

*ANNUAL FINANCIAL AND
COMPLIANCE REPORT*

**FREDERICKSBURG
INDEPENDENT SCHOOL DISTRICT**

Fredericksburg, Texas

**For the Year Ended
June 30, 2023**

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2023

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023
TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
<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	19
C-3 Statement of Revenue, Expenditures, and Changes in Fund Balance	20
C-4 Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	22
E-2 Statement of Changes in Fiduciary Fund Net Position	23
Notes to Financial Statements	24
<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	57
Notes to Required Supplementary Information	59
<u>Combining and Other Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	60
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
<u>T.E.A Required Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	70
J-2 Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- Child Nutrition Program	72
J-3 Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual- Debt Service Fund	73
J-4 State Compensatory Education and Bilingual Education Program Expenditures	74

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>	75
	Independent Auditor's Report on Compliance for Each Major Federal Program And on Internal Control Over Compliance Required by the Uniform Guidance	77
	Schedule of Finding and Questioned Costs	79
	Summary Schedule of Prior Audit Findings & Corrective Action Plan	80
K-1	Schedule of Expenditures of Federal Awards	81
	Notes on Accounting Policies for Federal Awards	83

CERTIFICATE OF BOARD

Fredericksburg Independent School District
Name of School District

Gillespie
County

086901
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, 2023 at a meeting of the Board of Trustees of such school district on the 13th of November, 2023.

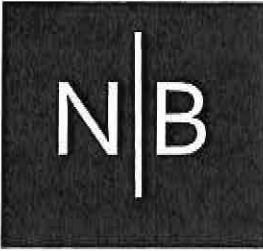


Signature of Board-Secretary
Vice President



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 & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fredericksburg Independent School District
Fredericksburg, Texas 78624

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fredericksburg Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fredericksburg Independent School District's basic financial statements as listed in the table of contents.

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 the Fredericksburg Independent School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fredericksburg Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

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fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 OPEB liability and the schedule of the district contributions for other post-employment benefits on pages 5-16 and 50-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredericksburg Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits

identified in the Table of Contents as J-1 through J-4. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of the 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 the 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 & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas
November 10, 2023

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2023**



Fredericksburg ISD

This section of the Fredericksburg Independent School District's annual financial report presents FISD Administration's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. 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 Vision: Inspiring Excellence
- FISD Mission: To guide students to be the best version of themselves and achieve unlimited potential.
- In Fredericksburg ISD we believe:
 - Students will be challenged and engaged as creative and collaborative problem solvers with academic confidence.
 - Parents and Families are engaged partners who both need and provide appropriate levels of support and good communication so that all partners can be accountable.
 - Teachers build individualized relationships with students and families to strengthen academic confidence, inspire an ongoing desire to learn and to be a positive, contributing member of society.
 - Campus Leaders are accountable to the community, staff, and students through active engagement, academic confidence, and team driven results.
 - The Superintendent and Central Office Staff have a supportive role in the district, to facilitate, communicate, evaluate, and monitor all aspects of the district's goals.
 - The School Board is the voice of the community by demonstrating accountability, instituting checks and balances, providing governance oversight, and bridging the gap between the community and the district.
- FISD Goals
 - High Performing Students
 - Highly Engaged Staff
 - Strong Community Partnerships
 - Strategic Resource Management
- The Texas Education Agency (TEA) rated FISD as a C (78) on the A - F Accountability scale in 2022. This was the first rating given by TEA since 2019 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 remained relatively stable from 2021-2022. Enrollment approximated 3,100.
- FISD administrative offices is located in the city of Fredericksburg in Gillespie County. The population of the city in 2022 per the U.S. Census was 11,257, which is nearly 41% of the population of the entire county of 27,477.
- FISD has approximately 500 employees that handle school district business in more than 606,000 square feet on nearly 177 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 9.25 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 over \$23.6 million of local property tax revenue to the state of Texas to fund other school districts in the current fiscal year. This amounted to over 40% of local property tax revenue sent out of the district, however, 59.98% of the students in the district qualified as Economically Disadvantaged.
- According to the U.S. Census, the median household income was \$54,771 annually as compared to the state average of \$67,321. However, the median home value was \$317,600 in Fredericksburg, but only \$202,600 in the state as a whole.
- The population of the city is 76% Anglo and 21% Hispanic, yet the population of the school district students was 46% Anglo, 51% Hispanic, and 3% 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

- In May 2022, the voters of Fredericksburg Independent School District approved a \$82,000,000 bond issue. This bond issue is the biggest bond issuance in the history of the District, and will be utilized to build a new building for Fredericksburg Middle School at a new site, Career Technical additions and renovations at Fredericksburg High School, Inclusive playground additions at our elementary & primary campuses, outdoor restrooms at Primary School, Athletic improvements, safety, security, and technology updates, and new buses. The estimated completion date for the new Middle School campus is August 2025.
- The District's total net position for governmental activities increased by \$6,528,309 during 2022-2023 to \$37,733,751 at June 30, 2023 (Exhibits A-1 and B-1).
- The General Fund reported an ending fund balance this year of \$18,487,574 (Exhibits C-1 and C-3), which is an increase of \$2,660,602. This increase is mainly due to vacancies unanticipated during the year along with long lead times on supplies and equipment.
- Since its inception, for the 21st 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.

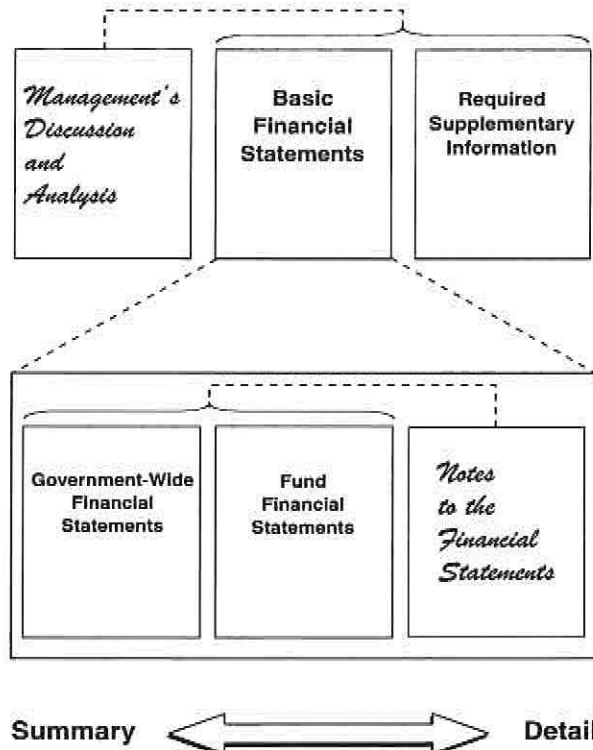
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2023**



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, 2023**



- *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 \$37,733,751 on June 30, 2023.

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2023**

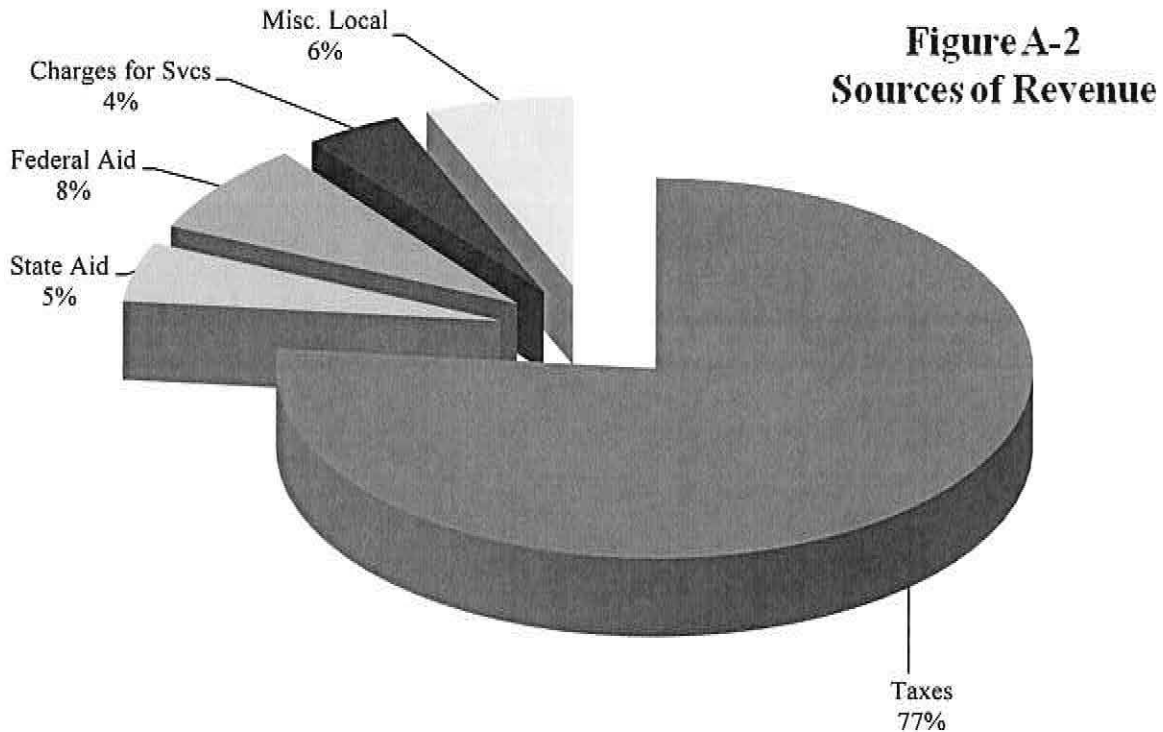


Fredericksburg ISD

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

	2022 / 2023	2021 / 2022	% Change
Current Assets:			
Cash and cash equivalents	\$ 127,193,006	\$ 39,660,110	220.71%
Due from Other Governments	\$ 2,074,851	\$ 2,310,229	-10.19%
Receivables/Supplies	\$ 3,205,835	\$ 2,958,249	8.37%
Total Current Assets	\$ 132,473,692	\$ 44,928,588	194.85%
Noncurrent Assets:			
Prepayments	\$ 74,148	\$ 7,920	836.21%
Total Noncurrent Assets	\$ 74,148	\$ 7,920	836.21%
Capital Assets:			
Land and Buildings	\$ 40,794,488	\$ 42,495,032	-4.00%
Furniture & Equipment	\$ 1,150,038	\$ 1,248,428	-7.88%
Right-to-Use Leased Assets	\$ 294,660	\$ 423,228	-30.38%
SBITA Assets	\$ 178,554	\$ -	n/a
Construction in Progress	\$ 6,171,254	\$ 144,052	4184.05%
Total Noncurrent Assets	\$ 48,588,994	\$ 44,310,740	9.66%
Total Assets	\$ 181,136,834	\$ 89,247,248	102.96%
Deferred Outflows of Resources:			
Deferred outflows-Other Post Retirement Benefits	\$ 1,728,649	\$ 1,688,280	2.39%
Deferred outflows-TRS Pension	\$ 4,647,679	\$ 2,513,677	84.90%
Total Deferred Outflows of Resources	\$ 6,376,328	\$ 4,201,957	51.75%
Current Liabilities:			
Accounts Payable and Accrued liabilities	\$ 6,186,410	\$ 3,777,389	63.77%
Due to Other Governments	\$ 23,905,457	\$ 18,689,370	27.91%
Bonds Payable-current	\$ 3,265,647	\$ 1,392,307	134.55%
Deferred/Unearned Revenue	\$ 147,010	\$ 15,235	864.95%
Total Current Liabilities	\$ 33,504,524	\$ 23,874,301	40.34%
Noncurrent Liabilities:			
Bonds Payable-due in more than one year	\$ 87,706,078	\$ 11,116,855	688.95%
Net Pension Liability (District share)	\$ 10,394,666	\$ 4,130,405	151.66%
Net OPEB Liability (District's Share)	\$ 6,027,479	\$ 9,537,172	-36.80%
Total Noncurrent Liabilities	\$ 104,128,223	\$ 24,784,432	320.14%
Total Liabilities	\$ 137,632,747	\$ 48,658,733	182.85%
Deferred Inflows of Resources:			
Deferred Inflow Lease Receivable	\$ 1,172,834	\$ 1,234,292	-4.98%
Deferred Inflows-TRS Pension	\$ 932,646	\$ 4,730,102	-80.28%
Deferred Inflows-OPEB	\$ 10,041,184	\$ 7,620,636	31.76%
Total Deferred Inflows of Resources	\$ 12,146,664	\$ 13,585,030	-10.59%
Net Position:			
Net Investment in Capital Assets	\$ 35,259,941	\$ 31,801,578	10.87%
Restricted for Federal and State Programs	\$ 1,530,957	\$ 1,207,643	26.77%
Restricted for Debt Service	\$ 2,554,085	\$ 2,141,397	19.27%
Restricted for Capital Projects	\$ -	\$ 138,033	-100.00%
Restricted for Campus Activities	\$ -	\$ 302,429	-100.00%
Unrestricted	\$ (1,611,232)	\$ (4,385,638)	-63.26%
Total Net Position	\$ 37,733,751	\$ 31,205,442	20.92%

The District's total revenues were \$65.5 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, and resulted in FISD's tax rate to drop to \$0.9491 for 2020-2021. The rate dropped again by 7.71 cents to \$0.872 in 2021-2022, and by 1.74 cents to \$0.8546 in 2022-2023 due to property value increases in the District.

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 2022-2023 decreased from the prior year by \$.0174 to \$0.9608.

- The tax rate for the General Operating Fund decreased from the prior year by \$0.0174 to \$0.8546 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 \$69.6 million (Exhibit B-1). Of these costs, 46% are for instructional and student support services and 34% paid to educate students from another district under Recapture ruling. Other costs total 20%.

The amount that our taxpayers paid for these activities through property taxes was \$59 million (87%). Costs paid by those who directly benefited from the programs totaled \$3.2 million (5%) State and Federal Grants and Contributions covered \$5.5 million (8%) of these costs.

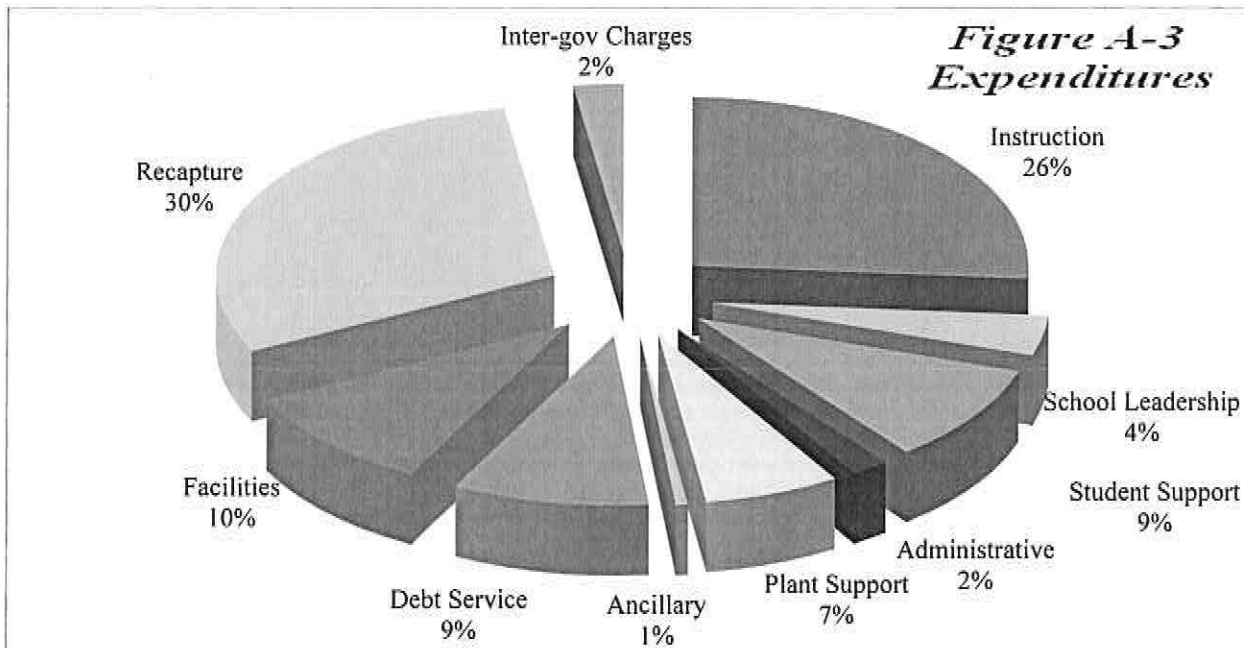
Table A-2
Fredericksburg Independent School District
Changes in Net Position

	2022 / 2023	2021 / 2022	% Change
Program Revenues:			
Charges for Services	\$ 3,202,676	\$ 2,641,425	21.25%
Operating Grants & Contributions	\$ 5,480,181	\$ 6,255,670	-12.40%
General Revenues:			
Property Taxes	\$ 58,871,137	\$ 51,442,499	14.44%
State Aid - Formula Grants	\$ 1,806,066	\$ 1,516,415	19.10%
Grants & Contributions-not restricted	\$ 1,531,104	\$ 235,432	550.34%
Investment Earnings	\$ 4,604,533	\$ 126,570	3537.93%
Other	\$ 633,308	\$ 778,691	-18.67%
Total Revenues	\$ 76,129,005	\$ 62,996,702	20.85%
Expenses:			
Instruction & Related Services	\$ 21,271,750	\$ 19,861,654	7.10%
Instructional & School Leadership	\$ 3,097,669	\$ 2,570,803	20.49%
Student Support Services	\$ 7,399,061	\$ 6,701,145	10.41%
General Administrative	\$ 1,489,162	\$ 1,492,027	-0.19%
Plant Support Services	\$ 5,257,520	\$ 4,639,777	13.31%
Ancillary Services	\$ 482,675	\$ 473,599	1.92%
Debt Service	\$ 4,114,589	\$ 341,331	1105.45%
Facilities Acquisition & Construction	\$ 887,749	\$ 147,120	503.42%
Contracted Instructional Services	\$ 23,706,066	\$ 17,897,875	32.45%
Inter-governmental charges	\$ 1,894,455	\$ 1,759,156	7.69%
Total Expenses	\$ 69,600,696	\$ 55,884,487	24.54%
Increase (Decrease) in Net Position	\$ 6,528,309	\$ 7,112,215	-24.34%
Net Position Beginning	\$ 31,205,442	\$ 24,093,227	29.52%
Net Position Ending	\$ 37,733,751	\$ 31,205,442	15.32%

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 \$69.6 million (Exhibit B-1).

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

	Total Cost			Net Cost		
	2022/2023	2021/2022	% Change	2022/2023	2021/2022	% Change
Instruction	\$ 21,271,750	\$ 19,861,654	7.10%	\$ 18,117,592	\$ 17,017,885	6.46%
School Leadership	\$ 3,097,669	\$ 2,570,803	20.49%	\$ 3,060,930	\$ 2,465,701	24.14%
Extra/Co-Curricular	\$ 1,922,676	\$ 1,891,520	1.65%	\$ 1,421,981	\$ 1,326,790	7.17%
General Administration	\$ 1,489,162	\$ 1,492,027	-0.19%	\$ 1,486,982	\$ 1,472,854	0.96%
Plant Maintenance & Operations	\$ 5,257,520	\$ 4,639,777	13.31%	\$ 5,166,285	\$ 4,452,542	16.03%
Debt Service – Interest & Charges	\$ 4,114,589	\$ 341,331	1105.45%	\$ 4,110,578	\$ 341,331	1104.28%
Contracted Instructional Services	\$ 23,706,066	\$ 17,897,875	32.45%	\$ 23,706,066	\$ 17,897,875	32.45%



The District's total expenditures were \$78,917,396 (Exhibit C-3). Note that the direct instructional percentage increases from 26% to 52% 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 \$76.8 million, an increase of \$11.3 million, and the recapture payment increased by approximately \$5.8 million, providing a net increase of approximately \$5.5 million, or an 11.6% increase. Student enrollment decreased by 26, or less than 1% mainly due to stabilization post-coronavirus pandemic, which matched initial estimates. Among other increased costs, a 7.7% market median raise was provided to teaching staff, and a 4% midpoint raise was provided to all other employees. 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 \$2.8 million below final budget amounts (Exhibit G-1).

The most significant positive variances resulted from unfilled staffing positions during the year. Staffing is budgeted for full employment of all positions during the year, however, since the pandemic, full staffing has been difficult to obtain. 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. Spending was controlled due to the strict budget system the school district utilizes.

Resources available were slightly less than the final budgeted amount. This was mainly due to less state revenue earned than anticipated.

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 \$1,562,688 for the fiscal year (see Exhibit H-1, H-2, and J-2). Regulations indicate that the level of net cash resources not exceed three months' average expenditures in the School Nutrition Program. At year end, the School Nutrition Program fund balance does not fall within the allowable level. As such, FISD has taken steps to reduce its net cash resources with a plan to improve the quality of the school nutrition program by purchasing needed supplies and equipment during 2023-2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had cumulatively invested \$48.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4 and Note III, F) This amount represents a net increase (including additions and deductions) of approximately \$4.2 million over the prior year.

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

	Governmental Activities		
	2022/2023	2021/2022	% Change
Land	\$ 9,034,448	\$ 8,674,534	4.15%
Building & Improvements	\$ 74,054,104	\$ 73,566,326	0.66%
Equipment	\$ 12,014,596	\$ 12,103,424	-0.73%
Construction in Progress	\$ 6,171,254	\$ 144,052	4184.05%
Totals at historical cost	\$ 101,274,402	\$ 94,488,336	7.18%
Total Accumulated Depreciation	\$ (53,158,622)	\$ (50,600,824)	5.05%
Net Capital Assets	\$ 48,115,780	\$ 43,887,512	9.63%

**Fredericksburg Independent School District
Management’s Discussion and Analysis
Year Ended June 30, 2023**



Long Term Debt

At year-end the District had \$85,720,000 in bonds outstanding as shown in Table A-5 and on Exhibit A-1. During 2022-2023, the 2022 School Tax Bonds of \$77,820,000 were issued. 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>2022/2023</u>	<u>2021/2022</u>	<u>% change</u>
\$ 85,720,000	\$ 12,070,000	610.19%

Bond Ratings

The District’s bonds presently carry “AAA” ratings with an underlying rating from Moody’s Investors Service of “Aa2”.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District’s budget for the next year 2023–2024 was adopted on June 19, 2023. The following factors were considered by the Board in adopting the budget for 2023–2024:

Revenues

- The General Operating Fund revenue budget was approved for just under \$62 million, but amended to be just over \$56 million after adjustments were made to budgeted property tax revenue as a result of the legislative special session.
- For 2023/24, the M&O rate dropped from \$0.8546 to \$0.6692 and the I & S remained at \$0.1062, for a total tax rate of \$0.7754. The 18.54 cent M&O tax rate drop was a result of legislative changes compressing the rate.
- The Gillespie County certified tax roll freeze adjusted taxable value totaling \$6.1 billion for 2023-2024 for the District reflects an increase of just over \$1 billion or 20% over the adjusted roll for the prior year.
- 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. From 2019-2020 through 2021-2022, TEA held Districts harmless for partial attendance drops due to the pandemic. The below numbers include those adjustments from TEA.

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%

**Fredericksburg Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2023**



Fredericksburg ISD

2019-2020	2,949	+ 1.06%
2020-2021	2,827	- 4.14%
2021-2022	2,862	+ 1.24%
2022-2023	2,830	- 1.12%
2023-2024	2,801 est	- 1.02%

Expenditures

- The General Operating Fund expenditure budget was approved for just under \$62 million, but amended to be just over \$56 million after adjustments were made to the budgeted recapture payment as a result of the legislative special session.
- There was a 5.4% on average increase for teachers, and a range between 3% - 11% compensation increase for all other employees.
- The recapture payment to TEA is estimated at \$19 million for 2023-2024. This is a decrease of \$4.9 million in expenditures, and is a result of the legislative special session which significantly compressed maintenance & operations tax rates.
- The District's fund balance position as of June 30, 2023 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 and committed fund balance in the general 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://www.fisd.org/our-district/departments/financial-transparency>.

BASIC FINANCIAL STATEMENTS

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,678,272
1120 Current Investments	121,514,734
1220 Property Taxes - Delinquent	1,934,547
1230 Allowance for Uncollectible Taxes	(96,728)
1240 Due from Other Governments	2,074,851
1290 Other Receivables, Net	1,284,797
1300 Inventories	83,219
1410 Prepayments	74,148
Capital Assets:	
1510 Land	9,034,448
1520 Buildings, Net	31,760,040
1530 Furniture and Equipment, Net	1,150,038
1550 Right-to-Use Leased Assets, Net	294,660
1553 SBITA Assets, Net	178,554
1580 Construction in Progress	6,171,254
1000 Total Assets	181,136,834
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	4,647,679
1706 Deferred Outflow Related to TRS OPEB	1,728,649
1700 Total Deferred Outflows of Resources	6,376,328
LIABILITIES	
2110 Accounts Payable	1,279,884
2140 Interest Payable	1,329,048
2150 Payroll Deductions and Withholdings	318,450
2160 Accrued Wages Payable	3,259,028
2180 Due to Other Governments	23,905,457
2300 Unearned Revenue	147,010
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc. Due in More than One Year:	3,265,647
2502 Bonds, Notes, Loans, Leases, etc.	87,706,078
2540 Net Pension Liability (District's Share)	10,394,666
2545 Net OPEB Liability (District's Share)	6,027,479
2000 Total Liabilities	137,632,747
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Resource Inflow- Lease Receivable	1,172,834
2605 Deferred Inflow Related to TRS Pension	932,646
2606 Deferred Inflow Related to TRS OPEB	10,041,184
2600 Total Deferred Inflows of Resources	12,146,664
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets Restricted:	35,259,941
3820 Restricted for Federal and State Programs	1,530,957
3850 Restricted for Debt Service	2,554,085
3870 Restricted for Campus Activities	316,891
3900 Unrestricted	(1,928,123)
3000 Total Net Position	\$ 37,733,751

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, 2023

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 20,667,383	\$ -	\$ 2,928,866	\$ (17,738,517)
12	Instructional Resources and Media Services	388,514	-	85,435	(303,079)
13	Curriculum and Instructional Staff Development	215,853	-	139,857	(75,996)
21	Instructional Leadership	1,294,202	-	27,121	(1,267,081)
23	School Leadership	1,803,467	-	9,618	(1,793,849)
31	Guidance, Counseling, and Evaluation Services	1,964,823	-	676,802	(1,288,021)
32	Social Work Services	105,441	-	98,495	(6,946)
33	Health Services	421,491	-	38,024	(383,467)
34	Student (Pupil) Transportation	1,115,250	-	-	(1,115,250)
35	Food Services	1,869,380	734,554	1,393,622	258,796
36	Extracurricular Activities	1,922,676	500,695	-	(1,421,981)
41	General Administration	1,489,162	-	2,180	(1,486,982)
51	Facilities Maintenance and Operations	3,826,594	83,146	914	(3,742,534)
52	Security and Monitoring Services	722,461	-	7,175	(715,286)
53	Data Processing Services	708,465	-	-	(708,465)
61	Community Services	482,675	225,247	52,423	(205,005)
72	Debt Service - Interest on Long-Term Debt	3,377,425	-	4,011	(3,373,414)
73	Debt Service - Bond Issuance Cost and Fees	737,164	-	-	(737,164)
81	Capital Outlay	887,749	-	-	(887,749)
91	Contracted Instructional Services Between Schools	23,679,066	-	-	(23,679,066)
92	Incremental Costs related to WADA	27,000	-	-	(27,000)
93	Payments Related to Shared Services Arrangements	1,171,071	1,659,034	15,638	503,601
99	Other Intergovernmental Charges	723,384	-	-	(723,384)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 69,600,696	\$ 3,202,676	\$ 5,480,181	(60,917,839)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	52,374,894
DT	Property Taxes, Levied for Debt Service	6,496,243
SF	State Aid - Formula Grants	1,806,066
GC	Grants and Contributions not Restricted	1,531,104
IE	Investment Earnings	4,604,533
MI	Miscellaneous Local and Intermediate Revenue	633,308
TR	Total General Revenues	67,446,148
CN	Change in Net Position	6,528,309
NB	Net Position - Beginning	31,205,442
NE	Net Position - Ending	\$ 37,733,751

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

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes	10 General Fund	60 Capital Projects- 2022 Bond	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,194,124	\$ 1	\$ 3,484,147	\$ 5,678,272
1120 Investments - Current	41,479,112	78,564,449	1,471,173	121,514,734
1220 Property Taxes - Delinquent	1,746,712	-	187,835	1,934,547
1230 Allowance for Uncollectible Taxes	(87,336)	-	(9,392)	(96,728)
1240 Due from Other Governments	701,891	-	1,372,960	2,074,851
1260 Due from Other Funds	1,065,329	-	3,811	1,069,140
1290 Other Receivables	96,136	-	-	96,136
1300 Inventories	38,413	-	44,806	83,219
1410 Prepayments	68,793	-	5,355	74,148
1000 Total Assets	<u>\$ 47,303,174</u>	<u>\$ 78,564,450</u>	<u>\$ 6,560,695</u>	<u>\$ 132,428,319</u>
LIABILITIES				
2110 Accounts Payable	\$ 323,897	\$ 921,778	\$ 34,209	\$ 1,279,884
2150 Payroll Deductions and Withholdings Payable	283,272	-	35,178	318,450
2160 Accrued Wages Payable	2,453,659	-	805,369	3,259,028
2170 Due to Other Funds	83,207	-	985,933	1,069,140
2180 Due to Other Governments	23,905,457	-	-	23,905,457
2300 Unearned Revenue	106,732	-	40,278	147,010
2000 Total Liabilities	<u>27,156,224</u>	<u>921,778</u>	<u>1,900,967</u>	<u>29,978,969</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,659,376	-	178,443	1,837,819
2600 Total Deferred Inflows of Resources	<u>1,659,376</u>	<u>-</u>	<u>178,443</u>	<u>1,837,819</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	38,413	-	44,806	83,219
3430 Prepaid Items	68,793	-	-	68,793
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,530,957	1,530,957
3470 Capital Acquisition and Contractual Obligation	-	77,642,672	-	77,642,672
3480 Retirement of Long-Term Debt	-	-	2,554,085	2,554,085
3490 Other Restricted Fund Balance	-	-	316,891	316,891
Committed Fund Balance:				
3510 Construction	4,000,000	-	34,546	4,034,546
3545 Other Committed Fund Balance	2,400,000	-	-	2,400,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	978,992	-	-	978,992
3600 Unassigned Fund Balance	11,001,376	-	-	11,001,376
3000 Total Fund Balances	<u>18,487,574</u>	<u>77,642,672</u>	<u>4,481,285</u>	<u>100,611,531</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 47,303,174</u>	<u>\$ 78,564,450</u>	<u>\$ 6,560,695</u>	<u>\$ 132,428,319</u>

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

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 100,611,531
Capital assets and Right-to-Use Lease 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 \$95,107,496 and the accumulated depreciation was (\$50,700,554). 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.	31,897,780
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 capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on Right-to-Use Lease Assets and SBITA Assets are not expenses, rather they are decreases in the Right-to-Use Lease Liabilities and the SBITA Liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing Net Position.	11,873,418
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,647,679, a deferred resource inflow in the amount of \$932,646, and a net pension liability in the amount of \$10,394,666. This resulted in a decrease in net position.	(6,679,633)
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 \$1,728,649, a deferred resource inflow in the amount of \$10,041,184, and a net OPEB liability in the amount of \$6,027,479. This resulted in a decrease in net position.	(14,340,014)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,315,864)
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 decrease net position.	(82,313,467)
Net Position of Governmental Activities	\$ 37,733,751

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, 2023

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects- 2022 Bond	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 54,453,444	\$ 2,972,477	\$ 9,543,869	\$ 66,969,790
5800 State Program Revenues	3,471,687	-	399,100	3,870,787
5900 Federal Program Revenues	868,271	-	5,117,942	5,986,213
5020 Total Revenues	<u>58,793,402</u>	<u>2,972,477</u>	<u>15,060,911</u>	<u>76,826,790</u>
EXPENDITURES:				
Current:				
0011 Instruction	16,280,367	-	3,846,994	20,127,361
0012 Instructional Resources and Media Services	252,055	-	122,427	374,482
0013 Curriculum and Instructional Staff Development	61,730	-	140,125	201,855
0021 Instructional Leadership	823,766	-	437,359	1,261,125
0023 School Leadership	1,748,962	-	9,770	1,758,732
0031 Guidance, Counseling, and Evaluation Services	850,791	-	1,057,453	1,908,244
0032 Social Work Services	4,536	-	98,495	103,031
0033 Health Services	368,951	-	38,024	406,975
0034 Student (Pupil) Transportation	1,076,975	181,529	-	1,258,504
0035 Food Services	-	-	1,845,438	1,845,438
0036 Extracurricular Activities	1,704,932	-	161,876	1,866,808
0041 General Administration	1,433,175	-	2,180	1,435,355
0051 Facilities Maintenance and Operations	3,703,967	-	914	3,704,881
0052 Security and Monitoring Services	549,163	-	118,780	667,943
0053 Data Processing Services	742,695	-	-	742,695
0061 Community Services	408,665	-	52,423	461,088
Debt Service:				
0071 Principal on Long-Term Liabilities	215,071	-	4,173,972	4,389,043
0072 Interest on Long-Term Liabilities	1,759	-	2,280,212	2,281,971
0073 Bond Issuance Cost and Fees	-	737,164	-	737,164
Capital Outlay:				
0081 Facilities Acquisition and Construction	479,895	7,001,156	303,129	7,784,180
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	23,679,066	-	-	23,679,066
0092 Incremental Costs Associated with Chapter 41	27,000	-	-	27,000
0093 Payments to Fiscal Agent/Member Districts of SSA	1,155,433	-	15,638	1,171,071
0099 Other Intergovernmental Charges	723,384	-	-	723,384
6030 Total Expenditures	<u>56,292,338</u>	<u>7,919,849</u>	<u>14,705,209</u>	<u>78,917,396</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,501,064</u>	<u>(4,947,372)</u>	<u>355,702</u>	<u>(2,090,606)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	77,820,000	-	77,820,000
7913 Proceeds of Right-to-Use Lease	159,538	-	-	159,538
7915 Transfers In	-	-	147,120	147,120
7916 Premium or Discount on Issuance of Bonds	-	4,917,164	-	4,917,164
8911 Transfers Out (Use)	-	(147,120)	-	(147,120)
7080 Total Other Financing Sources (Uses)	<u>159,538</u>	<u>82,590,044</u>	<u>147,120</u>	<u>82,896,702</u>
1200 Net Change in Fund Balances	2,660,602	77,642,672	502,822	80,806,096
0100 Fund Balance - July 1 (Beginning)	<u>15,826,972</u>	<u>-</u>	<u>3,978,463</u>	<u>19,805,435</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 18,487,574</u>	<u>\$ 77,642,672</u>	<u>\$ 4,481,285</u>	<u>\$ 100,611,531</u>

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

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, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 80,806,096
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 current year capital outlays and debt principal payments is to decrease the change net position. Similarly, current year principal payments on Right-to-Use Leases and SIBTAs are also reclassified as reductions to the Right-To-Use Lease Liability and the SBITA liability which will result in an increase in the change in Net Position.	11,873,418
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 the change in net position.	(3,315,864)
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 decrease the change in net position.	(83,632,052)
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 \$804,405. 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 \$688,139. 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 \$449,069. The net result is a decrease in the change in net position.	(332,803)
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 \$186,650. 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 \$173,324. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,116,188. The net result is an increase in the change in net position.	1,129,514
Change in Net Position of Governmental Activities	\$ 6,528,309

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, 2023

EXHIBIT E-1

	836-849 Investment Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 49,282	\$ 128,564
Investments - Current	471,221	-
Other Receivables	1,543	-
Restricted Assets	52,332	-
Total Assets	574,378	\$ 128,564
NET POSITION		
Restricted for Scholarships	574,378	-
Restricted for Other Purposes	-	128,564
Total Net Position	\$ 574,378	\$ 128,564

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

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	836-849 Investment Trust Fund	Custodial Fund
ADDITIONS:		
Cocurricular Services or Activities	\$ -	\$ 99,542
Earnings from Temporary Deposits	20,499	-
Contributions, Gifts and Donations	68,835	-
Total Additions	<u>89,334</u>	<u>99,542</u>
DEDUCTIONS:		
Professional and Contracted Services	2,010	1,170
Supplies and Materials	-	21,285
Other Deductions	72,124	66,792
Total Deductions	<u>74,134</u>	<u>89,247</u>
Change in Fiduciary Net Position	15,200	10,295
Total Net Position - July 1 (Beginning)	<u>559,178</u>	<u>118,269</u>
Total Net Position - June 30 (Ending)	<u>\$ 574,378</u>	<u>\$ 128,564</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.

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

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

Governmental Funds:

- I. 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.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



2. **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.

Fiduciary Funds:

1. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
2. **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	38,413	44,806	-	-	-	-	83,219
Pre-paid Items	68,793	-	-	-	-	-	68,793
Restricted For:							
School Nutrition	-	1,530,957	-	-	-	-	1,530,957
Debt Service	-	-	-	2,554,085	-	-	2,554,085
Bond Capital Projects	-	-	77,642,672	-	-	-	77,642,672
Campus Activity Fund	-	-	-	-	-	316,891	316,891
Committed To:							
Construction	4,000,000	-	-	-	34,546	-	4,034,546
Future Salary Needs	2,400,000	-	-	-	-	-	2,400,000
Assigned	978,992	-	-	-	-	-	978,992
Unassigned	11,001,376	-	-	-	-	-	11,001,376
Total Fund Balance	18,487,574	1,575,763	77,642,672	2,554,085	34,546	316,891	100,611,531

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:

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



<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

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, 2021 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.
16. **GASB Statement No. 87**. As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note Y and the additional disclosures required by this standard is included in Note H.



17. **Implementation of GASB Statement No. 96.** As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription- Based Information Technology Arrangements*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The standard requires recognition of right-to-use subscription assets and liabilities for SBITAs that previously were classified as operating expenditures based on the payment provisions of the contract. The disclosures required by this standard is included in Note I.

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, 2023 Fund Balance	
Appropriated Budget Funds	
Food Service Special Revenue Fund	\$ 1,575,763
Nonappropriated Budget Fund	316,891
All Special Revenue Funds	\$ 1,892,654

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. Revenue variance was positive and expenditure variance was positive.
2. The School Nutrition Fund is analyzed in Exhibit J-2. Revenue variance was negative and expenditures variance was positive.
3. The Debt Service Fund is analyzed in Exhibit J-3. Revenue variance was negative and expenditures variance was 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. At year end, the District's deposits were not exposed to custodial credit risk.

At June 30, 2023, the carrying amount of the District's deposits was \$5,854,817 and the bank balance was \$6,462,748.

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.

Presented below is the percentage invested for each short term investment, the fair value as of June 30, 2023 (Exhibit C-1 & E-1), the investment rating and the minimum rating required by the Act.

Description	Percentage Invested	Fair Value \$	Investment Rating	Minimum Legal Rating
LOGIC Pool	1%	1,635,949	AAA	AAA
Texas Class Pool	20%	24,162,226	AAA	AAA
Lone Star Pool	41%	49,541,702	AAA	AAA
Texas Range Pool	38%	46,646,078	AAA	AAA
Totals	100%	\$ 121,985,955		

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.

LOGIC (Local Government Investment Cooperative) is established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. Logic funds allow shareholders the ability to deposit or withdraw funds daily. Interest rates are adjusted daily, and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. Logic is rated AAAM and must maintain a weighted average maturity not to exceed 60 days. The District considers the holdings in these funds to have a one-day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value. On June 30, 2023, the weighted average maturity was 40 days and the net asset value was .999615.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



The Lonestar Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with American Beacon Advisors and Mellon Investments Corporation managing the investment and reinvestment on Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and seeks to maintain a net asset value of \$1.00 and its dollar-weighted average maturity is 120 days or fewer. On June 30, 2023, the weighted average maturity was 80 days.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a Local Government Investment Pool established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texas CLASS is administered by Public Trust Advisors, LLC and UMB Bank, N.A. provides custody and valuation services to Texas CLASS. Texas CLASS is rated AAA by Standard and Poor's and seeks to maintain a net asset value of \$1.00 and its dollar-weighted average maturity is 120 days or fewer. On June 30, 2023, the average weighted maturity was 80 days.

The TexasTERM Local Government Investment Pool, now doing business as the Texas Range Investment Program (Texas Range) is a Local Government Investment Pool established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texas Range is directed by PFM Asset Management LLC and U.S. Bank, N.A. provides custody and valuation services to Texas Range. Texas Range is rated AAA by Fitch's Fund Rating and seeks to maintain a net asset value of \$1.00 and its dollar-weighted average maturity is 120 days or fewer. On June 30, 2023, the average weighted maturity was 31 days.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does address the following risks:

Credit Risk:

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

Concentration of Credit Risk:

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

Interest Rate Risk:

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

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be 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.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



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, 2023 is as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,065,329	\$ 83,207
Capital Projects Fund		67
Special Revenue Fund	3,811	985,866
TOTAL	\$ 1,069,140	\$ 1,069,140

All interfund balances resulted from time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occurs, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2023 were as follows:

	Property Taxes	Other Governments	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 1,746,712	\$ 701,891	\$ 96,136	\$ 2,544,739
Capital Projects Fund	-	-	-	-
Nonmajor Governmental Funds	187,835	1,372,960	-	1,560,795
Total Governmental Activities	\$ 1,934,547	\$ 2,074,851	\$ 96,136	\$ 4,105,534
Amounts not scheduled for collection during the subsequent year	\$ 96,728	-	-	\$ 96,728

Payables at June 30, 2023 were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 323,897	\$ 2,736,931	\$ 83,207	\$ 23,905,457	\$ 27,049,492
Capital Projects Fund	921,778	-	-	-	921,778
Nonmajor Governmental Funds	34,209	840,547	985,933	-	1,860,689
Total Governmental Activities	\$ 1,279,884	\$ 3,577,478	\$ 1,069,140	\$ 23,905,457	\$ 29,831,959
Amounts not scheduled for payment during the subsequent year	\$ -	-	-	-	-

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



F. CAPITAL ASSET ACTIVITY

Capital asset activity (Exhibit A-1) for the District for the year ended June 30, 2023 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 8,674,534	\$ 359,914	\$ -	\$ 9,034,448
Construction in Progress	144,052	6,027,202	-	6,171,254
Depreciable Assets:				
Buildings & Improvements	73,566,326	487,778	-	74,054,104
Furniture & Equipment	12,103,424	468,183	(557,011)	12,014,596
Totals at Historic Cost	<u>94,488,336</u>	<u>7,343,077</u>	<u>(557,011)</u>	<u>101,274,402</u>
Less: Accumulated Depreciation For:				
Buildings & Improvements	(39,745,828)	(2,548,236)	-	(42,294,064)
Furniture & Equipment	(10,854,996)	(561,874)	552,312	(10,864,558)
Total Accumulated Depreciation	<u>(50,600,824)</u>	<u>(3,110,110)</u>	<u>552,312</u>	<u>(53,158,622)</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,887,512</u>	<u>\$ 4,232,967</u>	<u>\$ (4,699)</u>	<u>\$ 48,115,780</u>
Right-to-Use & SBITA Assets Being Amortized				
Equipment	\$ 522,958	\$ 6,060	\$ -	\$ 529,018
SBITA	96,202	153,478	-	249,680
Total Right-to-Use & SBITA Assets	<u>\$ 619,160</u>	<u>\$ 159,538</u>	<u>\$ -</u>	<u>\$ 778,698</u>
Less accumulated amortization				
Equipment	\$ (99,730)	\$ (134,628)	\$ -	\$ (234,358)
SBITA	-	(71,126)	-	(71,126)
Total Accumulated Amortization	<u>\$ (99,730)</u>	<u>\$ (205,754)</u>	<u>\$ -</u>	<u>\$ (305,484)</u>
Total Right-to-Use & SBITA Asset Being Amortized, Net	<u>\$ 519,430</u>	<u>\$ (46,216)</u>	<u>\$ -</u>	<u>\$ 473,214</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,406,942</u>	<u>\$ 4,186,751</u>	<u>\$ (4,699)</u>	<u>\$ 48,588,994</u>
Asset Value	\$ 74,054,104	\$ 12,014,596		
Depreciation	(42,294,064)	(10,864,558)		
Assets, net value (Exhibit A-1)	<u>\$ 31,760,040</u>	<u>\$ 1,150,038</u>		

Depreciation expense totaling \$3,110,110 was charged to governmental functions as follows:

Function	Amount	Function	Amount
Instruction	1,639,398	Student (Pupil) Transportation	102,721
Instructional Resources	30,566	School Nutrition	150,627
Curriculum	16,475	Co-curricular/Extracurricular Activities	152,372
Instructional Leadership	103,180	General Administration	118,669
School Leadership	143,550	Plant Maintenance & Operations	302,398
Guidance, Counseling & Evaluation	155,754	Security	54,518
Social Work Services	8,409	Data Processing	60,620
Health Services	33,218	Community Services	37,635

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



Amortization expense totaling \$205,754 was charged to the District's functions as follows:

Function	Amount	Function	Amount
Instruction	143,502	Co-curricular/Extracurricular Activities	13,257
Instructional Leadership	8,626	General Administration	10,485
School Leadership	11,919	Data Processing Services	5,033
Guidance, Counseling & Evaluation Servi	12,932		

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. All bonds issued for governmental activity purposes are liquidated by the debt service fund. A summary of changes in general long-term debt for the year ended June 30, 2023 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 7/1/2022	Issued	Retired	Amounts Outstanding 6/30/2023
School Tax Bonds - 2015	1.05-6.8%	\$ 7,500,000	\$ 102,239	\$ 4,030,000	\$ -	\$ 250,000	\$ 3,780,000
School Tax Bonds - 2016	1.81%	\$ 9,000,000	96,111	5,310,000	-	385,000	4,925,000
Refunding Bond- 2019	1.80%	\$ 6,135,000	49,140	2,730,000	-	635,000	2,095,000
School Tax Bonds - 2022	4.00-5.00%	\$ 77,820,000	2,032,683	-	77,820,000	2,900,000	74,920,000
			\$ 2,280,173	\$ 12,070,000	\$ 77,820,000	\$ 4,170,000	\$ 85,720,000

Debt service requirements are as follows:

Year Ended	Principal	Interest	Total Requirements
June 30			
2024	\$ 3,050,000	\$ 3,563,816	\$ 6,613,816
2025	3,280,000	3,451,934	6,731,934
2026	2,530,000	3,327,507	5,857,507
2027	2,615,000	3,241,171	5,856,171
2028	2,650,000	3,153,844	5,803,844
2029-2033	12,210,000	14,382,711	26,592,711
2034-2038	11,850,000	11,783,650	23,633,650
2039-2043	13,845,000	9,260,100	23,105,100
2044-2048	17,175,000	5,771,000	22,946,000
2049-2052	16,515,000	1,681,800	18,196,800
	\$ 85,720,000	\$ 59,617,533	\$ 145,337,533

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, 2023.

H. LEASES PAYABLE

The District entered into a 36 month lease agreement with Dell for a SonicWall in September of 2020. The annual fixed lease payment is \$34,070 and includes interest at 0.2180%.

The District entered into a 60 month lease agreement with Ricoh Company, Ltd for copiers in March of 2021. The monthly fixed lease payment is \$4,232 and includes interest at .5270%. During the year, the District added an additional copier to this agreement.

On May 3, 2022, the District entered into a 60 month lease agreement with Dell for a data protection appliance. The annual fixed lease payment is \$16,296 and includes interest at 2.1570%.

On May 25, 2022, the District entered into a 60 month lease with Dell for the use of a server. The annual fixed lease payment is \$22,828 and includes interest at 2.1570%.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



Schedule of changes in leases payable is as follows:

<u>Leases:</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due</u>
						<u>Within One Year</u>
Governmental Activities:						
Dell-SonicWall	0.2180%	\$ 67,916	\$	\$ 33,922	\$ 33,994	\$ 33,994
Ricoh-Copiers	0.5270%	184,389		49,935	134,454	50,199
Dell- Data Protection Appliance	2.1570%	77,693	-	15,877	61,816	14,963
Dell-Server	2.1570%	109,163	-	22,572	86,591	20,960
Additional Ricoh-Copiers	0.5270%	-	6,060	1,205	4,855	1,814
Total Governmental Activities		\$ 439,161	\$ 6,060	\$ 123,511	\$ 321,710	\$ 121,930

Remaining obligations associated with leases are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 121,930	\$ 3,883	\$ 125,813
2025	88,984	2,760	91,744
2026	72,500	1,704	74,204
2027	38,297	826	39,123
	\$ 321,711	\$ 9,173	\$ 330,884

I. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS PAYABLE

The District entered into a three year subscription with Blackboard Inc. for a web community manager on July 15, 2021. On July 1, 2022 an initial subscription liability was recorded in the amount of \$32,477. The District is required to make annual fixed payments in the amount of \$16,414. The subscription has an interest rate of 2.024%. At June 30, 2023, the value of the right to use asset was \$32,477 with accumulated depreciation of \$15,929.

On July 28, 2022, the District entered into a 36 month subscription with Computer Solutions for the use of wireless access point equipment. An initial subscription liability was recorded in the amount of \$62,821. The District is required to make annual fixed payments of \$20,950. The subscription has an interest rate of 2.184%. At June 30, 2023, the value of the right to use asset was \$62,821 with accumulated depreciation of \$19,370.

On April 1, 2023, the District entered into a 36 month subscription for Microsoft licenses. An initial subscription liability was recorded in the amount of \$90,657. The District is required to make annual fixed payment of \$30,986. The subscription has an interest rate of 2.560%. At June 30, 2023, the value of the right to use asset was \$90,657 with accumulated depreciation of \$7,555.

The District entered into a 36 month subscription with SchoolLinks use of a college & career readiness platform. On July 1, 2022 an initial subscription liability was recorded in the amount of \$14,468. The District is required to make annual payments of \$11,213. The subscription has an interest rate of 2.024%. At June 30, 2023, the value of the right to use asset was \$19,218 with accumulated depreciation of \$14,468 with accumulated depreciation of \$6,678.

The District entered into a subscription agreement with TestFound for a test enablement software. On July 1, 2022 an initial subscription liability was recorded in the amount of \$11,668. The District is required to make annual payments of \$3,000. The subscription has an interest rate of 1.710%. At June 30, 2023, the value of the right to use asset was \$11,668 with accumulated depreciation of \$2,800.

The District entered into a 36 month subscription with Power School LLC for the use of UT applicant tracking. On July 1, 2022 an initial subscription liability was recorded in the amount of \$37,589. The District is required to make annual fixed payments of \$18,538. The subscription has an interest rate of 2.024%. At June 30, 2023, the value of the right to use asset was \$37,589 with accumulated depreciation of \$18,795.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



Schedule of changes in subscription-based information technology arrangements payable is as follows:

	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
SBITAs:						
Governmental Activities:						
Blackboard Inc	2.0240%	\$ 32,477	\$ -	\$ 16,388	\$ 16,089	\$ 15,427
Computer Solutions	2.1840%	-	62,821	19,370	43,451	20,940
Microsoft	2.5600%	-	90,657	30,986	59,671	29,459
SchoolLinks	2.0240%	14,468	-	7,282	7,186	5,988
TestHound	1.7100%	11,668	-	2,967	8,701	2,852
PowerSchool LLC	2.0240%	37,589	-	18,538	19,051	19,051
Total Governmental Activities		\$ 96,202	\$ 153,478	\$ 95,531	\$ 154,149	\$ 93,717

Remaining obligations associated with subscription-based information technology arrangements payable is as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2024	\$ 93,717	\$ 2,495	\$ 96,212
2025	55,912	911	56,823
2026	4,520	50	4,570
	\$ 154,149	\$ 3,456	\$ 157,605

J. CHANGES IN LONG-TERM LIABILITIES

Long-term Governmental activity for bonds and notes payable for the year ended June 30, 2023, was as follows (Exhibit A-1):

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 12,070,000	\$ 77,820,000	4,170,000	\$ 85,720,000	\$ 3,050,000
Premium on Bonds	-	4,917,164	141,298	4,775,866	
Leases Payable	439,161	6,060	123,511	321,710	121,930
SBITA Payable	96,202	153,478	95,531	154,149	93,717
Net Pension Liability	4,130,405	7,081,284	817,023	10,394,666	
Net OPEB Liability	9,537,172	-	3,509,693	6,027,479	
Total Long-Term Liabilities	\$ 26,272,940	\$ 89,977,986	\$ 8,857,056	\$ 107,393,870	\$ 3,265,647

K. 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 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.



L. 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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>2022</u>	<u>2022</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
Fredericksburg ISD – Current Fiscal Year Employer Contributions	\$	933,345
Fredericksburg ISD – Current Fiscal Year Member Contributions	\$	1,908,372
Fredericksburg ISD - 2022 Measurement Year NECE On-behalf Contributions	\$	1,333,230

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).

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2019	3.91%. 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)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% 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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate. A single discount rate of 7.00 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 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 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

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



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, 2022 are summarized below:

Asset Class	Target Allocation ⁽²⁾	Long-Term Expected Arithmetic Real Rate of Return ⁽³⁾	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity ⁽¹⁾	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return ⁽¹⁾	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy and Natural Resources	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ⁽⁴⁾			-0.91%
Total	100%		8.19%

⁽¹⁾ Absolute Return includes a Credit Sensitive Investments.

⁽²⁾ Target allocations are based on the FY2022 policy model.

⁽³⁾ Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

⁽⁴⁾ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Increase in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Fredericksburg's proportionate share of the net pension liability:	\$ 16,170,159	\$ 10,394,666	\$ 5,713,358

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the Fredericksburg Independent School District reported a liability of \$10,394,666 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:

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



District's Proportionate share of the collective net pension liability	\$10,394,666
State's proportionate share that is associated with the District	<u>\$16,962,157</u>
Total	<u>\$27,356,823</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was .0175090384% which is an increase of .0012900381% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with the actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended June 30, 2023, the Fredericksburg Independent School District recognized pension expense of \$2,758,598 and revenue of \$1,621,390 for support provided by the State.

At June 30, 2023, 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	\$ 150,722	\$ 226,623
Changes in actuarial assumptions	1,936,865	482,721
Difference between projected and actual investment earnings	1,026,960	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	728,727	223,302
Total as of August 31, 2022 measurement date	\$ 3,843,274	\$ 932,646
Contributions paid to TRS subsequent to the measurement date	804,405	-
Total as of fiscal year-end	\$ 4,647,679	\$ 932,646

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:

Fiscal year ended June 30,	Pension Expense Amount
2024	\$ 692,643
2025	403,914
2026	234,425
2027	1,336,106
2028	243,539
Thereafter	1



M. 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 TRS-Care program was established in 1986 by the Texas Legislature.

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

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

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. 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			
	Medicare		Non- Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1,020	999

*or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2022</u>	<u>2023</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		\$219,978
Fredericksburg ISD- Current Fiscal Year Member Contributions		\$155,055
Fredericksburg ISD- 2022 Measurement Year NECE On-behalf Contributions		\$252,212

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



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 \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on the established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary Increases	2.30% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.91 percent was used to measure the total OPEB liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is 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.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Fredericksburg ISD's proportionate share of the Net OPEB Liability:	\$ 7,106,876	\$ 6,027,479	\$ 5,153,029

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the Fredericksburg Independent School District reported a liability of \$6,027,479 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	\$ 6,027,479
State's proportionate share that is associated with Fredericksburg ISD	<u>\$ 7,352,578</u>
Total	<u>\$ 13,380,057</u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was 0.0251732281%, which was an increase 0.0004491758% from its proportion measured as of August 31, 2021.

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:	\$ 4,966,670	\$ 6,027,479	\$ 7,402,682

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 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change increased Total OPEB Liability.

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

For the year ended June 30, 2023, the Fredericksburg Independent School District recognized OPEB expense of \$(1,985,254) and revenue of \$(1,043,390) for support provided by the State.

At June 30, 2023, 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, 2023



	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 335,107	\$ 5,021,431
Changes in actuarial assumptions	918,104	4,187,534
Difference between projected and actual investment earnings	17,954	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	270,834	832,219
Total as of August 31, 2022 measurement date	\$ 1,541,999	\$ 10,041,184
Contributions paid to TRS subsequent to the measurement date	186,650	-
Total	\$ 1,728,649	\$ 10,041,184

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 30,	OPEB Expense Amount
2024	\$ (1,596,084)
2025	\$ (1,596,022)
2026	\$ (1,340,419)
2027	\$ (994,372)
2028	\$ (1,087,979)
Thereafter	\$ (1,884,309)

N. 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 2021, 2022, and 2023 were \$102,345, \$98,441, and \$128,571 respectively.

O. LITIGATION

The District is occasionally involved in various legal actions. Attorneys for the District indicate there is none as of June 30, 2023.

P. SIGNIFICANT COMMITMENTS AND 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, 2023 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.

The District entered into the following contracts for the 2022 Bond Project- Fredericksburg ISD New Middle School:

- In April of 2023, the District entered into a contract with Alpha Testing. The total contract is for \$156,482. The balance as of June 30, 2023 was \$123,670.
- In July of 2022, the District entered into a contract with Huckabee & Associates, Inc. The total contract is for \$4,004,749. The balance as of June 30, 2023 was \$989,579.
- In March of 2023, the District entered into a contract with Statterfield & Pontikes Construction, Inc. The total contract is for \$66,307,367. The balance as of June 30, 2023 was \$63,676,846.

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



- In February of 2022 the District entered into an agreement with Lockwood, Andrews & Newman, Inc. for project management services. The total agreement was for \$2,218,000. The balance as of June 30, 2023 was \$1,179,160.
- In June of 2023 the District entered into an agreement with EMA Engineering & Consulting, Inc. The total agreement and balance as of June 30, 2023 was \$93,000.

Q. 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, 2023, from various federal sources as follows:

Program or Source	Amount
SHARS	\$ 569,740
Navy-JROTC Program	67,389
Indirect Costs:	
ESEA Title I, Part A	24,826
ESEA Title II, Part A	4,525
ESSA Title III, Part A, ELA	2,289
IDEA - Part B, Formula	26,473
IDEA - Part B, Preschool	97
Title IV, Part A, Subpart I	1,855
Food Service Fund	169,526
Career and Technical	1,551
ESSER	
Total	868,271

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

R. UNEARNED/UNAVAILABLE REVENUE

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Unavailable- Property Taxes	\$ 1,659,376		\$ 178,443	\$ 1,837,819
Unearned- School Nutrition		40,278		40,278
State Program Revenues	-			-
Tuition				-
Restricted Contributions	106,732			106,732
Total	\$ 1,766,108	\$ 40,278	\$ 178,443	\$ 1,984,829



S. 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:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 52,026,715	\$	\$ 6,464,258	\$	\$ 58,490,973
Penalties & Interest	391,140		41,636		432,776
Donations/Gifts	216,776	19,700			236,476
Special Education Coop	6,000	1,623,034			1,629,034
Investment Income	1,256,178	47,997	315,075	2,985,282	4,604,532
Facility Rental	83,146				83,146
Insurance Recovery	2,356				2,356
Tuition and Fees	159,730				159,730
Food Sales		734,554			734,554
Campus Activity Fund		279,601			279,601
Co-curricular Activities	150,117				150,117
Other	161,286	178	5,031		166,495
Total	\$ 54,453,444	\$ 2,705,064	\$ 6,826,000	\$ 2,985,282	\$ 66,969,790

T. 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	\$ 1,155,433
Comfort Independent School District	330,222
Harper Independent School District	138,684
Doss CCSD	13,694
	<u>\$ 1,638,033</u>

U. 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, 2022, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

V. RECAPTURE PAYMENTS TO THE STATE

Fredericksburg Independent School District
Notes to the Financial Statements
Year Ended June 30, 2023



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 property tax revenue made for the past ten years:

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%
2020-2021	16,004,619	38.70%
2021-2022	17,882,878	34.46%
2022-2023	23,656,059	40.44%
Total to Date	\$ 116,413,522	

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.

W. 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 6/30/19	\$ 668,759
Year Ended 6/30/20	\$ 634,540
Year Ended 6/30/21	\$ 787,107
Year Ended 6/30/22	\$ 753,349
Year Ended 6/30/23	\$ 745,977

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 BlueCross BlueShield 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, 2023



During the year the District contributed \$285.00 per month toward the plan premiums for each enrolled employee. Contributions to health care coverage for employees are as follows:

Year Ended 6/30/19	\$ 898,725
Year Ended 6/30/20	\$ 953,865
Year Ended 6/30/21	\$ 806,507
Year Ended 6/30/22	\$ 829,448
Year Ended 6/30/23	\$ 962,748

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, 2021, the Fund carried a discounted reserve of \$44,985,187 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, 2022, 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, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

X. LEASE RECEIVABLE

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. The lessee has two extension options, each for 60 months. The lease has an interest rate of 1.5510%. The value of the lease receivable at year end was \$1,188,661 and the deferred inflow of resources related to the lease were \$1,172,834 at June 30, 2023.

Y. NEGATIVE UNRESTRICTED NET POSITION

The unrestricted net position for the governmental activities reflects a large negative balance in the amount of (\$1,611,232). 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.

Z. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the General Fund exceeded the budget appropriations in four functions but not in total.

AA. ADOPTION OF NEW STANDARD

During fiscal year 2023, the District adopted GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The standard requires recognition of right-to-use subscription assets and liabilities for SBITAs that previously were classified as operating expenditures based on the payment provisions of the contract.

BB. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2023, 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, 2023

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	\$ 50,364,587	\$ 53,874,639	\$ 54,453,444	\$ 578,805
5800	State Program Revenues	2,932,082	3,509,965	3,471,687	(38,278)
5900	Federal Program Revenues	765,000	850,041	868,271	18,230
5020	Total Revenues	54,061,669	58,234,645	58,793,402	558,757
EXPENDITURES:					
Current:					
0011	Instruction	17,795,301	16,960,241	16,280,367	679,874
0012	Instructional Resources and Media Services	268,381	261,081	252,055	9,026
0013	Curriculum and Instructional Staff Development	63,350	86,577	61,730	24,847
0021	Instructional Leadership	431,530	858,121	823,766	34,355
0023	School Leadership	1,966,106	2,007,707	1,748,962	258,745
0031	Guidance, Counseling, and Evaluation Services	848,934	860,481	850,791	9,690
0032	Social Work Services	76,824	76,824	4,536	72,288
0033	Health Services	301,394	395,471	368,951	26,520
0034	Student (Pupil) Transportation	1,204,671	1,170,966	1,076,975	93,991
0036	Extracurricular Activities	1,733,409	1,844,168	1,704,932	139,236
0041	General Administration	1,484,297	1,548,128	1,433,175	114,953
0051	Facilities Maintenance and Operations	3,666,559	3,882,572	3,703,967	178,605
0052	Security and Monitoring Services	109,605	566,727	549,163	17,564
0053	Data Processing Services	688,485	819,372	742,695	76,677
0061	Community Services	293,125	403,680	408,665	(4,985)
Debt Service:					
0071	Principal on Long-Term Liabilities	-	172,261	215,071	(42,810)
0072	Interest on Long-Term Liabilities	-	1,675	1,759	(84)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	1,146,196	479,895	666,301
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	21,065,383	24,000,382	23,679,066	321,316
0092	Incremental Costs Associated with Chapter 41	36,000	36,000	27,000	9,000
0093	Payments to Fiscal Agent/Member Districts of SSA	1,328,315	1,328,315	1,155,433	172,882
0099	Other Intergovernmental Charges	700,000	700,000	723,384	(23,384)
6030	Total Expenditures	54,061,669	59,126,945	56,292,338	2,834,607
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(892,300)	2,501,064	3,393,364
OTHER FINANCING SOURCES (USES):					
7913	Proceeds of Right-to-Use Lease	-	-	159,538	159,538
1200	Net Change in Fund Balances	-	(892,300)	2,660,602	3,552,902
0100	Fund Balance - July 1 (Beginning)	15,826,972	15,826,972	15,826,972	-
3000	Fund Balance - June 30 (Ending)	\$ 15,826,972	\$ 14,934,672	\$ 18,487,574	\$ 3,552,902

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.017509038%	0.016219%	0.015517105%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,394,666	\$ 4,130,405	\$ 8,310,645
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	16,962,157	8,065,471	17,631,018
Total	<u>\$ 27,356,823</u>	<u>\$ 12,195,876</u>	<u>\$ 25,941,663</u>
District's Covered Payroll	\$ 23,615,953	\$ 22,862,345	\$ 22,662,789
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	44.02%	18.07%	36.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, 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 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<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>
0.015340443%	0.016151168%	0.017369688%	0.017432007%	0.0172795%	0.0125887%
\$ 7,974,442	\$ 8,889,995	\$ 5,553,890	\$ 6,587,296	\$ 6,108,073	\$ 3,362,617
15,982,907	17,901,514	10,914,881	13,438,432	12,882,586	11,068,612
<u>\$ 23,957,349</u>	<u>\$ 26,791,509</u>	<u>\$ 16,468,771</u>	<u>\$ 20,025,728</u>	<u>\$ 18,990,659</u>	<u>\$ 14,431,229</u>
\$ 21,571,722	\$ 21,959,531	\$ 21,951,811	\$ 22,804,569	\$ 22,489,371	\$ 20,241,241
36.97%	40.48%	25.30%	28.88%	27.16%	16.61%
75.24%	73.74%	82.17%	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 2023

	2023	2022	2021
Contractually Required Contribution	\$ 933,345	\$ 797,207	\$ 685,789
Contribution in Relation to the Contractually Required Contribution	(933,345)	(797,207)	(685,789)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 23,856,391	\$ 24,071,827	\$ 22,876,555
Contributions as a Percentage of Covered Payroll	3.91%	3.31%	3.00%

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.

	2020	2019	2018	2017	2016	2015
\$	627,768	\$ 539,750	\$ 553,415	\$ 462,233	\$ 502,958	\$ 448,455
	(627,768)	(539,750)	(553,415)	(462,233)	(502,958)	(448,455)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	22,507,419	\$ 21,363,794	\$ 22,048,830	\$ 22,804,569	\$ 22,489,371	\$ 21,241,241
	2.79%	2.53%	2.51%	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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.025173228%	0.024724052%	0.024655365%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 6,027,479	\$ 9,537,172	\$ 9,372,618
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	7,352,578	12,777,685	12,594,551
Total	<u>\$ 13,380,057</u>	<u>\$ 22,314,857</u>	<u>\$ 21,967,169</u>
District's Covered Payroll	\$ 23,615,953	\$ 22,862,345	\$ 22,662,789
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	25.52%	41.72%	41.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date 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.

<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.025562079%	0.026692921%	0.026902808%
\$ 12,088,618	\$ 13,328,020	\$ 11,699,022
16,063,072	18,479,026	17,249,115
<u>\$ 28,151,690</u>	<u>\$ 31,807,046</u>	<u>\$ 28,948,137</u>
\$ 21,571,722	\$ 21,959,531	\$ 21,951,811
56.04%	60.69%	53.29%
2.66%	1.57%	0.91%

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 219,978	\$ 204,131	\$ 193,579
Contribution in Relation to the Contractually Required Contribution	(219,978)	(204,131)	(193,579)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 23,856,391	\$ 24,071,827	\$ 22,876,555
Contributions as a Percentage of Covered Payroll	0.92%	0.85%	0.85%

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.

	2020	2019	2018
\$	185,951	\$ 181,531	\$ 178,347
	(185,951)	(181,531)	(178,347)
\$	-	\$ -	\$ -
\$	22,507,419	\$ 21,363,794	\$ 22,048,830
	0.83%	0.85%	0.81%

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

A. Defined Benefit Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumption were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 to 7.00 percent.

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 assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The single discount rate changes from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumption were also factors that decreased the Total OPEB Liability.

COMBINING AND OTHER STATEMENTS

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

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	\$ 31,231	\$ -	\$ 45,547	\$ 614,857
1120 Investments - Current	-	-	-	1,233,130
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	37,551	145,328	-	-
1260 Due from Other Funds	-	-	-	3,219
1300 Inventories	-	-	-	44,806
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 68,782</u>	<u>\$ 145,328</u>	<u>\$ 45,547</u>	<u>\$ 1,896,012</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 4,950	\$ -	\$ 19,770
2150 Payroll Deductions and Withholdings Payable	3,370	4,334	1,851	2,099
2160 Accrued Wages Payable	65,412	64,143	43,696	99,435
2170 Due to Other Funds	-	71,901	-	171,742
2300 Unearned Revenue	-	-	-	40,278
2000 Total Liabilities	<u>68,782</u>	<u>145,328</u>	<u>45,547</u>	<u>333,324</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	44,806
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	1,517,882
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:				
3510 Construction	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,562,688</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 68,782</u>	<u>\$ 145,328</u>	<u>\$ 45,547</u>	<u>\$ 1,896,012</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	280 ESSER III Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,138	14,282	76,810	15,444	50	159,584	299,786	22,472
592	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,500	880	-	-	-	-	-
<u>\$ 20,730</u>	<u>\$ 16,782</u>	<u>\$ 77,690</u>	<u>\$ 15,444</u>	<u>\$ 50</u>	<u>\$ 159,584</u>	<u>\$ 299,786</u>	<u>\$ 22,472</u>
\$ -	\$ 818	\$ 2,493	\$ -	\$ -	\$ -	\$ -	\$ -
29	-	2,628	412	-	3,177	9,558	275
3,708	-	17,345	8,265	-	73,735	174,364	17,046
3,918	15,964	55,224	6,767	50	82,672	115,864	5,151
-	-	-	-	-	-	-	-
<u>7,655</u>	<u>16,782</u>	<u>77,690</u>	<u>15,444</u>	<u>50</u>	<u>159,584</u>	<u>299,786</u>	<u>22,472</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,075	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>13,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,730</u>	<u>\$ 16,782</u>	<u>\$ 77,690</u>	<u>\$ 15,444</u>	<u>\$ 50</u>	<u>\$ 159,584</u>	<u>\$ 299,786</u>	<u>\$ 22,472</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	364 SSA - IDEA B Formula ARP Act	365 SSA - IDEA B Preschool ARP Act	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	453,242	97	78,186	9,845
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	\$ 453,242	\$ 97	\$ 78,186	\$ 9,845
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 5,230	\$ -
2150	Payroll Deductions and Withholdings Payable	4,452	-	-	-
2160	Accrued Wages Payable	86,695	-	-	-
2170	Due to Other Funds	362,095	97	72,956	9,845
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	453,242	97	78,186	9,845
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ 453,242	\$ 97	\$ 78,186	\$ 9,845

386 Regional Day School for the Deaf	410 State Instructional Materials	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	690 Local Capital Projects Fund
\$ -	\$ -	\$ -	\$ 147,586	\$ 316,891	\$ 1,156,112	\$ 2,328,034	\$ 1
-	-	-	-	-	1,233,130	203,431	34,545
-	-	-	-	-	-	187,835	-
-	-	-	-	-	-	(9,392)	-
8,943	2,677	-	5,905	-	1,350,340	22,620	-
-	-	-	-	-	3,811	-	-
-	-	-	-	-	44,806	-	-
-	-	-	1,975	-	5,355	-	-
<u>\$ 8,943</u>	<u>\$ 2,677</u>	<u>\$ -</u>	<u>\$ 155,466</u>	<u>\$ 316,891</u>	<u>\$ 3,793,554</u>	<u>\$ 2,732,528</u>	<u>\$ 34,546</u>
\$ -	\$ -	\$ -	\$ 948	\$ -	\$ 34,209	\$ -	\$ -
-	-	-	2,993	-	35,178	-	-
-	-	-	151,525	-	805,369	-	-
8,943	2,677	-	-	-	985,866	-	-
-	-	-	-	-	40,278	-	-
<u>8,943</u>	<u>2,677</u>	<u>-</u>	<u>155,466</u>	<u>-</u>	<u>1,900,900</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	178,443	-
-	-	-	-	-	-	178,443	-
-	-	-	-	-	44,806	-	-
-	-	-	-	-	1,530,957	-	-
-	-	-	-	-	-	2,554,085	-
-	-	-	-	316,891	316,891	-	-
-	-	-	-	-	-	-	34,546
-	-	-	-	316,891	1,892,654	2,554,085	34,546
<u>\$ 8,943</u>	<u>\$ 2,677</u>	<u>\$ -</u>	<u>\$ 155,466</u>	<u>\$ 316,891</u>	<u>\$ 3,793,554</u>	<u>\$ 2,732,528</u>	<u>\$ 34,546</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	698 Capital Projects- 2018 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ -	\$ 1 \$ 3,484,147
1120	Investments - Current	67	34,612 1,471,173
1220	Property Taxes - Delinquent	-	- 187,835
1230	Allowance for Uncollectible Taxes	-	- (9,392)
1240	Due from Other Governments	-	- 1,372,960
1260	Due from Other Funds	-	- 3,811
1300	Inventories	-	- 44,806
1410	Prepayments	-	- 5,355
1000	Total Assets	<u>\$ 67</u>	<u>\$ 34,613 \$ 6,560,695</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ - \$ 34,209
2150	Payroll Deductions and Withholdings Payable	-	- 35,178
2160	Accrued Wages Payable	-	- 805,369
2170	Due to Other Funds	67	67 985,933
2300	Unearned Revenue	-	- 40,278
2000	Total Liabilities	<u>67</u>	<u>67 1,900,967</u>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	-	- 178,443
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>- 178,443</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410	Inventories	-	- 44,806
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	- 1,530,957
3480	Retirement of Long-Term Debt	-	- 2,554,085
3490	Other Restricted Fund Balance	-	- 316,891
Committed Fund Balance:			
3510	Construction	-	34,546 34,546
3000	Total Fund Balances	<u>-</u>	<u>34,546 4,481,285</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 67</u>	<u>\$ 34,613 \$ 6,560,695</u>

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

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	\$ -	\$ -	\$ -	\$ 781,692
5800 State Program Revenues	-	-	-	56,302
5900 Federal Program Revenues	372,000	578,307	286,597	1,314,220
5020 Total Revenues	372,000	578,307	286,597	2,152,214
EXPENDITURES:				
Current:				
0011 Instruction	334,901	504,347	221,888	-
0012 Instructional Resources and Media Services	-	49,257	-	-
0013 Curriculum and Instructional Staff Development	-	4,950	-	-
0021 Instructional Leadership	-	14,565	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	64,709	-
0032 Social Work Services	-	-	-	-
0033 Health Services	37,099	-	-	-
0035 Food Services	-	-	-	1,821,733
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	5,188	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	372,000	578,307	286,597	1,821,733
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	330,481
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	330,481
0100 Fund Balance - July 1 (Beginning)	-	-	-	1,232,207
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 1,562,688

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	280 ESSER III Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds
\$ 605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
268	-	-	-	-	-	-	-
22,832	36,142	106,611	54,723	3,505	478,727	1,076,870	60,083
23,705	36,142	106,611	54,723	3,505	478,727	1,076,870	60,083
-	30,381	-	43,444	3,505	458,243	1,039,108	11,632
-	-	-	-	-	-	36,178	-
-	3,016	81,947	7,876	-	-	-	-
-	-	8,287	3,403	-	-	-	866
-	-	9,268	-	-	-	-	350
-	-	7,009	-	-	-	893	-
-	-	100	-	-	20,484	691	-
-	-	-	-	-	-	-	-
23,705	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	47,235
-	2,727	-	-	-	-	-	-
-	18	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,705	36,142	106,611	54,723	3,505	478,727	1,076,870	60,083
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,075	-	-	-	-	-	-	-
\$ 13,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	364 SSA - IDEA B Formula ARP Act	365 SSA - IDEA B Preschool ARP Act
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	626,318	2,267	88,895	9,845
5020 Total Revenues	626,318	2,267	88,895	9,845
EXPENDITURES:				
Current:				
0011 Instruction	19,750	-	69,351	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	480	10,734	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	519,710	1,787	8,810	9,845
0032 Social Work Services	77,220	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	9,638	-	-	-
6030 Total Expenditures	626,318	2,267	88,895	9,845
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

386 Regional Day School for the Deaf	410 State Instructional Materials	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	690 Local Capital Projects Fund
\$ -	\$ -	\$ -	\$ 1,623,034	\$ 299,733	\$ 2,705,064	\$ 6,826,000	\$ 5,538
8,943	208,173	7,175	81,378	-	362,239	36,861	-
-	-	-	-	-	5,117,942	-	-
8,943	208,173	7,175	1,704,412	299,733	8,185,245	6,862,861	5,538
8,943	183,373	-	832,663	85,465	3,846,994	-	-
-	-	-	-	36,992	122,427	-	-
-	24,800	-	6,054	268	140,125	-	-
-	-	-	410,238	-	437,359	-	-
-	-	-	-	152	9,770	-	-
-	-	-	444,172	518	1,057,453	-	-
-	-	-	-	-	98,495	-	-
-	-	-	925	-	38,024	-	-
-	-	-	-	-	1,845,438	-	-
-	-	-	-	161,876	161,876	-	-
-	-	-	2,180	-	2,180	-	-
-	-	-	914	-	914	-	-
-	-	7,175	-	-	7,175	-	-
-	-	-	-	-	52,423	-	-
-	-	-	1,245	-	3,972	4,170,000	-
-	-	-	21	-	39	2,280,173	-
-	-	-	-	-	-	-	122,314
-	-	-	6,000	-	15,638	-	-
8,943	208,173	7,175	1,704,412	285,271	7,840,302	6,450,173	122,314
-	-	-	-	14,462	344,943	412,688	(116,776)
-	-	-	-	-	-	-	-
-	-	-	-	14,462	344,943	412,688	(116,776)
-	-	-	-	302,429	1,547,711	2,141,397	151,322
\$ -	\$ -	\$ -	\$ -	\$ 316,891	\$ 1,892,654	\$ 2,554,085	\$ 34,546

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	698 Capital Projects- 2018 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,267	\$ 12,805	\$ 9,543,869
5800 State Program Revenues	-	-	399,100
5900 Federal Program Revenues	-	-	5,117,942
5020 Total Revenues	<u>7,267</u>	<u>12,805</u>	<u>15,060,911</u>
EXPENDITURES:			
Current:			
0011 Instruction	-	-	3,846,994
0012 Instructional Resources and Media Services	-	-	122,427
0013 Curriculum and Instructional Staff Development	-	-	140,125
0021 Instructional Leadership	-	-	437,359
0023 School Leadership	-	-	9,770
0031 Guidance, Counseling, and Evaluation Services	-	-	1,057,453
0032 Social Work Services	-	-	98,495
0033 Health Services	-	-	38,024
0035 Food Services	-	-	1,845,438
0036 Extracurricular Activities	-	-	161,876
0041 General Administration	-	-	2,180
0051 Facilities Maintenance and Operations	-	-	914
0052 Security and Monitoring Services	111,605	111,605	118,780
0061 Community Services	-	-	52,423
Debt Service:			
0071 Principal on Long-Term Liabilities	-	-	4,173,972
0072 Interest on Long-Term Liabilities	-	-	2,280,212
Capital Outlay:			
0081 Facilities Acquisition and Construction	180,815	303,129	303,129
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	15,638
6030 Total Expenditures	<u>292,420</u>	<u>414,734</u>	<u>14,705,209</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,153)	(401,929)	355,702
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	147,120	147,120	147,120
1200 Net Change in Fund Balance	(138,033)	(254,809)	502,822
0100 Fund Balance - July 1 (Beginning)	138,033	289,355	3,978,463
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 34,546</u>	<u>\$ 4,481,285</u>

T.E.A REQUIRED SCHEDULES

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ 27,482,089,979
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	0.970000	0.106200	4,140,083,720
2021	0.949100	0.106200	4,283,686,675
2022	0.872000	0.106200	5,253,444,490
2023 (School year under audit)	0.854600	0.106200	6,137,129,583
1000	TOTALS		
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone (See Footnote)		
8000	Total Taxes Refunded Under Section 26.115, Tax Code		

(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
\$ 186,154	\$ -	\$ 8,913	\$ -	\$ -	\$ 177,241
22,533	-	1,645	167	-	20,721
25,344	-	1,872	190	-	23,282
32,723	-	3,675	373	-	28,675
45,005	-	11,687	1,184	-	32,134
71,124	-	18,777	1,901	(1,885)	48,561
143,213	-	54,621	5,933	19,468	102,127
295,576	-	107,292	11,822	15,717	192,179
755,218	-	421,255	50,833	(3,261)	279,869
-	58,916,444	51,441,112	6,388,111	(57,463)	1,029,758
<u>\$ 1,576,890</u>	<u>\$ 58,916,444</u>	<u>\$ 52,070,849</u>	<u>\$ 6,460,514</u>	<u>\$ (27,424)</u>	<u>\$ 1,934,547</u>
		<u>\$ -</u>			
		<u>\$ -</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, 2023

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	\$ 675,000	\$ 913,545	\$ 781,692	\$ (131,853)
5800 State Program Revenues	72,300	72,300	56,302	(15,998)
5900 Federal Program Revenues	1,075,000	1,341,835	1,314,220	(27,615)
5020 Total Revenues	1,822,300	2,327,680	2,152,214	(175,466)
EXPENDITURES:				
Current:				
0035 Food Services	2,382,300	2,382,300	1,821,733	560,567
6030 Total Expenditures	2,382,300	2,382,300	1,821,733	560,567
1200 Net Change in Fund Balances	(560,000)	(54,620)	330,481	385,101
0100 Fund Balance - July 1 (Beginning)	1,232,207	1,232,207	1,232,207	-
3000 Fund Balance - June 30 (Ending)	\$ 672,207	\$ 1,177,587	\$ 1,562,688	\$ 385,101

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, 2023

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	\$ 6,161,868	\$ 6,862,182	\$ 6,826,000	\$ (36,182)
5800 State Program Revenues	-	36,861	36,861	-
5020 Total Revenues	6,161,868	6,899,043	6,862,861	(36,182)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	5,512,000	4,170,000	4,170,000	-
0072 Interest on Long-Term Liabilities	641,868	2,280,174	2,280,173	1
0073 Bond Issuance Cost and Fees	8,000	8,000	-	8,000
6030 Total Expenditures	6,161,868	6,458,174	6,450,173	8,001
1200 Net Change in Fund Balances	-	440,869	412,688	(28,181)
0100 Fund Balance - July 1 (Beginning)	2,141,397	2,141,397	2,141,397	-
3000 Fund Balance - June 30 (Ending)	\$ 2,141,397	\$ 2,582,266	\$ 2,554,085	\$ (28,181)

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	2,752,750
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1,466,337
<hr/>		
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	372,393
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	206,798
<hr/>		

REPORTS ON INTERNAL CONTROLS, COMPLIANCE AND
FEDERAL AWARDS



NEFFENDORF & BLOCKER, P.C.

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

Members of the Board:

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, 2023, 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 10, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

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Fredericksburg Independent School District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Fredericksburg Independent School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Fredericksburg Independent School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C
Fredericksburg, Texas

November 10, 2023



NEFFENDORF & BLOCKER, P.C.

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

Opinion on Each Major Federal Program

We have audited Fredericksburg Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fredericksburg Independent School District's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Fredericksburg Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Fredericksburg Independent School District's

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

November 10, 2023

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of the Auditor's Results:

I. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material Weakness(es) identified ___ Yes X No

Significant deficiencies identified that are not considered to be material weakness ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

II. Federal and State Awards

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material Weakness(es) identified ___ Yes X No

Significant deficiencies identified that are not considered to be material weakness ___ Yes X No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance? ___ Yes X No

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of the Federal Program or Cluster</u>
84.425	Elementary and Secondary School Emergency Relief Fund
10.553, 10.555 and 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes ___ No

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

2023-001

Type of Finding: Noncompliance

Criteria: Districts are not allowed to have a fund balance in the food service fund in excess of three months' average expenditures for food operations in accordance with TEA's guidance and NSLP Handbook: Administrator's Reference Manual, Section 16.

Condition: The District's fund balance in the food service fund was \$1,562,688 which is in excess of three months' average expenditures (\$493,284).

Cause: The District failed to monitor the excess amount of fund balance in the food service fund.

Effect: The District was not compliant with the state's excess fund balance requirements.

Questioned Costs: None

Recommendation: We recommend the District monitor the food service fund balance and budget adequate amounts in 2023-24 to meet compliance requirements.

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, 2023

STATEMENT OF CORRECTIVE ACTION -
CURRENT YEAR DISCLOSURES

At year end, the School Nutrition Program fund balance does not fall within the allowable level. As such, FISD has taken steps to reduce its net cash resources with a plan to improve the quality of the school nutrition program by purchasing needed supplies and equipment during 2023-2024.

Contact: Jill Minshew, CFO
(830) 997-9551

Estimated Completion Date: June 30, 2024

STATEMENT OF CORRECTIVE ACTION -
PRIOR YEAR DISCLOSURES

At year end, the School Nutrition Program fund balance does not fall within the allowable level. As such, FISD has taken steps to reduce its net cash resources with a plan to improve the quality of the school nutrition program by purchasing needed supplies and equipment during 2022-2023. Specifically, we budgeted a deficit for the current budget year in order to purchase new serving lines at FES that are needed and are looking at a few other items – breakfast carts, tables, etc.

Contact: Jill Minshew, CFO
(830) 997-9551

The District was still not compliant in FY 2023 and plans to become compliant by the end of fiscal year 2024.

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101086901	\$ 9,393
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101086901	568,913
Total Assistance Listing Number 84.010			578,306
*IDEA - Part B, Formula	84.027	236600010869016600	286,597
*SSA - IDEA - Part B, Formula	84.027	226600010869016600	17,909
*SSA - IDEA - Part B, Formula	84.027	236600010869016600	608,408
*COVID 19 -SSA - IDEA,B,Formula - ARP	84.027X	225350020869015350	88,896
Total Assistance Listing Number 84.027			1,001,810
*SSA - IDEA - Part B, Preschool	84.173	236610010869016610	2,267
*COVID 19 -SSA - IDEA,B,Preschool - ARP	84.173X	225360020869015630	9,845
Total Assistance Listing Number 84.173			12,112
Total Special Education Cluster (IDEA)			1,013,922
Career and Technical - Basic Grant	84.048	23420006086901	36,142
Title III, Part A - English Language Acquisition	84.365A	22671001086901	1,600
Title III, Part A - English Language Acquisition	84.365A	23671001086901	53,123
Total Assistance Listing Number 84.365			54,723
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501086901	595
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501086901	106,016
Total Assistance Listing Number 84.367			106,611
COVID 19 - ESSER II - School Emergency Relief	84.425D	21521001086901	478,727
COVID 19 - ESSER III - School Emergency Relief	84.425D	21528001086901	1,076,870
COVID 19 - ARP Education for Homeless Children	84.425W	21533002086901	3,505
Total Assistance Listing Number 84.425			1,559,102
Title IV, Part A, Subpart I	84.424	22680101086901	874
Title IV, Part A, Subpart I	84.424	23680101086901	47,577
Total Assistance Listing Number 84.424			48,451
Grants for State Assessments and Related Activities	84.369	69552102	11,632
Total Passed Through Texas Education Agency			3,408,889
TOTAL U.S. DEPARTMENT OF EDUCATION			3,408,889
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Education Agency</u>			
Head Start	93.600	06-CH10076-01-3865	372,000
Total Passed Through Texas Education Agency			372,000
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			372,000
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553		242,228
*National School Lunch Program - Cash Assistance	10.555		810,441
*National School Lunch Prog. - Non-Cash Assistance	10.555		151,380

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Supply Chain Assistance	10.555	226TX400N8903	74,387
Supply Chain Assistance	10.555	236TX400N8903	30,231
Total Assistance Listing Number 10.555			1,066,439
*Summer Feeding Program - Cash Assistance	10.559		22,832
Total Child Nutrition Cluster			1,331,499
State Administrative Expenses for Child Nutrition	10.560	226TX312N2533	2,420
Pandemic EBT Administrative Costs	10.649	226TX109S9009	3,135
Total Passed Through the Texas Department of Agriculture			1,337,054
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,337,054
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,117,943

*Clustered Programs

FREDERICKSBURG INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Fredericksburg Independent School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the 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).

Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund Types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-3 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$ 5,117,943
General Fund – federal revenue	
Indirect Costs	231,141
Navy-JROTC	67,389
SHARS	569,740
Total federal revenues per Exhibit C-3	\$ 5,986,213

Indirect Cost Rate

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 \$231,141.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.



NEFFENDORF & BLOCKER, P.C.

November 13, 2023

Board of Trustees
Fredericksburg Independent School District
Fredericksburg, TX 78624

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fredericksburg Independent School District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fredericksburg Independent School District are described in Note I to the financial statements. GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* was adopted and the application of existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by Fredericksburg Independent School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & TEXAS SOCIETY OF CPAs

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Fredericksburg Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Fredericksburg Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, the TRS net pension liability schedules and the TRS OPEB Liability schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and the Texas Education Agency required Exhibits, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Fredericksburg Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas