	\$ 679,250	\$ 670,373	\$ (8,877)
5800 State Program Revenues	18,000	23,510	24,777	1,267
5900 Federal Program Revenues	1,007,000	946,702	958,998	12,296
5020 Total Revenues	<u>1,692,675</u>	<u>1,649,462</u>	<u>1,654,148</u>	<u>4,686</u>
EXPENDITURES:				
Current:				
0035 Food Services	1,692,675	1,699,462	1,527,833	171,629
6030 Total Expenditures	<u>1,692,675</u>	<u>1,699,462</u>	<u>1,527,833</u>	<u>171,629</u>
1200 Net Change in Fund Balances	-	(50,000)	126,315	176,315
0100 Fund Balance - July 1 (Beginning)	<u>316,150</u>	<u>316,150</u>	<u>316,150</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 316,150</u>	<u>\$ 266,150</u>	<u>\$ 442,465</u>	<u>\$ 176,315</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,712,419	\$ 3,908,931	\$ 3,929,659	\$ 20,728
5800 State Program Revenues	-	23,040	23,040	-
5020 Total Revenues	3,712,419	3,931,971	3,952,699	20,728
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	3,075,000	3,075,000	3,075,000	-
0072 Interest on Long-Term Debt	609,947	615,447	615,436	11
0073 Bond Issuance Cost and Fees	27,472	110,972	88,808	22,164
6030 Total Expenditures	3,712,419	3,801,419	3,779,244	22,175
1100 Excess of Revenues Over Expenditures	-	130,552	173,455	42,903
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	88,000	88,000	-
8949 Other (Uses)	-	(88,000)	-	88,000
7080 Total Other Financing Sources (Uses)	-	-	88,000	88,000
1200 Net Change in Fund Balances	-	130,552	261,455	130,903
0100 Fund Balance - July 1 (Beginning)	2,017,679	2,017,679	2,017,679	-
3000 Fund Balance - June 30 (Ending)	\$ 2,017,679	\$ 2,148,231	\$ 2,279,134	\$ 130,903

REPORTS ON INTERNAL CONTROLS, COMPLIANCE AND
FEDERAL AWARDS

NEFFENDORF & KNOPP, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Fredericksburg Independent School District
Fredericksburg, Texas 78624

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fredericksburg Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fredericksburg Independent School District's basic financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fredericksburg 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 Fredericksburg Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fredericksburg Independent School District's internal control.

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOPP, P.C

Fredericksburg, Texas

October 24, 2019

NEFFENDORF & KNOPP, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Trustees
Fredericksburg Independent School District
Fredericksburg, Texas 78624

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Fredericksburg Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fredericksburg Independent School District's major federal programs for the year ended June 30, 2019. Fredericksburg Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fredericksburg Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas

October 24, 2019

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of the Auditor's Results:

- a. Type of report issued on the financial statements of the Fredericksburg Independent School District was: an unmodified opinion.
- b. The audit did not disclose any noncompliance which would have been material to the financial statements of the Fredericksburg Independent School District.
- c. The audit disclosed no findings of known questioned costs in excess of \$25,000 as described under Uniform Guidance 2 CFR §200-516.
- d. Type of report issued on compliance for major programs was: an unmodified opinion.
- d. The major programs tested were:

National School Lunch and Breakfast Programs (CFDA #10.555, CFDA #10.553)
- f. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- g. The Fredericksburg Independent School District did qualify as a low risk auditee.

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

-None-

III. Findings and Questioned Costs for Federal Awards

-None-

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS/CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT OF CORRECTIVE ACTION -
CURRENT YEAR DISCLOSURES

-None-

STATEMENT OF CORRECTIVE ACTION -
PRIOR YEAR DISCLOSURES

-None-

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610010086901	\$ 502,286
*IDEA - Part B, Formula	84.027	186600010869016600	60,789
*IDEA - Part B, Formula	84.027	196600010869016600	191,211
*SSA - IDEA - Part B, Formula	84.027	186600010869016600	325,010
*SSA - IDEA - Part B, Formula	84.027	196600010869016600	662,862
*IDEA - Part B, Discretionary	84.027	196600010869016600	10,000
Total CFDA Number 84.027			1,249,872
*SSA - IDEA - Part B, Preschool	84.173	186610010869016610	487
*SSA - IDEA - Part B, Preschool	84.173	196610010869016610	15,063
Total CFDA Number 84.173			15,550
Total Special Education Cluster (IDEA)			1,265,422
Career and Technical - Basic Grant	84.048	19420006086901	37,619
Title III, Part A - English Language Acquisition	84.365A	19671001086901	30,414
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501086901	59,022
Title I School Improvement SIP Academy Grant	84.388	19610010086901	2,503
Title IV, Part A, Subpart I	84.424A	19680101086901	39,564
Total Passed Through State Department of Education			1,936,830
TOTAL U.S. DEPARTMENT OF EDUCATION			1,936,830
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	19-06CH10076013865	246,718
Total Passed Through State Department of Education			246,718
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			246,718
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		201,218
*National School Lunch Program - Cash Assistance	10.555		636,989
*National School Lunch Prog. - Non-Cash Assistance	10.555		120,791
Total CFDA Number 10.555			757,780
Total Child Nutrition Cluster			958,998
Total Passed Through the State Department of Agriculture			958,998
TOTAL U.S. DEPARTMENT OF AGRICULTURE			958,998
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,142,546

*Clustered Programs

The above amounts do not include indirect costs of \$183,682, Navy- JROTC receipts of \$74,180, SHARS receipts of \$77,146 and E-Rate reimbursements of \$107,030, which are included as federal revenue in the general fund.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Fredericksburg Independent School District fiscal year beginning September 1, 2015, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.
5. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$183,682.