

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2020

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020
TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	16
B-1 Statement of Activities	17
Governmental Fund Financial Statements:	
C-1 Balance Sheet	18
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Position	20
C-3 Statement of Revenue, Expenditures, and Changes in Fund Balance	21
C-4 Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities	23
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	24
E-2 Statement of Changes in Fiduciary Fund Net Position	25
Notes to Financial Statements	26
<u>Required Supplementary Information</u>	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- General Fund	50
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	51
G-3 Schedule of District Contributions to TRS Pension Plan	53
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	55
G-5 Schedule of the District Contributions to the TRS OPEB Plan	56
Notes to Required Supplementary Information	57
<u>Combining and Other Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	58
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62
<u>T.E.A Required Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	66
J-2 Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- Child Nutrition Program	68
J-3 Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- Debt Service Fund	69

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>		<u>Page</u>
	<u>Reports on Internal Controls, Compliance and Federal Awards</u>	
	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 <i>Government Auditing Standards</i>	70
	Independent Auditor's Report on Compliance for Each Major Federal Program And on Internal Control Over Compliance Required by the Uniform Guidance	72
	Schedule of Finding and Questioned Costs	74
	Summary Schedule of Prior Audit Findings & Corrective Action Plan	75
K-1	Schedule of Expenditures of Federal Awards	76
	Notes on Accounting Policies for Federal Awards	77

CERTIFICATE OF BOARD

Fredericksburg Independent School District 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, 2020 at a meeting of the Board of Trustees of such school district on the 14th of November, 2020.

Natalie Bowman
Signature of Board Secretary Vice-President

[Signature]
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

P.O. BOX 874 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830)997-3348

FAX: (830)997-3333

E-mail: audit@nkpcpa.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2020, and the respective changes in financial position 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 50-57 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 November 5, 2020, 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
November 5, 2020

Fredericksburg Independent School District Management's Discussion and Analysis Year Ended June 30, 2020



This section of the Fredericksburg Independent School District's annual financial report presents FISC Administration's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. 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. There were no ratings in 2020 due to the COVID-19 pandemic.
- 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 increased about 1.5%. Enrollment approximated 3,150. In mid-March, the District adjusted to a virtual learning environment for the remainder of the 2019-2020 year as the COVID-19 pandemic forced schools to stay closed in order to minimize transmission of the virus.
- According to usa.com, approximately an additional 583 students attend private schools in the area. This amounts to approximately 15% of the local school aged children are not in the public schools.
- FISD administrative offices is located in the city of Fredericksburg in Gillespie County. The population of the city in 2020 was 11,528, which is nearly 42% of the population of the entire county of 27,617.
- 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 district is considered a wealthy school district based on property wealth per student according to the Texas Education Agency. Therefore, the district sent \$13.4 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, 53.7% of the students in the district qualified as Economically Disadvantaged.
- According to Data USA, the median household income was \$58,325 annually as compared to the state average of \$60,629. However, the median home value was \$276,100 in Fredericksburg, but only \$186,000 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 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 \$3,258,538 during 2019-2020 to \$18,950,506 at June 30, 2020 (Exhibits A-1 and B-1). This was mainly because the General Fund revenues exceeded General Fund expenditures.
- The General Fund reported an ending fund balance this year of \$16,202,721 (Exhibits C-1 and C-3), which is an increase of \$3,665,267. This is mainly due to the beneficial changes in the school funding formulas (HB 3), as well as a reduction in certain anticipated expenses during the last four months of the fiscal year due to the COVID-19 pandemic.
- Since its inception, for the 18th 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.

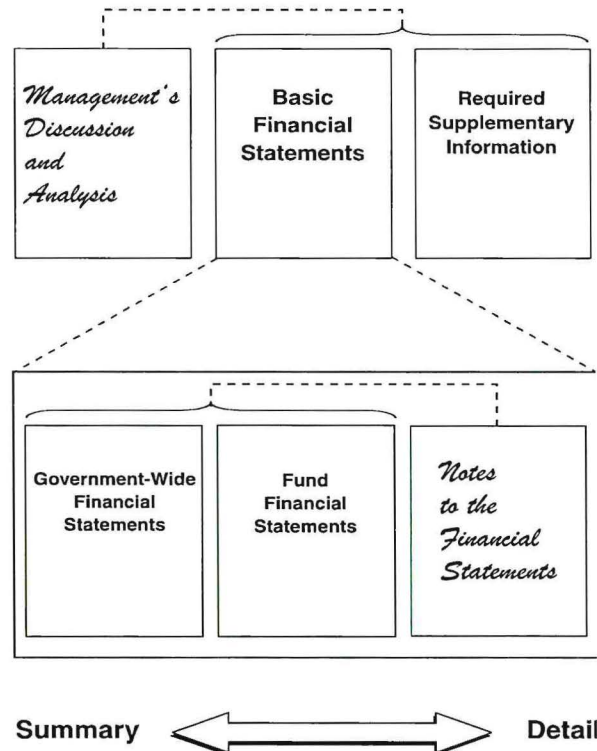
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2020



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 **TEA Required 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.

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:

**Fredericksburg Independent School District
Management’s Discussion and Analysis
Year Ended June 30, 2020**



- *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 fiscal year 2018 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 \$18,950,506 on June 30, 2020.

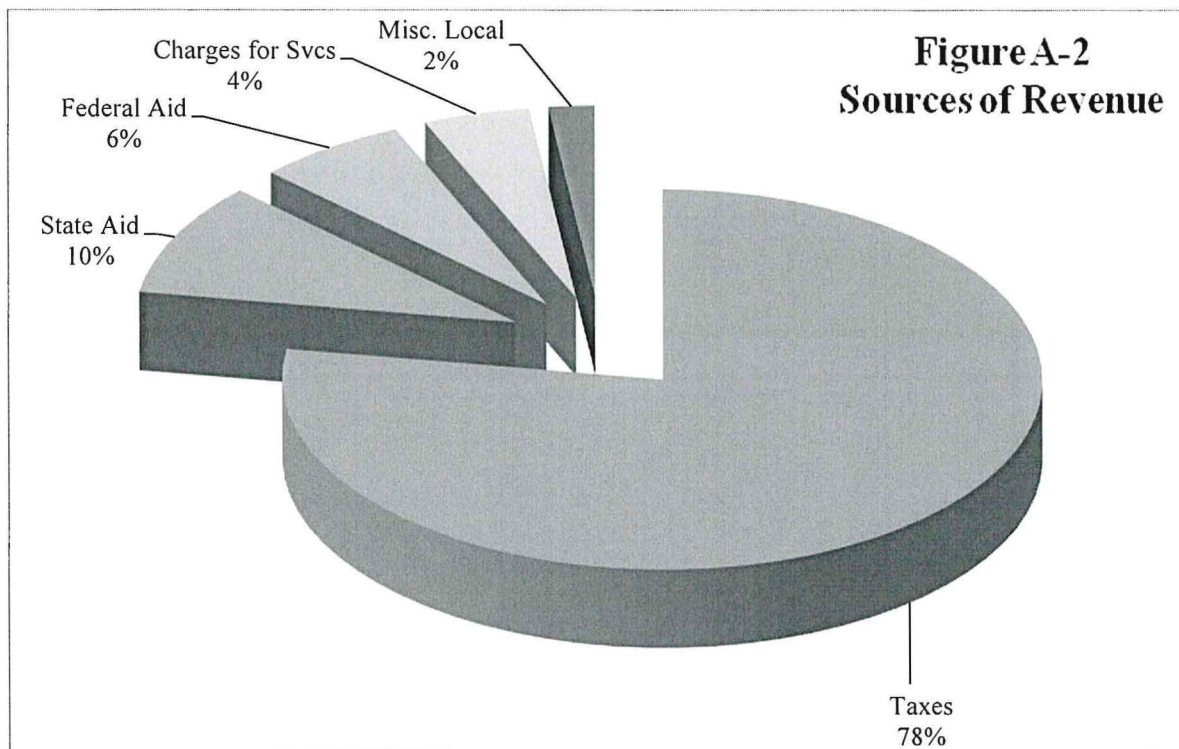
**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2020**



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

	2019 / 2020	2018 / 2019	% Change
Current Assets:			
Cash and cash equivalents	\$ 20,278,367	\$ 26,449,828	-23.33%
Due from Other Governments	\$ 3,297,799	\$ 1,334,556	147.11%
Receivables/Supplies	\$ 1,914,980	\$ 1,861,548	2.87%
Total Current Assets	\$ 25,491,146	\$ 29,645,932	-14.01%
Noncurrent Assets:			
Prepayments	\$ 2,170	\$ 22,116	-90.19%
Total Noncurrent Assets	\$ 2,170	\$ 22,116	-90.19%
Capital Assets:			
Land and Buildings	\$ 39,187,287	\$ 38,211,069	2.55%
Furniture & Equipment	\$ 2,129,773	\$ 2,233,236	-4.63%
Construction in Progress	\$ 25,082	\$ 1,522,353	-98.35%
Total Noncurrent Assets	\$ 41,342,142	\$ 41,966,658	-1.49%
Total Assets	\$ 66,835,458	\$ 71,634,706	-6.70%
Deferred Outflows of Resources:			
Deferred outflows-Other Post Retirement Benefits	\$ 1,422,436	\$ 1,085,303	31.06%
Deferred outflows-TRS Pension	\$ 3,576,117	\$ 4,388,093	-18.50%
Total Deferred Outflows of Resources	\$ 4,998,553	\$ 5,473,396	-8.67%
Current Liabilities:			
Accounts Payable and Accrued liabilities	\$ 3,924,423	\$ 7,938,177	-50.56%
Bonds Payable-current	\$ 4,040,000	\$ 3,200,000	26.25%
Deferred/Unearned Revenue	\$ 62,603	\$ 531,002	-88.21%
Total Current Liabilities	\$ 8,027,026	\$ 11,669,179	-31.21%
Noncurrent Liabilities:			
Bonds Payable-due in more than one year	\$ 16,965,000	\$ 22,330,000	-24.03%
Net Pension Liability (District share)	\$ 7,974,442	\$ 8,889,995	-10.30%
Net OPEB Liability (District's Share)	\$ 12,088,618	\$ 13,328,020	-9.30%
Total Noncurrent Liabilities	\$ 37,028,060	\$ 44,548,015	-16.88%
Total Liabilities	\$ 45,055,086	\$ 56,217,194	-19.86%
Deferred Inflows of Resources:			
Deferred Inflows-OPEB	\$ 5,956,842	\$ 4,330,192	37.57%
Deferred Inflows-TRS Pension	\$ 1,871,577	\$ 868,748	115.43%
Total Deferred Inflows of Resources	\$ 7,828,419	\$ 5,198,940	50.58%
Net Position:			
Net Investment in Capital Assets	\$ 20,090,144	\$ 19,862,846	1.14%
Restricted for Federal and State Programs	\$ 345,113	\$ 442,465	-22.00%
Restricted for Debt Service	\$ 1,545,931	\$ 2,279,134	-32.17%
Restricted for Capital Projects	\$ 1,488,936	\$ 626,288	137.74%
Restricted for Campus Activities	\$ 264,659	\$ 267,003	-0.88%
Unrestricted	\$ (4,784,277)	\$ (7,785,768)	38.55%
Total Net Position	\$ 18,950,506	\$ 15,691,968	20.77%
Total Liabilities and Net Position	\$ 71,834,011	\$ 71,634,706	0.28%

The District's total revenues were \$57.6 million (Exhibit C-3). A significant portion (78%) of the District's revenue comes from local taxes.



House Bill 3, which passed during the 86th legislative session in 2019, was a sweeping and historic school finance bill. House Bill 3 required that a district's M&O rate be reduced by 7% and provided for automatic tax rate reductions starting in the second year if property value grows by more than 2.5% per year (no district can be compressed more than 10% lower than the highest M&O rate in the State). This caused the majority of districts to have a compressed rate of \$0.93 plus up to four additional pennies for their 2019-2020 tax rate.

Other notable changes included increasing the Basic Allotment (BA) by \$1,020, a requirement for structured teacher pay increases in any year the BA is increased, establishing a few new allotments, removing others, and increasing the weights of special education, compensatory education, and allowing weights to also be considered for Career & Technical classes in grades 7-8.

There were several other modifications made in order to focus on learning and improving student outcomes better, and considering student need in the funding formulas.

Governmental Activities

The combined tax rate for 2019-2020 decreased from the prior year by \$0.07 to \$1.0762.

- The tax rate for the General Operating Fund decreased from the prior year by \$0.07 to \$0.97 per \$100 of valuation.
- The Debt Service portion of the tax rate was the same as in the prior year at \$0.1062.

The total cost of all programs and services was \$55.8 million (Exhibit B-1). Of these costs, 58% are for instructional and student support services and 24% paid to educate students from another district under Recapture ruling. Other costs total 18%.

The amount that our taxpayers paid for these activities through property taxes was \$44.7 million (88%). Costs paid by those who directly benefited from the programs totaled \$2.6 million (5%) State and Federal Grants and Contributions covered \$3.8 million (6.8%) of these costs.



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

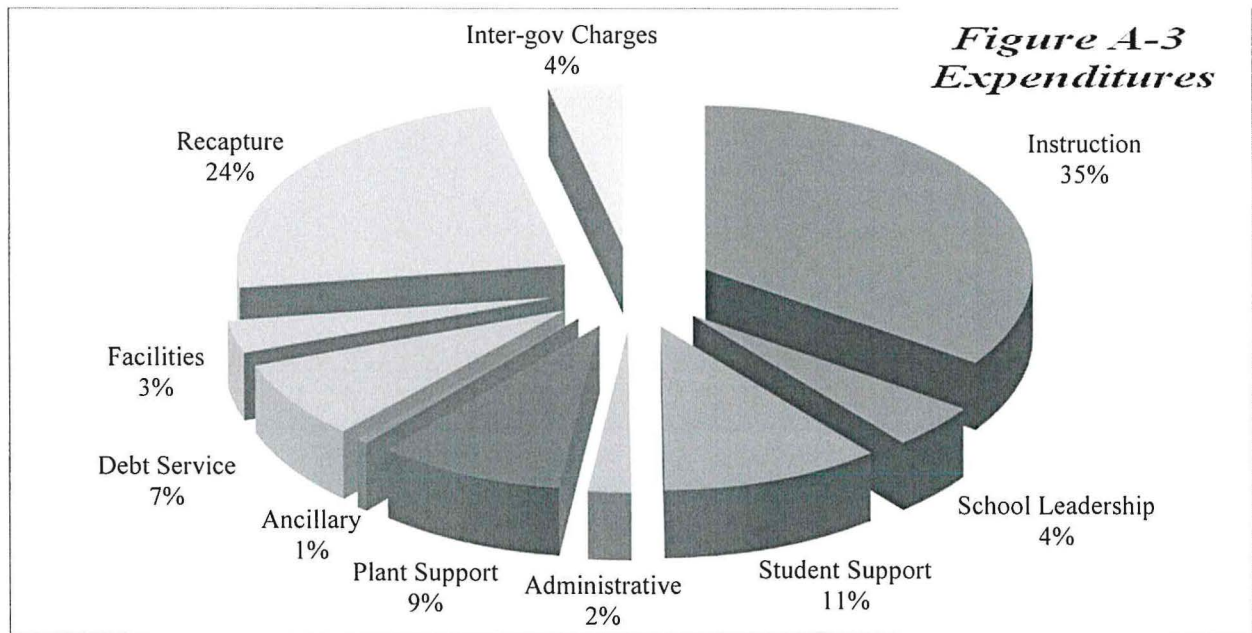
	2019 / 2020	2018 / 2019	% Change
Program Revenues:			
Charges for Services	\$ 2,610,218	\$ 2,765,118	-5.60%
Operating Grants & Contributions	\$ 5,551,911	\$ 4,321,508	28.47%
General Revenues:			
Property Taxes	\$ 44,659,211	\$ 41,593,339	7.37%
Grants & Contributions-not restricted	\$ 5,429,457	\$ 4,406,831	23.21%
Investment Earnings	\$ 388,669	\$ 586,907	-33.78%
Other	\$ 445,430	\$ 819,129	-45.62%
Total Revenues	\$ 59,084,896	\$ 54,492,832	8.43%
Expenses:			
Instruction & Related Services	\$ 22,761,039	\$ 20,739,376	9.75%
Instructional & School Leadership	\$ 2,939,853	\$ 2,627,015	11.91%
Student Support Services	\$ 7,024,682	\$ 6,965,102	0.86%
General Administrative & Support Services	\$ 1,419,978	\$ 1,380,625	2.85%
Plant Support Services	\$ 5,222,534	\$ 6,650,149	-21.47%
Ancillary Services	\$ 380,117	\$ 307,681	23.54%
Debt Service	\$ 604,577	\$ 684,331	-11.65%
Facilities Acquisition & Construction	\$ -	\$ -	0%
Contracted Instructional Services	\$ 13,393,440	\$ 12,947,801	3.44%
Inter-governmental charges	\$ 2,080,158	\$ 1,967,589	5.72%
Total Expenses	\$ 55,826,358	\$ 54,269,669	2.87%
Increase (Decrease) in Net Position	\$ 3,258,538	\$ 223,163	1,360.16%
Net Position Beginning	\$ 15,691,968	\$ 15,468,805	1.44%
Net Position Ending	\$ 18,950,506	\$ 15,691,968	20.77%

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 \$55.8 million (Exhibit B-1).



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

	Total Cost			Net Cost		
	2019/2020	2018/2019	% Change	2019/2020	2018/2019	% Change
Instruction	\$ 22,761,039	\$ 20,739,376	9.75%	\$ 18,308,273	\$ 17,206,593	6.40%
School Leadership	\$ 2,939,853	\$ 2,627,015	11.91%	\$ 2,673,187	\$ 2,347,773	13.86%
Extra/Co-Curricular	\$ 1,831,456	\$ 1,861,423	-1.61%	\$ 1,334,226	\$ 1,356,723	-1.66%
General Administration	\$ 1,419,978	\$ 1,380,625	2.85%	\$ 1,374,759	\$ 1,340,775	2.53%
Plant Maintenance & Operations	\$ 5,222,534	\$ 6,650,149	-21.47%	\$ 4,990,510	\$ 6,420,563	-22.27%
Debt Service – Interest & Charges	\$ 604,557	\$ 684,331	-11.66%	\$ 604,557	\$ 684,331	-11.66%
Contracted Instructional Services	\$ 13,393,440	\$ 12,947,801	3.44%	\$ 13,393,440	\$ 12,947,801	3.44%



The District's total expenditures were \$56,732,307 (Exhibit C-3). Note that the direct instructional percentage increases from 35% to 45% when the Recapture payment to other school districts and TEA and Debt Service and Construction expenditures are removed from the calculation.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from all governmental fund types totaled \$57.6 million, an increase of \$4.3 million, and the recapture payment increased by approximately \$450,000, providing a net increase of approximately \$3.85 million, or a 7.2% increase. Student enrollment increased by 48, or 1.5%. Initial estimates were for a slight increase in students and funding. Among other increased costs, a 3% average raise was provided to instructional employees, and 2% average raise for non-instructional professionals. 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 \$2.6 million below final budget amounts (Exhibit G-1).

The most significant positive variances resulted from several planned purchases being put on hold due to the unknowns related to the coronavirus pandemic. 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. Additional variances include 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. 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 2019-2020 being the first year that funding formula changes were implemented due to HB 3, and it was difficult to predict how these changes would fully impact the District. Additionally, due to the coronavirus pandemic, federal funding became available to reimburse the District for certain costs in 2020 which wasn’t originally known.

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 \$380,011 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 \$41.3 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 decrease (including additions and deductions) of approximately \$600,000 over the prior year.

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

	Governmental Activities		
	2019/2020	2018 / 2019	% Change
Land	\$ 1,306,817	\$ 1,306,817	0.00%
Building & Improvements	\$ 72,603,438	\$ 69,163,005	4.97%
Equipment	\$ 11,838,402	\$ 10,912,649	8.48%
Construction in Progress	\$ 25,082	\$ 1,522,353	-98.35%
Totals at historical cost	\$ 85,773,739	\$ 82,904,824	3.46%
Total Accumulated Depreciation	\$ 44,431,597	\$ 40,938,166	8.53%
Net Capital Assets	\$ 41,342,142	\$ 41,966,658	-1.49%



Long Term Debt

At year-end the District had \$21,005,000 in bonds outstanding as shown in Table A-5 and on Exhibit A-1. The District refinanced the remainder of the 2011 bond series. This refinancing was undertaken to decrease total debt service payments through 2026 and resulted in a gross economic gain of \$484,000 and \$290,000 on a net present value basis. 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**

<u>2019/2020</u>	<u>2018 / 2019</u>	<u>% change</u>
\$ 21,005,000	\$ 25,530,000	-17.72%

Bond Ratings

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

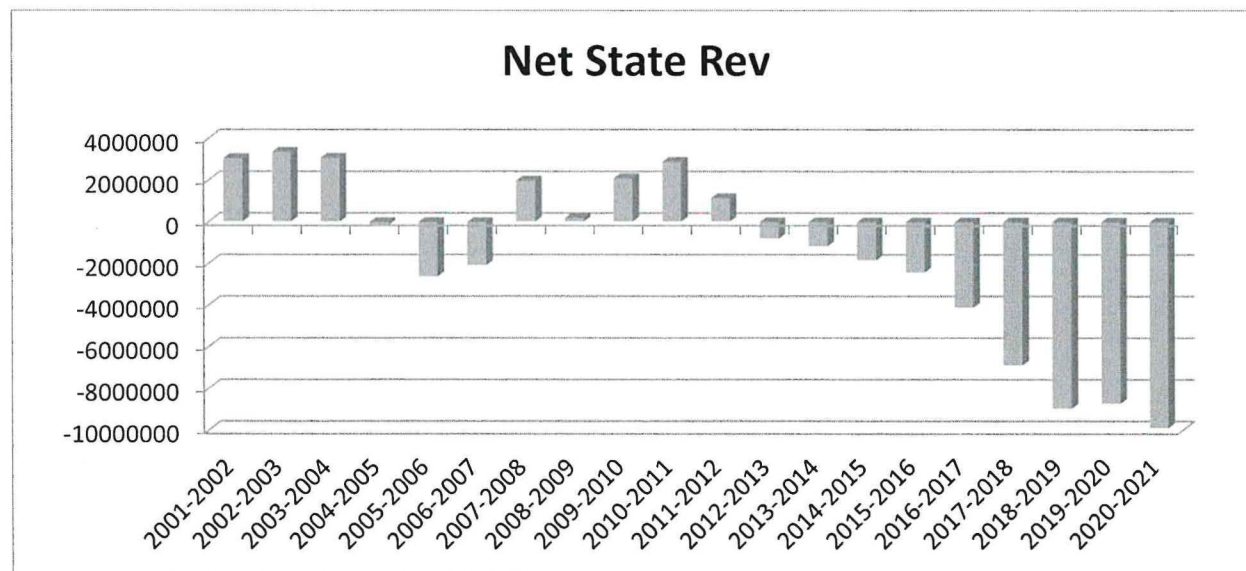
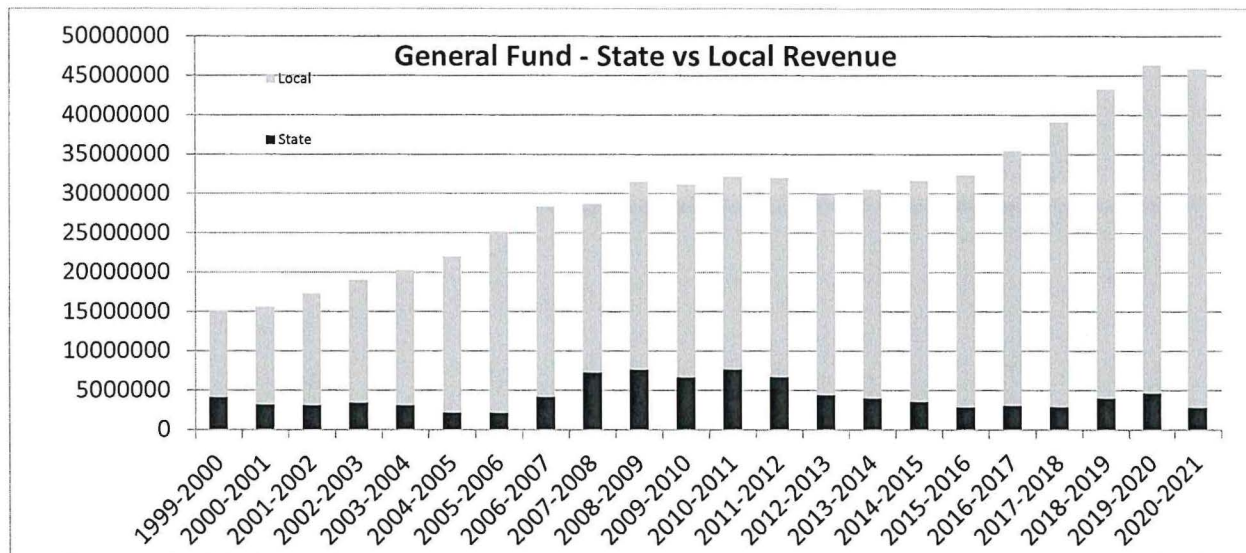
The District’s budget for the next year 2020–2021 was adopted on June 15, 2020. The following factors were considered by the Board in adopting the budget for 2020–2021:

Revenues

- The General Operating Fund revenue budget was approved for just over \$46 million reflecting approximately \$900,000 higher than the final for the prior year due to higher property values.
- For 2020/21, the M&O rate dropped from \$0.97 to \$0.9491 and the I & S remained at \$0.1062, for a total tax rate of \$1.0553.
- The Gillespie County certified tax roll freeze adjusted taxable value totaling \$3.5 billion for 2020-2021 for the District reflects an increase of just over \$100 million or 3.8% 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 be 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, 2020**



**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2020**



- 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. 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	- 1.60%
2007-2008	2,660	+ 1.10%
2008-2009	2,670	+ 0.40%
2009-2010	2,764	+ 3.50%
2010-2011	2,794	+ 1.10%
2011-2012	2,769	- 0.90%
2012-2013	2,804	+ 1.30%
2013-2014	2,794	- 0.30%
2014-2015	2,844	+ 1.80%
2015-2016	2,940	+ 3.40%
2016-2017	2,987	+ 1.60%
2017-2018	2,970	- 0.50%
2018-2019	2,918	- 1.75%
2019-2020	2,949	+ 1.06%
2020-2021	2,955 est	+ 0.20%

Expenditures

- The General Operating Fund expenditure budget was approved for nearly \$46 million for a balanced budget.
- There was a 2% on average employee compensation increase.
- The recapture payment to TEA is estimated at \$12.7 million for 2020-2021. This is a decrease of \$660,000 in expenditures, while state and local revenue will also decrease by approximately the same amount, for an estimated net effect of \$0.
- In mid-June 2019 the 86th Texas Legislature passed House Bill 3, a sweeping and historic school finance bill. The majority of the changes and requirements were effective with the 2019-2020 year. The Texas Education Agency continues to determine legislative intent and provides guidance for subsequent year changes. The FISD continues to analyze and monitor the required changes and adjusts accordingly.
- The District's fund balance position as of June 30, 2020 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, 2020

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,866,773
1120 Current Investments	18,411,594
1220 Property Taxes - Delinquent	1,895,173
1230 Allowance for Uncollectible Taxes	(94,759)
1240 Due from Other Governments	3,297,799
1290 Other Receivables, Net	61,706
1300 Inventories	52,860
1410 Prepayments	2,170
Capital Assets:	
1510 Land	1,306,817
1520 Buildings, Net	37,880,470
1530 Furniture and Equipment, Net	2,129,773
1580 Construction in Progress	25,082
1000 Total Assets	66,835,458
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	3,576,117
1706 Deferred Outflow Related to TRS OPEB	1,422,436
1700 Total Deferred Outflows of Resources	4,998,553
LIABILITIES	
2110 Accounts Payable	141,525
2150 Payroll Deductions and Withholdings	236,854
2160 Accrued Wages Payable	3,025,759
2180 Due to Other Governments	343,903
2200 Accrued Expenses	176,382
2300 Unearned Revenue	62,603
Noncurrent Liabilities:	
2501 Due Within One Year	4,040,000
2502 Due in More Than One Year	16,965,000
2540 Net Pension Liability (District's Share)	7,974,442
2545 Net OPEB Liability (District's Share)	12,088,618
2000 Total Liabilities	45,055,086
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,871,577
2606 Deferred Inflow Related to TRS OPEB	5,956,842
2600 Total Deferred Inflows of Resources	7,828,419
NET POSITION	
3200 Net Investment in Capital Assets	20,090,144
3820 Restricted for Federal and State Programs	345,113
3850 Restricted for Debt Service	1,545,931
3860 Restricted for Capital Projects	1,488,936
3870 Restricted for Campus Activities	264,659
3900 Unrestricted	(4,784,277)
3000 Total Net Position	\$ 18,950,506

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, 2020

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 22,245,625	\$ 1,590,727	\$ 2,744,413	\$ (17,910,485)
12 Instructional Resources and Media Services	375,550	-	31,441	(344,109)
13 Curriculum and Instructional Staff Development	139,864	-	86,185	(53,679)
21 Instructional Leadership	728,371	-	171,195	(557,176)
23 School Leadership	2,211,482	-	95,471	(2,116,011)
31 Guidance, Counseling and Evaluation Services	1,911,169	-	119,573	(1,791,596)
32 Social Work Services	74,938	-	63,828	(11,110)
33 Health Services	483,898	-	46,039	(437,859)
34 Student (Pupil) Transportation	1,086,788	-	40,431	(1,046,357)
35 Food Services	1,636,433	471,480	1,391,164	226,211
36 Extracurricular Activities	1,831,456	457,353	39,877	(1,334,226)
41 General Administration	1,419,978	-	45,219	(1,374,759)
51 Facilities Maintenance and Operations	4,003,833	90,658	114,192	(3,798,983)
52 Security and Monitoring Services	113,797	-	-	(113,797)
53 Data Processing Services	1,104,904	-	27,174	(1,077,730)
61 Community Services	380,117	-	49,721	(330,396)
72 Debt Service - Interest on Long-Term Debt	532,613	-	-	(532,613)
73 Debt Service - Bond Issuance Cost and Fees	71,944	-	-	(71,944)
91 Contracted Instructional Services Between Schools	13,355,333	-	-	(13,355,333)
92 Incremental Costs related to WADA	38,107	-	-	(38,107)
93 Payments Related to Shared Services Arrangements	1,403,086	-	485,988	(917,098)
99 Other Intergovernmental Charges	677,072	-	-	(677,072)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 55,826,358	\$ 2,610,218	\$ 5,551,911	(47,664,229)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		40,272,760
DT	Property Taxes, Levied for Debt Service		4,386,451
GC	Grants and Contributions not Restricted		5,429,457
IE	Investment Earnings		388,669
MI	Miscellaneous Local and Intermediate Revenue		445,430
TR	Total General Revenues		50,922,767
CN	Change in Net Position		3,258,538
NB	Net Position - Beginning		15,691,968
NE	Net Position - Ending		\$ 18,950,506

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

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,096,520	\$ 63,633	\$ 1
1120 Investments - Current	15,250,634	1,464,615	1,077,041
1220 Property Taxes - Delinquent	1,698,793	196,380	-
1230 Allowance for Uncollectible Taxes	(84,940)	(9,819)	-
1240 Due from Other Governments	2,767,349	17,683	-
1260 Due from Other Funds	495,842	-	-
1290 Other Receivables	66	-	-
1300 Inventories	17,962	-	-
1410 Prepayments	2,170	-	-
1000 Total Assets	<u>\$ 21,244,396</u>	<u>\$ 1,732,492</u>	<u>\$ 1,077,042</u>
LIABILITIES			
2110 Accounts Payable	\$ 140,282	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	236,854	-	-
2160 Accrued Wages Payable	2,582,914	-	-
2170 Due to Other Funds	116,559	-	5,680
2180 Due to Other Governments	343,903	-	-
2300 Unearned Revenue	7,310	-	-
2000 Total Liabilities	<u>3,427,822</u>	<u>-</u>	<u>5,680</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,613,853	186,561	-
2600 Total Deferred Inflows of Resources	<u>1,613,853</u>	<u>186,561</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	17,962	-	-
3430 Prepaid Items	2,170	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	1,545,931	-
3490 Other Restricted Fund Balance	-	-	1,071,362
Committed Fund Balance:			
3510 Construction	-	-	-
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	62,847	-	-
3600 Unassigned Fund Balance	16,119,742	-	-
3000 Total Fund Balances	<u>16,202,721</u>	<u>1,545,931</u>	<u>1,071,362</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,244,396</u>	<u>\$ 1,732,492</u>	<u>\$ 1,077,042</u>

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

Other Funds	Total Governmental Funds
\$ 706,619	\$ 1,866,773
619,304	18,411,594
-	1,895,173
-	(94,759)
512,767	3,297,799
-	495,842
61,640	61,706
34,898	52,860
-	2,170
<u>\$ 1,935,228</u>	<u>\$ 25,989,158</u>
\$ 1,243	\$ 141,525
-	236,854
442,845	3,025,759
373,603	495,842
-	343,903
55,293	62,603
<u>872,984</u>	<u>4,306,486</u>
-	1,800,414
<u>-</u>	<u>1,800,414</u>
34,898	52,860
-	2,170
345,113	345,113
-	1,545,931
-	1,071,362
417,574	417,574
264,659	264,659
-	62,847
-	16,119,742
<u>1,062,244</u>	<u>19,882,258</u>
<u>\$ 1,935,228</u>	<u>\$ 25,989,158</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	19,882,258
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 \$82,904,824 and the accumulated depreciation was (\$40,938,166). 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.		16,436,658
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 2020 capital outlays and debt principal payments is to increase net position.		6,568,915
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 \$3,576,117, a deferred resource inflow in the amount of \$1,871,577, and a net pension liability in the amount of \$7,974,442. This resulted in a decrease in net position.		(6,269,902)
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 \$1,422,436, a deferred resource inflow in the amount of \$5,956,842, and a net OPEB liability in the amount of \$12,088,618. This resulted in a decrease in net position.		(16,623,024)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,493,431)
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, reclassifying the proceeds of bond sales as an increase in bonds payable, 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.		2,449,032
Net Position of Governmental Activities	\$	18,950,506

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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 41,746,817	\$ 4,441,522	\$ 32,409
5800 State Program Revenues	4,622,058	25,448	-
5900 Federal Program Revenues	782,807	-	-
5020 Total Revenues	<u>47,151,682</u>	<u>4,466,970</u>	<u>32,409</u>
EXPENDITURES:			
Current:			
0011 Instruction	16,779,888	-	80,870
0012 Instructional Resources and Media Services	279,061	-	-
0013 Curriculum and Instructional Staff Development	34,226	-	-
0021 Instructional Leadership	292,924	-	-
0023 School Leadership	1,870,263	-	-
0031 Guidance, Counseling, and Evaluation Services	848,968	-	-
0032 Social Work Services	-	-	-
0033 Health Services	279,631	-	-
0034 Student (Pupil) Transportation	933,184	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,377,791	-	-
0041 General Administration	1,212,385	-	-
0051 Facilities Maintenance and Operations	3,329,733	-	116,711
0052 Security and Monitoring Services	42,057	-	677,740
0053 Data Processing Services	934,433	-	61,149
0061 Community Services	290,261	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	3,700,000	-
0072 Interest on Long-Term Debt	-	603,229	-
0073 Bond Issuance Cost and Fees	-	71,944	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	1,705,794
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	13,355,333	-	-
0092 Incremental Costs Associated with Chapter 41	38,107	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	911,098	-	-
0099 Other Intergovernmental Charges	677,072	-	-
6030 Total Expenditures	<u>43,486,415</u>	<u>4,375,173</u>	<u>2,642,264</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,665,267</u>	<u>91,797</u>	<u>(2,609,855)</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	6,135,000	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(6,960,000)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(825,000)</u>	<u>-</u>
1200 Net Change in Fund Balances	3,665,267	(733,203)	(2,609,855)
0100 Fund Balance - July 1 (Beginning)	<u>12,537,454</u>	<u>2,279,134</u>	<u>3,681,217</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 16,202,721</u>	<u>\$ 1,545,931</u>	<u>\$ 1,071,362</u>

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

	Other Funds	Total Governmental Funds
\$	2,172,555	\$ 48,393,303
	882,596	5,530,102
	2,899,792	3,682,599
	5,954,943	57,606,004
	2,342,888	19,203,646
	45,107	324,168
	92,975	127,201
	321,417	614,341
	7,551	1,877,814
	778,593	1,627,561
	66,590	66,590
	144,813	424,444
	18,695	951,879
	1,447,809	1,447,809
	236,335	1,614,126
	4,598	1,216,983
	65,446	3,511,890
	-	719,797
	-	995,582
	36,782	327,043
	-	3,700,000
	-	603,229
	-	71,944
	126,868	1,832,662
	-	13,355,333
	-	38,107
	491,988	1,403,086
	-	677,072
	6,228,455	56,732,307
	(273,512)	873,697
	-	6,135,000
	-	(6,960,000)
	-	(825,000)
	(273,512)	48,697
	1,335,756	19,833,561
\$	1,062,244	\$ 19,882,258

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, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	48,697
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 2020 capital outlays and debt principal payments is to increase net position.		6,568,915
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 \$537,242. 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 the change in net position totaling \$456,502. 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 \$979,992. The net result is a decrease in the change in net position.		(899,252)
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 by \$156,615. 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 the change in net position totaling \$153,250. 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 \$53,480. The net result is a decrease in the change in net position.		(50,115)
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.		(3,493,431)
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, reclassifying the proceeds of bond sales, 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.		1,083,724
Change in Net Position of Governmental Activities	\$	3,258,538

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, 2020

EXHIBIT E-1

	836-849 Investment Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 50,132	\$ 148,230
Investments - Current	450,612	-
Other Receivables	1,094	-
Restricted Assets	30,211	-
Total Assets	532,049	\$ 148,230
NET POSITION		
Unrestricted Net Position	532,049	148,230
Total Net Position	\$ 532,049	\$ 148,230

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, 2020

	836-849 Investment Trust Fund	Custodial Fund
ADDITIONS:		
Cocurricular Services or Activities	\$ -	\$ 114,627
Earnings from Temporary Deposits	9,959	-
Contributions, Gifts and Donations	34,267	-
Total Additions	<u>44,226</u>	<u>114,627</u>
DEDUCTIONS:		
Professional and Contracted Services	560	460
Supplies and Materials	-	26,273
Other Deductions	51,744	97,131
Total Deductions	<u>52,304</u>	<u>123,864</u>
Change in Fiduciary Net Position	(8,078)	(9,237)
Total Net Position - July 1 (Beginning)	540,127	-
Prior Period Adjustment	<u>-</u>	<u>157,467</u>
Total Net Position - June 30 (Ending)	<u>\$ 532,049</u>	<u>\$ 148,230</u>

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.

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, 2020



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

Governmental Funds:

- 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:

- 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.
- Custodial Funds** - The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial 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	17,962	34,898					52,860
Pre-paid Items	2,170						2,170
Restricted For:							
School Nutrition		345,113					345,113
Debt Service				1,545,931			1,545,931
Bond Capital Projects			1,071,362				1,071,362
Committed To:							
Campus Activity Fund						264,659	264,659
Local Capital Projects					417,574		417,574
Assigned	62,847						62,847
Unassigned	16,119,742						16,119,742
Total Fund Balance	16,202,721	380,011	1,071,362	1,545,931	417,574	264,659	19,882,258

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



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, 2020



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, 2019 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, 2020



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, 2020 Fund Balance	
Appropriated Budget Funds	
Food Service Special Revenue Fund	\$ 380,011
Nonappropriated Budget Fund	264,659
All Special Revenue Funds	\$ 644,670

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.
2. The School Nutrition Fund is analyzed in Exhibit J-2. All variances were positive.
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, 2020



At June 30, 2020, the carrying amount of the District's deposits was \$2,064,035 and the bank balance was \$2,309,120.

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. Statutes 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.

For all funds, excluding Agency Funds, presented below is the percentage invested for each short term investment, the fair value as of June 30, 2020 (Exhibit C-1), the investment rating and the minimum rating required by the Act.

Description	Percentage Invested	Fair Value \$	Investment Rating	Minimum Legal Rating
LOGIC Pool	2%	\$ 376,290	AAA	AAA
Texas Class Pool	30%	5,591,628	AAA	AAA
Lone Star Pool	68%	12,443,676	AAA	AAA
Totals	100%	\$ 18,411,594		

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.

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.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



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 collected 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, 2020 is as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 495,842	\$ 116,559
Capital Projects Fund	-	5,680
Special Revenue Fund	0	373,603
TOTAL	\$ <u>495,842</u>	\$ <u>495,842</u>

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2020 were as follows:

	Property Taxes	Other Governments	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 1,698,793	\$ 2,767,349	\$ 66	\$ 4,466,208
Debt Service Fund	196,380	17,683	-	214,063
Capital Projects Fund	-	-	-	-
Nonmajor Governmental Funds	-	512,767	61,640	574,407
Total Governmental Activities	\$ 1,895,173	\$ 3,297,799	\$ 61,706	\$ 5,254,678
Amounts not scheduled for collection during the subsequent year				
	\$ 94,759	\$ -	\$ -	\$ 94,759

Payables at June 30, 2020 were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 140,282	\$ 2,819,768	\$ 116,559	\$ 343,903	\$ 3,420,512
Debt Service Fund	-	-	-	-	-
Capital Projects Fund	-	-	5,680	-	5,680
Nonmajor Governmental Funds	1,243	442,845	373,603	-	817,691
Total Governmental Activities	\$ 141,525	\$ 3,262,613	\$ 495,842	\$ 343,903	\$ 4,243,883
Amounts not scheduled for payment during the subsequent year					
	\$ -	\$ -	\$ -	\$ -	\$ -

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020**



F. CAPITAL ASSET ACTIVITY

Capital asset activity (Exhibit A-1) for the District for the year ended June 30, 2020 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	25,082	(1,522,353)	25,082
Depreciable Assets:				
Buildings & Improvements	69,163,005	3,440,433		72,603,438
Furniture & Equipment	10,912,649	925,753		11,838,402
Totals at Historic Cost	<u>82,904,824</u>	<u>4,391,268</u>	<u>(1,522,353)</u>	<u>85,773,739</u>
Less: Accumulated Depreciation For:				
Buildings & Improvements	(32,258,753)	(2,464,215)		(34,722,968)
Furniture & Equipment	(8,679,413)	(1,029,216)		(9,708,629)
Total Accumulated Depreciation	<u>(40,938,166)</u>	<u>(3,493,431)</u>	<u>-</u>	<u>(44,431,597)</u>
Governmental Activities Capital Assets, Net	\$ <u>41,966,658</u>	\$ <u>897,837</u>	\$ <u>(1,522,353)</u>	\$ <u>41,342,142</u>
		Buildings	Furniture & Equipment	
Asset Value	\$ 72,603,438	\$ 11,838,402		
Depreciation	(34,722,968)	(9,708,629)		
Assets, net value (Exhibit A-1)	<u>\$ 37,880,470</u>	<u>\$ 2,129,773</u>		

Depreciation expense totaling \$3,493,431 was charged to governmental functions as follows:

Function	Amount	Function	Amount
Instruction	1,880,881	Student (Pupil) Transportation	94,871
Instructional Resources	32,309	School Nutrition	144,299
Curriculum	12,678	Co-curricular/Extracurricular Activities	160,876
Instructional Leadership	61,230	General Administration	121,294
School Leadership	187,157	Plant Maintenance & Operations	350,021
Guidance, Counseling & Evaluation	162,215	Security	71,740
Social Work Services	6,637	Data Processing	132,325
Health Services	42,303	Community Services	32,595

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



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, 2020 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2019	Issued	Retired	Amounts Outstanding 6/30/2020
School Tax Bonds - 2011	8-3.75%	\$ 9,975,000	\$ -	\$ 6,960,000	\$ -	\$ 6,960,000	\$ -
School Tax Bonds - 2015	1.05-6.8%	\$ 7,500,000	112,914	4,680,000	-	150,000	4,530,000
School Tax Bonds - 2016	1.81%	\$ 9,000,000	116,564	6,440,000	-	340,000	6,100,000
School Tax Bonds - 2018	2.81%	\$ 9,300,000	209,345	7,450,000	-	1,920,000	5,530,000
Refunding Bond- 2019	1.80%	\$ 6,135,000	164,406	-	6,135,000	1,290,000	4,845,000
			\$ 603,229	\$ 25,530,000	\$ 6,135,000	\$ 10,660,000	\$ 21,005,000

Debt service requirements are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2021	\$ 4,040,000	\$ 463,752	\$ 4,503,752
2022	2,720,000	372,504	3,092,504
2023	2,745,000	308,607	3,053,607
2024	1,990,000	243,886	2,233,886
2025	1,265,000	200,334	1,465,334
2026-2030	7,285,000	588,058	7,873,058
2031-2035	960,000	17,376	977,376
	\$ 21,005,000	\$ 2,194,517	\$ 23,199,517

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, 2020.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term Governmental activity for bonds and notes payable for the year ended June 30, 2020, was as follows (Exhibit A-1):

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 25,530,000	\$ 6,135,000	10,660,000	\$ 21,005,000	\$ 4,040,000
Net Pension Liability	8,889,995	(378,619)	536,934	7,974,442	
Net OPEB Liability	13,328,020	(1,057,982)	181,420	12,088,618	
Total Long-Term Liabilities	\$ 47,748,015	\$ 4,698,399	\$ 11,378,354	\$ 41,068,060	\$ 4,040,000

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.

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

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



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

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.

Texas Government Code Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their annuity payment or \$2,000, whichever is less.

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

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

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



Fredericksburg ISD – Current Fiscal Year Employer Contributions	\$ 627,768
Fredericksburg ISD – Current Fiscal Year Member Contributions	\$ 1,733,072
Fredericksburg ISD - 2019 Measurement Year NECE On-behalf Contributions	\$ 1,076,113

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

As the non-employer contributing entity for public education, 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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data 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."
Last year ending August 31 in Projection Period (100 Years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees.

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

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

Asset Class	Target Allocation ⁽¹⁾	New Target Allocation ⁽²⁾	Long-Term Expected Geometric Real Rate of Return ⁽³⁾
Global Equity			
U.S.	18%	18.0%	6.4%
Non-U.S. Developed	13%	13.0%	6.3%
Emerging Markets	9%	9.0%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁽⁴⁾	11%	16.0%	3.1%
Stable Value Hedge Funds	4%	5.0%	4.5%
Absolute Return	0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁽⁴⁾	3%	-	-
Real Assets	14%	15.0%	8.5%
Energy and Natural Resources	5%	6.0%	7.3%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	8.0%	5.8/6.5% ⁽⁵⁾
Leverage			
Cash	1%	2.0%	2.50%
Asset Allocation Leverage	0%	-6.0%	2.70%
Total	100%	100%	7.23%

⁽¹⁾ Target allocations are based on the Strategic Asset Allocation as of FY 2019

⁽²⁾ New allocations are based on the Strategic Asset Allocation to be implemented FY2020

⁽³⁾ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁽⁴⁾ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

⁽⁵⁾ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Fredericksburg's proportionate share of the net pension liability:	\$ 12,257,876	\$ 7,974,442	\$ 4,504,034

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Fredericksburg Independent School District reported a liability of \$7,974,442 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	\$7,974,442
State's proportionate share that is associated with the District	<u>\$15,982,907</u>
Total	<u>\$23,957,349</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .0153404432% which is a decrease of (.0008107251%) from its proportion measured as of August 31, 2018.

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

For the year ended June 30, 2020, the Fredericksburg Independent School District recognized pension expense of \$3,947,184 and revenue of \$2,510,690 for support provided by the State.

At June 30, 2020, 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 experiences	\$ 33,500	\$ 276,885
Changes in actuarial assumptions	2,474,064	1,022,400
Difference between projected and actual investment earnings	80,073	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	451,238	572,292
Total as of August 31, 2019 measurement date	\$ 3,038,875	\$ 1,871,577
Contributions paid to TRS subsequent to the measurement date	537,242	-
Total as of fiscal year-end	\$ 3,576,117	\$ 1,871,577

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



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:

<u>Fiscal year ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 341,328
2022	249,385
2023	336,075
2024	290,657
2025	40,775
Thereafter	(90,922)

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 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 health insurance coverage to retirees from public school district who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents not enrolled in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

	TRS- Care Monthly for Retirees	
	<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

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</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		\$185,951
Fredericksburg ISD- Current Fiscal Year Member Contributions		\$146,478
Fredericksburg ISD- 2019 Measurement Year NECE On-behalf Contributions		\$241,052

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in August 31, 2018 was rolled forward to August 31, 2019. 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, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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, 2019 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 2.63 percent was used to measure the total OPEB liability. This was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is 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 (2.63%) in measuring the Net OPEB Liability.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020



	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Fredericksburg ISD's proportionate share of the Net OPEB Liability:	\$ 14,594,843	\$ 12,088,618	\$ 10,127,999

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
Fredericksburg ISD's proportionate share of the Net OPEB Liability:	\$ 9,861,472	\$ 12,088,618	\$ 15,071,976

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2020, the Fredericksburg Independent School District reported a liability of \$12,088,618 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	\$ 12,088,618
State's proportionate share that is associated with Fredericksburg ISD	<u>\$ 16,063,072</u>
Total	<u>\$ 28,151,690</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0255620786%, which was a decrease of (0.0011308421%) from its proportion measured as of August 31, 2018.

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

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

For the year ended June 30, 2020, the Fredericksburg Independent School District recognized OPEB expense of \$630,087 and revenue of \$423,357 for support provided by the State.

At June 30, 2020, 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, 2020



	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 593,050	\$ 1,978,174
Changes in actuarial assumptions	671,429	3,251,542
Difference between projected and actual investment earnings	1,305	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	37	727,126
Total as of August 31, 2019 measurement date	\$ 1,265,821	\$ 5,956,842
Contributions paid to TRS subsequent to the measurement date	156,615	-
Total	\$ 1,422,436	\$ 5,956,842

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:

Fiscal year ended June	OPEB Expense Amount
2021	\$ (759,276)
2022	\$ (759,276)
2023	\$ (759,699)
2024	\$ (759,940)
2025	\$ (759,877)
Thereafter	\$ (892,953)

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 2018, 2019, and 2020 were \$68,796, \$83,931, and \$108,214, respectively.

M. LITIGATION

The District is occasionally involved in various legal actions. Attorneys for the District indicate there is none as of June 30, 2020.

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, 2020 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, 2020



O. 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, 2020, from various federal sources as follows:

<u>Program or Source</u>	<u>Amount</u>
SHARS	\$ 121,976
Navy-JROTC Program	68,216
E-Rate Reimbursements	153,070
TDEM CRF Reimbursement	252,965
Federal Surplus Property	856
Indirect Costs:	
ESEA Title I, Part A	30,061
ESEA Title II, Part A	3,843
ESSA Title III, Part A, ELA	2,323
IDEA - Part B, Formula	22,408
Title IV, Part A, Subpart I	2,083
Food Service Fund	123,000
Career and Technical	2,006
Total	<u>782,807</u>

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	\$ 1,613,853		\$ 186,561	\$ 1,800,414
Unearned-				
School Nutrition		48,358		48,358
State Program Revenues	-	6,935		6,935
Tuition	1,020			1,020
Daycare Revenues	6,290			6,290
Total	\$ 1,621,163	\$ 55,293	\$ 186,561	\$ 1,863,017

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	\$ 40,069,079		\$ 4,372,449		\$ 44,441,528
Penalties & Interest	387,164		35,873		423,037
Donations/Gifts	503,655	10,590		-	514,245
Special Education Coop	21,000	1,352,241			1,373,241
Investment Income	314,889	13,318	33,200	32,409	393,816
Facility Rental	90,658				90,658
Insurance Recovery	10,457				10,457
Food Sales		471,480			471,480
Campus Activity Fund		323,070			323,070
Community Education	129,562				129,562
Co-curricular Activities	128,508				128,508
Billie Kid Daycare	57,560				57,560
Other	34,285	1,856			36,141
Total	\$ 41,746,817	\$ 2,172,555	\$ 4,441,522	\$ 32,409	\$ 48,393,303

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.

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020**



General Ledger Tax Collections	\$ 44,441,528
Tax Office Misc Adjustments/Refunds	29,575
Tax Office Tax Collections on J-1	<u>\$ 44,471,103</u>

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	\$ 911,099
Comfort Independent School District	311,182
Harper Independent School District	131,626
Doss CCSD	13,334
	<u>\$ 1,367,241</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, 2020 as follows:

<u>Year Ending</u>	<u>Amount</u>
6/30/2021	58,479
Total Minimum Rentals	<u>\$ 58,479</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, 2019, 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, 2020**



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%
2018-2019		12,915,801	33.94%
2019-2020		13,355,333	33.33%
Total to Date	\$	104,809,606	

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
Year Ended 6/30/20	\$	634,540

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.

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.

**Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2020**



During the year the District contributed \$235.00 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
Year Ended 6/30/20	\$ 953,865

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, 2019, the Fund carried a discounted reserve of \$45,439,534 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, 2019, are available on the TASB Risk Management Fund website 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, 2019, are available on the TASB Risk Management Fund website 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 2020 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 (\$4,784,277). This is due to the implementation of GASB Statements No. 68 regarding *Net Pension Liability* and No. 75 regarding *Other Post-Employment Benefits*. The District was required to recognize their proportionate share of the TRS Pension Plan liability, deferred outflows and inflows of resources, as well as the TRS Care Plan liability, deferred outflows and deferred inflows of resources.



Y. SERIES 2019 UNLIMITED TAX REFUNDING BONDS

On July 22, 2019, the District issued unlimited tax refunding bonds of \$6,135,000 to refund the remaining balance of the Series 2001 bonds. The Series 2019 refunding have an interest rate of 1.8%. After the District's payment of \$1,000,000 out of the Debt Service Fund, the cash flow savings to the District is \$483,990 with a present value benefit of \$290,144. The proceeds of the refunding bonds were used to purchase U.S. Government securities and deposited with an escrow agent to provide certain debt service payments on the Series 2001 Bonds. As a result, the bonds are considered defeased and removed as a liability of the District.

Z. PRIOR PERIOD ADJUSTMENT

During fiscal year 2020, the District adopted GASB Statement No. 84 for *Accounting and Reporting for Fiduciary Activities*. With GASB 84, the funds where the District does not have administrative control continue to be reported as a fiduciary "custodial" fund. Adoption of GASB 84 required a prior period adjustment in the fiduciary funds of \$157,467. The restated beginning net position is \$157,467.

AA. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 5, 2020, the date which the financial statements were available to be issued. The District is not aware of any 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, 2020

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	\$ 40,652,874	\$ 41,410,724	\$ 41,746,817	\$ 336,093
5800 State Program Revenues	2,047,126	3,622,523	4,622,058	999,535
5900 Federal Program Revenues	260,000	333,070	782,807	449,737
5020 Total Revenues	42,960,000	45,366,317	47,151,682	1,785,365
EXPENDITURES:				
Current:				
0011 Instruction	17,201,540	17,073,422	16,779,888	293,534
0012 Instructional Resources and Media Services	297,701	309,270	279,061	30,209
0013 Curriculum and Instructional Staff Development	83,349	104,115	34,226	69,889
0021 Instructional Leadership	279,311	322,761	292,924	29,837
0023 School Leadership	1,757,653	1,937,937	1,870,263	67,674
0031 Guidance, Counseling, and Evaluation Services	926,353	954,175	848,968	105,207
0033 Health Services	242,099	307,099	279,631	27,468
0034 Student (Pupil) Transportation	1,244,130	1,304,132	933,184	370,948
0036 Extracurricular Activities	1,313,950	1,593,257	1,377,791	215,466
0041 General Administration	1,540,802	1,632,802	1,212,385	420,417
0051 Facilities Maintenance and Operations	3,843,047	3,861,529	3,329,733	531,796
0052 Security and Monitoring Services	48,575	48,605	42,057	6,548
0053 Data Processing Services	932,667	1,044,457	934,433	110,024
0061 Community Services	245,396	425,396	290,261	135,135
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	11,446,427	13,446,427	13,355,333	91,094
0092 Incremental Costs Associated with Chapter 41	32,000	40,000	38,107	1,893
0093 Payments to Fiscal Agent/Member Districts of SSA	825,000	940,000	911,098	28,902
0099 Other Intergovernmental Charges	700,000	700,000	677,072	22,928
6030 Total Expenditures	42,960,000	46,045,384	43,486,415	2,558,969
1200 Net Change in Fund Balances	-	(679,067)	3,665,267	4,344,334
0100 Fund Balance - July 1 (Beginning)	12,537,454	12,537,454	12,537,454	-
3000 Fund Balance - June 30 (Ending)	\$ 12,537,454	\$ 11,858,387	\$ 16,202,721	\$ 4,344,334

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, 2020

	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Pension Liability (Asset)	0.015340443%	0.016151168%	0.017369688%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,974,442	\$ 8,889,995	\$ 5,553,890
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	15,982,907	17,901,514	10,914,881
Total	<u>\$ 23,957,349</u>	<u>\$ 26,791,509</u>	<u>\$ 16,468,771</u>
District's Covered Payroll	\$ 21,571,722	\$ 21,959,531	\$ 21,951,811
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	36.97%	40.48%	25.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, 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 year 2015.

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.

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.017432007%	0.0172795%	0.0125887%
\$ 6,587,296	\$ 6,108,073	\$ 3,362,617
13,438,432	12,882,586	11,068,612
<u>\$ 20,025,728</u>	<u>\$ 18,990,659</u>	<u>\$ 14,431,229</u>
\$ 22,804,569	\$ 22,489,371	\$ 20,241,241
28.88%	27.16%	16.61%
78.00%	78.43%	83.25%

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 627,768	\$ 539,750	\$ 553,415
Contribution in Relation to the Contractually Required Contribution	(627,768)	(539,750)	(553,415)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 22,507,419	\$ 21,363,794	\$ 22,048,830
Contributions as a Percentage of Covered Payroll	2.79%	2.53%	2.51%

Note: GASB Codification, Vol. 2, P20.183 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.

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.

2017	2016	2015
\$ 462,233	\$ 502,958	\$ 448,455
(462,233)	(502,958)	(448,455)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,804,569	\$ 22,489,371	\$ 21,241,241
2.02%	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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.025562079%	0.026692921%	0.026902808%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 12,088,618	\$ 13,328,020	\$ 11,699,022
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	16,063,072	18,479,026	17,249,115
Total	<u>\$ 28,151,690</u>	<u>\$ 31,807,046</u>	<u>\$ 28,948,137</u>
District's Covered Payroll	\$ 21,571,722	\$ 21,959,531	\$ 21,951,811
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.04%	60.69%	53.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	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 2020 are for the measurement date of August 31, 2019. The amounts 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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 185,951	\$ 181,531	\$ 178,347
Contribution in Relation to the Contractually Required Contribution	(185,951)	(181,531)	(178,347)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 22,507,419	\$ 21,363,794	\$ 22,048,830
Contributions as a Percentage of Covered Payroll	0.83%	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, 2020

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

There were no changes in the actuarial assumptions used in the determination of the Total Pension liability during the measurement period.

B. Other Post-Employment Benefit Plan

Changes in Benefit Terms

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

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

COMBINING AND OTHER STATEMENTS

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ 10,131	\$ -	\$ 40,044	\$ 222,482
1120 Investments - Current	-	-	-	259,044
1240 Due from Other Governments	56,165	80,669	-	-
1290 Other Receivables	-	-	-	640
1300 Inventories	-	-	-	34,898
1000 Total Assets	<u>\$ 66,296</u>	<u>\$ 80,669</u>	<u>\$ 40,044</u>	<u>\$ 517,064</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	66,296	50,608	40,044	79,126
2170 Due to Other Funds	-	30,061	-	9,569
2300 Unearned Revenue	-	-	-	48,358
2000 Total Liabilities	<u>66,296</u>	<u>80,669</u>	<u>40,044</u>	<u>137,053</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	34,898
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	345,113
Committed Fund Balance:				
3510 Construction	-	-	-	-
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,011</u>
4000 Total Liabilities and Fund Balances	<u>\$ 66,296</u>	<u>\$ 80,669</u>	<u>\$ 40,044</u>	<u>\$ 517,064</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	286 Title I SIP Academy Grant ARRA	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,495
-	-	-	-	-	-	-	-
34,609	6,301	3,728	2,583	-	265,369	56,406	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 34,609</u>	<u>\$ 6,301</u>	<u>\$ 3,728</u>	<u>\$ 2,583</u>	<u>\$ -</u>	<u>\$ 265,369</u>	<u>\$ 56,406</u>	<u>\$ 3,495</u>
\$ -	\$ 1,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	4,458	36,251	3,495
34,609	5,058	3,728	2,583	-	260,911	20,155	-
-	-	-	-	-	-	-	-
<u>34,609</u>	<u>6,301</u>	<u>3,728</u>	<u>2,583</u>	<u>-</u>	<u>265,369</u>	<u>56,406</u>	<u>3,495</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 34,609</u>	<u>\$ 6,301</u>	<u>\$ 3,728</u>	<u>\$ 2,583</u>	<u>\$ -</u>	<u>\$ 265,369</u>	<u>\$ 56,406</u>	<u>\$ 3,495</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

Data Control Codes	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	397 Advanced Placement Incentives	410 State Instructional Materials
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 6,935
1120 Investments - Current	-	-	-	-
1240 Due from Other Governments	560	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,935</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	560	-	-	-
2300 Unearned Revenue	-	-	-	6,935
2000 Total Liabilities	<u>560</u>	<u>-</u>	<u>-</u>	<u>6,935</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>\$ 560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,935</u>

429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	690 Local Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 158,872	\$ 264,659	\$ 706,618	\$ 1	\$ 706,619
-	-	-	259,044	360,260	619,304
3,234	3,143	-	512,767	-	512,767
-	-	-	640	61,000	61,640
-	-	-	34,898	-	34,898
<u>\$ 3,234</u>	<u>\$ 162,015</u>	<u>\$ 264,659</u>	<u>\$ 1,513,967</u>	<u>\$ 421,261</u>	<u>\$ 1,935,228</u>
\$ -	\$ -	\$ -	\$ 1,243	\$ -	\$ 1,243
552	162,015	-	442,845	-	442,845
2,682	-	-	369,916	3,687	373,603
-	-	-	55,293	-	55,293
<u>3,234</u>	<u>162,015</u>	<u>-</u>	<u>869,297</u>	<u>3,687</u>	<u>872,984</u>
-	-	-	34,898	-	34,898
-	-	-	345,113	-	345,113
-	-	-	-	417,574	417,574
-	-	264,659	264,659	-	264,659
<u>-</u>	<u>-</u>	<u>264,659</u>	<u>644,670</u>	<u>417,574</u>	<u>1,062,244</u>
<u>\$ 3,234</u>	<u>\$ 162,015</u>	<u>\$ 264,659</u>	<u>\$ 1,513,967</u>	<u>\$ 421,261</u>	<u>\$ 1,935,228</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 477,417
5800 State Program Revenues	-	-	-	14,645
5900 Federal Program Revenues	372,000	504,047	267,830	697,249
5020 Total Revenues	<u>372,000</u>	<u>504,047</u>	<u>267,830</u>	<u>1,189,311</u>
EXPENDITURES:				
Current:				
0011 Instruction	335,703	458,954	267,830	-
0012 Instructional Resources and Media Services	-	20,188	-	-
0013 Curriculum and Instructional Staff Development	-	15,916	-	-
0021 Instructional Leadership	-	5,165	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	36,297	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	1,251,765
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	3,824	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>372,000</u>	<u>504,047</u>	<u>267,830</u>	<u>1,251,765</u>
1200 Net Change in Fund Balance	-	-	-	(62,454)
0100 Fund Balance - July 1 (Beginning)	-	-	-	442,465
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,011</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	286 Title I SIP Academy Grant ARRA	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
196,024	-	-	-	-	-	-	-
-	38,068	63,788	39,226	2,671	37,583	861,715	15,615
196,044	38,068	63,788	39,226	2,671	37,583	861,715	15,615
-	33,837	1,799	14,721	2,671	4,625	133,535	15,615
-	-	-	-	-	-	-	-
-	-	44,754	24,505	-	-	600	-
-	-	4,110	-	-	-	139,236	-
-	-	5,035	-	-	-	-	-
-	4,231	8,090	-	-	-	38,528	-
-	-	-	-	-	-	63,828	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
196,044	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	32,958	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	485,988	-
196,044	38,068	63,788	39,226	2,671	37,583	861,715	15,615
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	385 Visually Impaired SSVI	386 Regional Day School for the Deaf	397 Advanced Placement Incentives	410 State Instructional Materials
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	3,408	8,612	229	656,244
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>3,408</u>	<u>8,612</u>	<u>229</u>	<u>656,244</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,974	8,612	-	656,244
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	229	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	434	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>3,408</u>	<u>8,612</u>	<u>229</u>	<u>656,244</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>

429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	690 Local Capital Projects	Total Nonmajor Governmental Funds
\$ 600	\$ 1,352,241	\$ 323,516	\$ 2,153,794	\$ 18,761	\$ 2,172,555
3,434	-	-	882,596	-	882,596
-	-	-	2,899,792	-	2,899,792
4,034	1,352,241	323,516	5,936,182	18,761	5,954,943
3,834	336,925	65,009	2,342,888	-	2,342,888
-	-	24,919	45,107	-	45,107
200	6,424	347	92,975	-	92,975
-	172,906	-	321,417	-	321,417
-	-	2,516	7,551	-	7,551
-	710,507	17,237	778,593	-	778,593
-	2,762	-	66,590	-	66,590
-	107,977	105	144,813	-	144,813
-	-	-	-	18,695	18,695
-	-	-	1,447,809	-	1,447,809
-	-	215,727	215,727	20,608	236,335
-	4,598	-	4,598	-	4,598
-	4,142	-	4,142	61,304	65,446
-	-	-	36,782	-	36,782
-	-	-	-	126,868	126,868
-	6,000	-	491,988	-	491,988
4,034	1,352,241	325,860	6,000,980	227,475	6,228,455
-	-	(2,344)	(64,798)	(208,714)	(273,512)
-	-	267,003	709,468	626,288	1,335,756
\$ -	\$ -	\$ 264,659	\$ 644,670	\$ 417,574	\$ 1,062,244

T.E.A REQUIRED SCHEDULES

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2020

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ 20,315,063,457
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	1.040000	0.106200	3,623,776,653
2020 (School year under audit)	0.970000	0.106200	4,140,083,720
1000 TOTALS			

(10) Beginning Balance 7/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2020
\$ 196,829	\$ -	\$ 11,277	\$ -	\$ -	\$ 185,552
39,293	-	4,296	437	-	34,560
38,088	-	4,494	458	(1)	33,135
37,586	-	5,719	583	(1)	31,283
73,658	-	11,849	1,205	38,116	98,720
83,337	-	15,334	1,557	40,117	106,563
130,690	-	42,316	4,291	40,716	124,799
231,780	-	80,663	8,171	24,181	167,127
865,903	-	538,020	54,698	7,248	280,433
-	44,555,581	39,377,375	4,308,360	(36,845)	833,001
<u>\$ 1,697,164</u>	<u>\$ 44,555,581</u>	<u>\$ 40,091,343</u>	<u>\$ 4,379,760</u>	<u>\$ 113,531</u>	<u>\$ 1,895,173</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, 2020

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	\$ 736,490	\$ 475,720	\$ 477,417	\$ 1,697
5800 State Program Revenues	28,510	14,623	14,645	22
5900 Federal Program Revenues	1,025,000	681,555	697,249	15,694
5020 Total Revenues	<u>1,790,000</u>	<u>1,171,898</u>	<u>1,189,311</u>	<u>17,413</u>
EXPENDITURES:				
Current:				
0035 Food Services	1,790,000	1,718,098	1,251,765	466,333
6030 Total Expenditures	<u>1,790,000</u>	<u>1,718,098</u>	<u>1,251,765</u>	<u>466,333</u>
1200 Net Change in Fund Balances	-	(546,200)	(62,454)	483,746
0100 Fund Balance - July 1 (Beginning)	<u>442,465</u>	<u>442,465</u>	<u>442,465</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 442,465</u>	<u>\$ (103,735)</u>	<u>\$ 380,011</u>	<u>\$ 483,746</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, 2020

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	\$ 4,346,107	\$ 4,401,357	\$ 4,441,522	\$ 40,165
5800 State Program Revenues	-	25,448	25,448	-
5020 Total Revenues	4,346,107	4,426,805	4,466,970	40,165
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	4,735,000	3,700,000	3,700,000	-
0072 Interest on Long-Term Debt	593,623	603,229	603,229	-
0073 Bond Issuance Cost and Fees	100,000	76,945	71,944	5,001
6030 Total Expenditures	5,428,623	4,380,174	4,375,173	5,001
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,082,516)	46,631	91,797	45,166
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	6,135,000	6,135,000	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(6,960,000)	(6,960,000)	-
7080 Total Other Financing Sources (Uses)	-	(825,000)	(825,000)	-
1200 Net Change in Fund Balances	(1,082,516)	(778,369)	(733,203)	45,166
0100 Fund Balance - July 1 (Beginning)	2,279,134	2,279,134	2,279,134	-
3000 Fund Balance - June 30 (Ending)	\$ 1,196,618	\$ 1,500,765	\$ 1,545,931	\$ 45,166

REPORTS ON INTERNAL CONTROLS, COMPLIANCE AND
FEDERAL AWARDS

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

P.O. BOX 874 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830)997-3348

FAX: (830)997-3333

E-mail: audit@nkpcpa.com

**MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

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, 2020, 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 November 5, 2020.

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

November 5, 2020

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

P.O. BOX 874 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830)997-3348

FAX: (830)997-3333

E-mail: audit@nkpcpa.com

**MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

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, 2020. 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, 2020.

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

November 5, 2020

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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:
 - ESEA, Title I, Part A- Improving Basic Programs (CFDA #84.010)
 - 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, 2020

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, 2020

(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	20610101086901	\$ 504,047
*IDEA - Part B, Formula	84.027	206600010869016600	267,830
*SSA - IDEA - Part B, Formula	84.027	206600010869016600	861,715
Total CFDA Number 84.027			<u>1,129,545</u>
*SSA - IDEA - Part B, Preschool	84.173	206610010869016610	15,615
Total Special Education Cluster (IDEA)			<u>1,145,160</u>
Career and Technical - Basic Grant	84.048	20420006086901	27,339
Career and Technical - Reserve Grant	84.048	204200287110030	10,729
Total CFDA Number 84.048			<u>38,068</u>
Title III, Part A - English Language Acquisition	84.365A	20671001086901	39,226
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501086901	63,788
Title I School Improvement SIP Academy Grant	84.388	20610010086901	2,671
Title IV, Part A, Subpart I	84.424A	20680101086901	37,583
Total Passed Through State Department of Education			<u>1,830,543</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,830,543</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06-CH10076-01-3865	372,000
Total Passed Through State Department of Education			<u>372,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>372,000</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		145,570
*National School Lunch Program - Cash Assistance	10.555		447,497
*National School Lunch Prog. - Non-Cash Assistance	10.555		104,182
Total CFDA Number 10.555			<u>551,679</u>
Total Child Nutrition Cluster			<u>697,249</u>
Total Passed Through the State Department of Agriculture			<u>697,249</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>697,249</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,899,792</u>

*Clustered Programs

The above amounts do not include indirect costs of \$185,724, Navy-JROTC receipts of \$68,216, SHARS receipts of \$121,976, E-Rate reimbursements of \$153,070, federal surplus property of \$856 and TDEM CRF reimbursements of \$252,965, which are included as federal revenue in the general fund.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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 \$185,724.