

FRANKSTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2020**

FRANKSTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Frankston Independent School District
Name of School District


Anderson
County

001-904
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 14th day of December, 2020.



Signature of Board Secretary



Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frankston Independent School District
Frankston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frankston Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Frankston Independent School District, as of August, 31 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Frankston Independent School District's basic financial statements. The combining nonmajor fund financial statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of Frankston 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 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 Frankston Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Frankston Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the 2020 school year by (\$649,563).
- The General Fund ended the year with a fund balance of \$4,115,292, an increase of \$638,533 over the prior year.
- The resources available for appropriation were \$618,646 more than budgeted for the General Fund.

USING THIS REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. 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.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary purpose of the Statement of Net Position and Statement of Activities is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows/inflows of resources and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in it. The District's net position (the difference between assets, deferred outflows/inflows of resources and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, consideration should be given to non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

The Statement of Net Position and the Statement of Activities reflects only governmental activities:

Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds — Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

We will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

TABLE 1
CONDENSED SCHEDULE OF NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 5,945,398	\$ 5,014,920
Capital assets	<u>14,997,428</u>	<u>16,419,334</u>
Total assets	<u>20,942,826</u>	<u>21,434,254</u>
Deferred Outflows of Resources:		
Deferred outflow related to TRS	<u>2,704,710</u>	<u>2,048,897</u>
Total deferred outflows of resources	<u>2,704,710</u>	<u>2,048,897</u>
Liabilities:		
Long-term liabilities	20,553,044	20,662,039
Other liabilities	<u>1,471,829</u>	<u>1,034,510</u>
Total liabilities	<u>22,024,873</u>	<u>21,696,549</u>
Deferred Inflows of Resources:		
Deferred inflow related to TRS	<u>2,272,226</u>	<u>1,429,593</u>
Net position:		
Net investment in capital assets	846,458	1,589,573
Restricted	658,656	568,081
Unrestricted	<u>(2,154,677)</u>	<u>(1,800,645)</u>
Total net position	<u>\$ (649,563)</u>	<u>\$ 357,009</u>

Net position of the District's governmental activities decreased to (\$649,563) from \$357,009. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased to (\$2,154,677) from (\$1,800,645).

TABLE 2
CONDENSED SCHEDULE OF CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019
REVENUES		
Program revenues:		
Charges for services	\$ 173,444	\$ 193,311
Operating grants and contributions	1,642,786	1,382,032
General revenues:		
Property taxes - general purposes	2,729,757	2,757,851
Property taxes - debt service	897,640	872,693
Grants and contributions not restricted	6,497,500	4,903,131
Investment earnings	59,171	100,890
Miscellaneous	15,661	489,248
Total revenues	<u>12,015,959</u>	<u>10,699,156</u>
EXPENSES		
Instruction	5,968,022	5,268,307
Instructional resources and media services	63,053	77,082
Curriculum and staff development	231,627	172,664
School leadership	619,094	531,089
Guidance, counseling, and evaluation services	245,455	216,924
Health services	142,359	110,780
Student (pupil) transportation	156,398	80,264
Food service	613,551	521,664
Extracurricular activities	1,056,482	1,036,459
General administration	575,457	577,201
Facilities maintenance and operations	1,209,619	1,075,720
Data processing services	357,595	430,802
Security and monitoring service	66,921	45,482
Debt service - interest on long-term debt	500,511	458,328
Debt service - bond issuance cost and fees	1,700	1,700
Payments to fiscal agents	196,644	168,884
Other intergovernmental charges	64,097	77,362
Total expenses	<u>12,068,585</u>	<u>10,850,712</u>
Increase/(Decrease) in net position before inflows/outflows and special items	(52,626)	(151,556)
NET POSITION, BEGINNING	<u>357,009</u>	<u>508,565</u>
PRIOR PERIOD ADJUSTMENT	(953,946)	-
NET POSITION, ENDING	<u>\$(649,563)</u>	<u>\$ 357,009</u>

The District's total revenues and expenses increased by \$1,316,803 and \$1,217,873 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2020, the District had \$14,997,428 net of depreciation invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long Term Liabilities

At August 31, 2020, the District had \$20,553,044 in long-term liabilities outstanding. This is a decrease of \$108,995 in long-term liabilities from August 31, 2019.

The primary reason for this decrease is the regularly scheduled payments on the District's outstanding bonds. The decrease would have been greater except for the increase in both the District's pension and OPEB liability.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. Amounts available for appropriation in the General Fund budget are 9,424,554, an increase of 1.5% from the final 2020 budget of 9,284,597. Property taxes decreased to a total of \$1.0547 for M&O and \$0.2858 for I&S, for a total tax rate of \$1.3405. If these estimates are realized, the District's budgetary General Fund balance will remain unchanged by the close of 2021. The District will continue to monitor enrollment figures and tax collections and will implement spending cuts if significant decreases occur in either.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Frankston Independent School District at 100 Perry Street, or P.O. Box 428, Frankston, Texas 75763. The phone number is 903-876-2556.

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BASIC FINANCIAL STATEMENTS

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FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2020

Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 362,299
1120	Current investments	4,655,374
1220	Property taxes receivable (delinquent)	423,837
1230	Allowance for uncollectible taxes	(155,626)
1240	Due from other governments	649,060
1290	Other receivables, net	1,149
1410	Deferred expenditures or expenses	9,305
	Capital assets:	
1510	Land	81,180
1520	Buildings, net	14,678,974
1530	Furniture and equipment, net	<u>237,274</u>
1000	Total assets	<u>20,942,826</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows related to NPL	1,351,860
1706	Deferred outflows related to OPEB	<u>1,352,850</u>
1700	Total deferred outflows of resources	<u>2,704,710</u>
LIABILITIES		
2110	Accounts payable	113,511
2140	Interest payable	18,827
2160	Accrued wages payable	464,429
2180	Due to other governments	356,826
	Noncurrent liabilities:	
2501	Due within one year	518,236
2502	Due in more than one year	13,898,107
2540	Net pension liability	2,408,993
2545	Net OPEB liability	<u>4,245,944</u>
2000	Total liabilities	<u>22,024,873</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows related to NPL	435,368
2606	Deferred inflows related to OPEB	<u>1,836,858</u>
2600	Total deferred inflows of resources	<u>2,272,226</u>
NET POSITION		
3200	Net investment in capital assets	846,458
	Restricted:	
3850	Restricted for debt service	638,354
3870	Restricted for campus activities	20,302
3900	Unrestricted	<u>(2,154,677)</u>
3000	Total net position	<u>\$(649,563)</u>

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1	Program Revenues 3
		Expenses	Charges for Services
Primary government:			
Governmental activities:			
11	Instruction	\$ 5,968,022	\$ -
12	Instructional resources and media services	63,053	-
13	Curriculum and staff development	231,627	-
23	School leadership	619,094	-
31	Guidance, counseling, and evaluation services	245,455	-
33	Health services	142,359	-
34	Student (pupil) transportation	156,398	-
35	Food service	613,551	79,730
36	Extracurricular activities	1,056,482	93,714
41	General administration	575,457	-
51	Facilities maintenance and operations	1,209,619	-
52	Security and monitoring services	66,921	-
53	Data processing services	357,595	-
72	Debt Service - interest on long-term debt	500,511	-
73	Debt Service - bond issuance costs and fees	1,700	-
93	Payments to fiscal agent/member districts of SSA	196,644	-
99	Other intergovernmental charges	64,097	-
	[TP] Total primary government	<u>\$ 12,068,585</u>	<u>\$ 173,444</u>

General revenues:

Taxes:	
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
GC	Grants and contributions not restricted
IE	Investment earnings
MI	Miscellaneous local and intermediate revenue
TR	Total general revenues
CN	Change in net position
NB	Net position, beginning
PA	Prior period adjustment
NE	Net position, ending

Net (Expense) Revenue and
Changes in Net Position

	4	6
	<u>Operating Grants and Contributions</u>	<u>Primary Gov. Governmental Activities</u>
\$	757,128	\$(5,210,894)
	25,725	(37,328)
	25,227	(206,400)
	62,684	(556,410)
	20,727	(224,728)
	14,968	(127,391)
	4,177	(152,221)
	333,214	(200,607)
	32,252	(930,516)
	32,654	(542,803)
	95,446	(1,114,173)
	-	(66,921)
	202,147	(155,448)
	36,437	(464,074)
	-	(1,700)
	-	(196,644)
	-	(64,097)
\$	<u>1,642,786</u>	<u>\$(10,252,355)</u>

2,729,757
897,640
6,497,500
59,171
<u>15,661</u>
<u>10,199,729</u>
(52,626)
<u>357,009</u>
(953,946)
<u>\$(649,563)</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes		10 General	50 Debt Service	Other Governmental	Total Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 172,283	\$ 100,781	\$ 89,235	\$ 362,299
1120	Investments - current	4,099,889	555,485	-	4,655,374
1220	Property taxes - delinquent	328,619	95,218	-	423,837
1230	Allowance for uncollectible taxes	(120,663)	(34,963)	-	(155,626)
1240	Due from other governments	541,179	-	107,881	649,060
1260	Due from other funds	135,587	-	-	135,587
1290	Other receivables	1,149	-	-	1,149
1410	Prepaid items	9,305	-	-	9,305
1000	Total assets	<u>5,167,348</u>	<u>716,521</u>	<u>197,116</u>	<u>6,080,985</u>
LIABILITIES					
2110	Accounts payable	95,928	-	17,583	113,511
2160	Accrued wages payable	423,600	-	40,829	464,429
2170	Due to other funds	-	17,185	118,402	135,587
2180	Due to other governments	314,671	42,155	-	356,826
2000	Total liabilities	<u>834,199</u>	<u>59,340</u>	<u>176,814</u>	<u>1,070,353</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	217,857	63,378	-	281,235
2600	Total deferred inflows of resources	<u>217,857</u>	<u>63,378</u>	<u>-</u>	<u>281,235</u>
FUND BALANCES					
Non-spendable for:					
3430	Prepaid items	9,305	-	-	9,305
Restricted Fund Balance:					
3480	Retirement of long-term debt	-	593,803	-	593,803
Committed Fund Balance:					
3510	Construction	625,000	-	-	625,000
3545	Campus activity	-	-	20,302	20,302
3600	Unassigned fund balance	3,480,987	-	-	3,480,987
3000	Total fund balances	<u>4,115,292</u>	<u>593,803</u>	<u>20,302</u>	<u>4,729,397</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,167,348</u>	<u>\$ 716,521</u>	<u>\$ 197,116</u>	<u>\$ 6,080,985</u>

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED AUGUST 31, 2020

Total fund balances - governmental funds	\$ 4,729,397
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	14,997,428
2 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position.	(14,435,170)
3 Included in the items related to debt is the recognition of the District's proportion 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 \$1,351,860, a deferred resource inflow in the amount of \$435,368, and a net pension liability in the amount of \$2,408,993. This resulted in a decrease in net position.	(1,492,501)
4 Included in the items related to debt is the recognition of the District's proportion 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 \$1,352,850, a deferred resource inflow in the amount of \$1,836,858, and a net OPEB liability in the amount of \$4,245,944. This resulted in a decrease in net position.	(4,729,952)
5 Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.	<u>281,235</u>
19 Net position of governmental activities	\$(<u>649,563</u>)

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General	50 Debt Service	Other Governmental	Total Governmental Funds
REVENUES				
5700 Local and intermediate sources	\$ 2,950,512	\$ 925,475	\$ 148,335	\$ 4,024,322
5800 State program revenues	6,918,487	36,437	186,049	7,140,973
5900 Federal program revenues	<u>34,244</u>	<u>-</u>	<u>649,487</u>	<u>683,731</u>
5020 Total revenues	<u>9,903,243</u>	<u>961,912</u>	<u>983,871</u>	<u>11,849,026</u>
EXPENDITURES				
Current:				
0011 Instruction	4,761,548	-	387,470	5,149,018
0012 Instructional resources and media services	10,245	-	25,725	35,970
0013 Curriculum and instructional staff development	205,126	-	-	205,126
0023 School leadership	531,099	-	-	531,099
0031 Guidance, counseling, and evaluation services	217,417	-	-	217,417
0033 Health services	128,212	-	-	128,212
0034 Student (pupil) transportation	111,443	-	-	111,443
0035 Food service	3,419	-	475,829	479,248
0036 Extracurricular activities	694,020	-	68,377	762,397
0041 General administration	537,704	-	-	537,704
0051 Facilities maintenance and operations	1,129,185	-	-	1,129,185
0052 Security and monitoring services	52,242	-	14,679	66,921
0053 Data processing services	249,034	-	79,296	328,330
0071 Principal on long-term debt	-	475,000	-	475,000
0072 Interest on long-term debt	-	439,416	-	439,416
0073 Bond issuance costs and fees	-	1,700	-	1,700
0093 Payments to fiscal agent/member districts of SSA	196,644	-	-	196,644
Intergovernmental:				
0099 Other Intergovernmental	<u>64,097</u>	<u>-</u>	<u>-</u>	<u>64,097</u>
6030 Total expenditures	<u>8,891,435</u>	<u>916,116</u>	<u>1,051,376</u>	<u>10,858,927</u>
1100 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,011,808</u>	<u>45,796</u>	<u>(67,505)</u>	<u>990,099</u>
OTHER FINANCING SOURCES (USES)				
7915 Transfers in	-	-	67,733	67,733
8911 Transfers out	<u>(67,733)</u>	<u>-</u>	<u>-</u>	<u>(67,733)</u>
7080 Total other financing sources (uses)	<u>(67,733)</u>	<u>-</u>	<u>67,733</u>	<u>-</u>
1200 NET CHANGE IN FUND BALANCES	<u>944,075</u>	<u>45,796</u>	<u>228</u>	<u>990,099</u>
0100 FUND BALANCES, BEGINNING	<u>3,476,759</u>	<u>548,007</u>	<u>20,074</u>	<u>4,044,840</u>
1300 PRIOR PERIOD ADJUSTMENT	<u>(305,542)</u>	<u>-</u>	<u>-</u>	<u>(305,542)</u>
3000 FUND BALANCES, ENDING	<u>\$ 4,115,292</u>	<u>\$ 593,803</u>	<u>\$ 20,302</u>	<u>\$ 4,729,397</u>

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Net change in fund balances - total governmental funds	\$ 990,099
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful live as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	(773,502)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	(148,649)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.</p>	413,905
<p>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 \$114,687. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$152,687. 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 \$374,970. The net result is a decrease in the change in net position.</p>	(412,970)
<p>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 \$75,455. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$76,739. 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 \$120,225. The net result is an decrease in the change in net position.</p>	<u>(121,509)</u>
Change in net position of governmental activities	<u>\$ (52,626)</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

AUGUST 31, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 110,335
Other receivables	<u>21</u>
Total assets	<u>110,356</u>
LIABILITIES	
Accounts payable	2,459
Unearned Revenues	1,767
Due to student groups	<u>106,130</u>
Total liabilities	<u>\$ 110,356</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Frankston 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 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. There are no component units included within the reporting entity. The District prepares its basic financial statements in conformity with generally accepted accounting principles 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.

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 Frankston Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenue.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates 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 revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported as general revenues.

Interfund activities between governmental 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 Activities.

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 the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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. Revenue is 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 revenue 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., revenue and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenue in the accounting period in which it becomes 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 revenue available if it is collectible within 60 days after year-end.

Revenue from local sources consists primarily of property taxes. Property tax revenue and state aid revenue 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 revenue is recorded as revenue when received in cash because it is 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 deferred revenue 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 agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

The **General Fund** is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

The **Debt Service Fund** 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.

Additionally, the District reports the following fund types:

The **Special Revenue Funds** account for resources restricted to, or designated for specific purposes by the District or a grantor. 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.

Agency Fund – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

Inventories

The District records purchases of supplies as expenditures. Inventory on the balance sheet is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 upon receipt of the tax bill and are delinquent if not paid by 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. Delinquent taxes not paid by August 31 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2019 upon which the levy for the 2019-2020 fiscal year was based, was \$273,764,774. The tax rates assessed for the year ended August 31, 2020 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0683 and \$.3516 per \$100 valuation, respectively, for a total of \$1.4199 per \$100 valuation. Current tax collections for the year ended August 31, 2020 were 96.5% of the year end adjusted tax levy. As of August 31, 2020, property taxes receivable totaled \$328,619 and \$95,218 for the General and Debt Service Funds respectively.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column 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 acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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 are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Vehicles	10
Furniture and equipment	7-20

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current year debt service expenditures.

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

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, and changes in actuarial assumptions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues, property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience and changes in actuarial assumptions.

Defined Benefit Pension Plan

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.

Other Post-Employment Benefit Pension Plan

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.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the School Board or by other officials to whom the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balances to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designees.
- **Unassigned:** This classification is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position Flow Assumption

Net positions represent the difference between assets, deferred inflows/outflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Data Control Codes

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 ensure accuracy in building a statewide database for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2020, will change.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.0 IO.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.01 I.; 4) A securities lending program as permitted by Government code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2019-2020 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Concentration of Credit Risk

Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

Investments – Cash Equivalents

The District's investments - cash equivalents at August 31, 2020, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
First Public / Lone Star Investment Pool	\$ 3,320,580	\$ 3,320,580	24
Texas Class	<u>1,334,795</u>	<u>1,334,795</u>	54
Total, net	\$ <u>4,655,375</u>	\$ <u>4,655,375</u>	

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.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the fair value of a share should approximately equal the book value of a share.

In accordance with state law and the District's investment policy, investments in investment pools must be rated at least AAA or have an equivalent rating, and obligations of states, agencies, counties and cities must be rated at least A or its equivalent. As of August 31, 2020, the District's investments in investment pools met or exceeded the ratings criteria.

B. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
State entitlements	\$ 541,179	\$ -	\$ 541,179
Other state grants	-	22,085	22,085
Federal grants	<u>-</u>	<u>85,796</u>	<u>85,796</u>
Total	\$ <u>541,179</u>	\$ <u>107,881</u>	\$ <u>649,060</u>

C. Interfund Balances

The composition of interfund balances as of August 31, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 17,185
General	Nonmajor governmental	<u>118,402</u>
Total		<u>\$ 135,587</u>

D. Receivables

Receivables at August 31, 2020, were as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes, net	\$ 207,956	\$ 60,255	\$ -	\$ 268,211
Other governments	541,179	-	107,881	649,060
Other receivables	<u>1,149</u>	<u>-</u>	<u>-</u>	<u>1,149</u>
Total, net	<u>\$ 750,284</u>	<u>\$ 60,255</u>	<u>\$ 107,881</u>	<u>\$ 918,420</u>

E. Capital Assets

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

	<u>Beginning Balance 9/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 8/31/2020</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 81,180	\$ -	\$ -	\$ 81,180
Non-depreciable assets - grants	<u>648,404</u>	<u>-</u>	<u>(648,404)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>729,584</u>	<u>-</u>	<u>(648,404)</u>	<u>81,180</u>
Capital assets, being depreciated:				
Buildings and improvements	25,235,182	-	-	25,235,182
Furniture and equipment	<u>2,509,128</u>	<u>19,562</u>	<u>-</u>	<u>2,528,690</u>
Total capital assets, being depreciated	<u>27,744,310</u>	<u>19,562</u>	<u>-</u>	<u>27,763,872</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,847,827)	(708,381)	-	(10,556,208)
Furniture and equipment	<u>(2,206,733)</u>	<u>(84,683)</u>	<u>-</u>	<u>(2,291,416)</u>
Total accumulated depreciation	<u>(12,054,560)</u>	<u>(793,064)</u>	<u>-</u>	<u>(12,847,624)</u>
Total capital assets, being depreciated, net	<u>15,689,750</u>	<u>(773,502)</u>	<u>-</u>	<u>14,916,248</u>
Governmental activities capital assets, net	<u>\$ 16,419,334</u>	<u>\$ (773,502)</u>	<u>\$ (648,404)</u>	<u>\$ 14,997,428</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

Instruction	\$ 314,194
Instructional resources and media services	20,775
Curriculum and instructional staff development	175
School leadership	25,785
Guidance, counseling, and evaluation services	1,324
Student transportation	41,357
Food services	97,326
Extracurricular activities	259,401
General administration	4,595
Facilities maintenance and operations	23,867
Data processing services	<u>4,265</u>
Total depreciation expense - governmental activities	<u>\$ 793,064</u>

F. Long-term Debt

During the year ended August 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 14,106,275	\$ -	\$(475,000)	\$ 13,631,275	\$ 490,000
Accretion payable	259,956	89,818	-	349,774	-
Premium on bonds	<u>463,530</u>	<u>-</u>	<u>(28,236)</u>	<u>435,294</u>	<u>28,236</u>
Total	<u>\$ 14,829,761</u>	<u>\$ 89,818</u>	<u>\$(503,236)</u>	<u>\$ 14,416,343</u>	<u>\$ 518,236</u>

Long-term Obligation Activity

Changes in long-term obligations for the period ended August 31, 2020 are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 8/31/2020	Amounts Due Within One Year
Unlimited Tax School Building Bonds, Series 2011 - Private Placement	1.45% - 2.45%	\$ 8,300,000	\$ 23,105	\$ 790,000	\$ 390,000
Unlimited Tax School Building Bonds, Series 2012	.40% - 4.00%	8,996,275	296,075	8,286,275	100,000
Unlimited Tax Refunding Bonds, Series 2016	2.0% - 3.0%	4,555,000	<u>120,238</u>	<u>4,555,000</u>	<u>-</u>
Total			<u>\$ 439,418</u>	<u>\$ 13,631,275</u>	<u>\$ 490,000</u>

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

Private Placement Year Ending August 31,	Principal	Interest	Total Requirements
2021	\$ 390,000	\$ 14,383	\$ 404,383
2022	<u>400,000</u>	<u>4,901</u>	<u>404,901</u>
Total	<u>\$ 790,000</u>	<u>\$ 19,284</u>	<u>\$ 809,284</u>

Year Ending August 31,	Principal	Interest	Total Requirements
2021	\$ 100,000	\$ 414,137	\$ 514,137
2022	100,000	411,137	511,137
2023	505,000	402,062	907,062
2024	520,000	386,687	906,687
2025	535,000	370,863	905,863
2026-2030	2,900,000	1,632,000	4,532,000
2031-2035	3,365,000	782,006	4,147,006
2036-2040	3,965,000	774,500	4,739,500
2041-2042	<u>1,825,000</u>	<u>73,700</u>	<u>1,898,700</u>
Total	<u>\$ 13,815,000</u>	<u>\$ 5,247,092</u>	<u>\$ 19,062,092</u>
Subtract:			
Future accreted interest on CABs	<u>(973,725)</u>		
Amounts outstanding	<u>\$ 12,841,275</u>		

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 August 31, 2020.

The District's outstanding Unlimited Tax Building Bonds, Series 2011 and Series 2012, contain a provision that in an event of default, any registered owner of the obligations is entitled to seek a writ of mandamus from court of proper jurisdiction requiring the School to make a payment.

The District's outstanding Unlimited Tax Refunding Bonds, Series 2016 contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding bonds contain a provision that in an event of default, outstanding amounts become immediately due.

G. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf> , selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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

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

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

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

	Contribution Rates	
	2019	2020
Active Employee	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
2020 Employer Contributions		\$ 114,687
2020 Member Contributions		398,434
2020 NECE On-behalf Contributions		245,584

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

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

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Ad Hoc Post-Employment Benefit Changes	None

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

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

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

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

Asset Class	Target Allocation ¹	Long-Term New Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ⁴	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Real Return			
Global Inflation Linked Bonds ⁴	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy and Natural Resources	5.00%	6.00%	7.30%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5% ⁵
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Total	100.00%	100.00%	7.23%

¹Target allocations are based on the Strategic Asset Allocation as of FY2019.

²New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

³10-Year annualized geometric nominal returns include the real rate of return and

⁴New Target Allocation groups Government Bonds within the stable value allocation. This

⁵5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 3,702,973	\$ 2,408,993	\$ 1,360,620

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, the District reported a liability of \$2,408,993 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,408,993
State's proportionate share that is associated with the District	<u>3,647,521</u>
Total	<u>\$ 6,056,514</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was .0046341833% which was an increase of .0003311294% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation. There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2020, the District recognized pension expense of \$1,100,631 and revenue of \$572,974 for support provided by the State.

At August 31, 2020, the 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 economic experience	\$ 10,120	\$ 83,644
Changes in actuarial assumptions	747,388	308,856
Difference between projected and actual investment earnings	24,189	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	455,476	42,868
Contributions paid to TRS subsequent to the measurement date	<u>114,687</u>	<u>-</u>
Total as of August 31, 2019	<u>\$ 1,351,860</u>	<u>\$ 435,368</u>

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

Year Ended August 31,	Pension Expense
2021	\$ 206,850
2022	178,316
2023	192,045
2024	161,882
2025	77,755
Thereafter	(15,043)

H. Defined Other Post-Employment Benefit Plans

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage.

	TRS-Care Monthly for Retirees	
	January 1, 2018 thru December 31, 2018	
	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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 75,455
Current fiscal year member contributions		33,559
2018 measurement year NECE on-behalf contributions		84,666

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 employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

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

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

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 10.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was an decrease of 1.06 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Proportionate share of the net OPEB liability:	\$ 5,126,215	\$ 4,245,944	\$ 3,557,305

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents 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 8.5% rate used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 3,463,691	\$ 4,245,944	\$ 5,293,801

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the District reported a liability of \$4,245,944 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB obligation	\$ 4,245,944
State's proportionate share that is associated with the District	<u>5,641,908</u>
Total	<u>\$ 9,887,852</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled to August 31, 2019, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was .0089782891% which was an increase of .0010898434% from its proportion measured as of August 31, 2018.

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

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

In this valuation the impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac tax include:

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$345,662 and revenue of \$148,698 for support provided by the State.

At August 31, 2020, the 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 208,300	\$ 694,804
Changes in actuarial assumptions	235,829	1,142,054
Difference between projected and actual investment earnings	458	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	832,808	-
Contributions paid to TRS subsequent to the measurement date	<u>75,455</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 1,352,850</u>	<u>\$ 1,836,858</u>

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:

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2021	\$(126,571)
2022	(126,571)
2023	(126,719)
2024	(126,807)
2025	(126,784)
Thereafter	73,989

I. Health Care

During the year ended August 31, 2020, employees of the Frankston Independent School District were covered by the state sponsored health insurance plan. The District paid premiums of \$351 per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3 .51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. School District Retiree Health Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

K. 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 retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$24,235, \$18,080 and \$14,041 were recognized for the years ended August 31, 2020, 2019, and 2018, respectively, as equal revenues and expenditures.

L. Self-Insured Workers' Compensation

During the year ended August 31, 2020 the Frankston Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the pro-rata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of \$17,285, to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be \$53,167 for the fiscal year. The self-insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$20,741 covering plan periods ending August 31, 2020 and has accrued \$40,863 as a liability for unpaid claims determined by the claims administrator.

M. 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 collectibility of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2020 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. Joint Venture Shared Service Arrangement

The District participates in a shared services arrangement for special education services with other districts. Although a portion of the shared services arrangement is attributable to the District's participation, The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District made payments to the fiscal agent of \$196,644.

P. Prior Period Adjustments

The District had a receivable from the Texas Education Agency recorded on the general ledger for several years. After reviewing the District's foundation revenue for FY 20 and past years, the District will not collect this receivable and it should not have been recorded. The effect of removing the receivable is to reduce fund balance in the General Fund by \$305, 542. The District also had several capital assets that were recorded as non-depreciable in prior year annual financial reports. These assets that were recorded, were not over the capitalization policy and were not booked as a group of assets. These assets had also not been depreciated since they were recorded on the District's capital asset reports. The effect of removing these assets is to reduce net position by \$648,404.

Q. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District including the following:

Statement No. 84, *Fiduciary Activities* – The Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the District in fiscal year 2021.

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classifies as operating leases. It establishes a single mode for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 2,844,305	\$ 2,844,305	\$ 2,950,512	\$ 106,207
5800	State program revenues	6,440,292	6,440,292	6,918,487	478,195
5900	Federal program revenues	-	-	34,244	34,244
5020	Total revenues	<u>9,284,597</u>	<u>9,284,597</u>	<u>9,903,243</u>	<u>618,646</u>
EXPENDITURES					
Current:					
0011	Instruction	5,120,446	4,876,899	4,761,548	115,351
0012	Instructional resources and media sources	21,500	21,500	10,245	11,255
0013	Curriculum and instructional staff development	202,924	223,418	205,126	18,292
0023	School leadership	483,734	535,004	531,099	3,905
0031	Guidance, counseling, and evaluation services	224,924	243,861	217,417	26,444
0033	Health services	114,512	142,756	128,212	14,544
0034	Student (pupil) transportation	224,200	184,200	111,443	72,757
0035	Food services	6,000	78,000	3,419	74,581
0036	Extracurricular activities	634,027	706,160	694,020	12,140
0041	General administration	506,110	543,116	537,704	5,412
0051	Facilities maintenance and operations	1,173,356	1,133,356	1,129,185	4,171
0052	Security and monitoring services	42,000	54,000	52,242	1,758
0053	Data processing services	256,220	267,683	249,034	18,649
0093	Payments to fiscal agent/member districts	196,644	196,644	196,644	-
Intergovernmental:					
0099	Other Intergovernmental	78,000	78,000	64,097	13,903
6030	Total expenditures	<u>9,284,597</u>	<u>9,284,597</u>	<u>8,891,435</u>	<u>393,162</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	<u>1,011,808</u>	<u>1,011,808</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers out (use)	-	-	(67,733)	(67,733)
7080	Total other financing sources (uses)	-	-	(67,733)	(67,733)
1200	NET CHANGE IN FUND BALANCES	-	-	<u>944,075</u>	<u>944,075</u>
0100	FUND BALANCE, BEGINNING	<u>3,476,759</u>	<u>3,476,759</u>	<u>3,476,759</u>	-
PRIOR PERIOD ADJUSTMENT					
		(305,542)	(305,542)	(305,542)	-
3000	FUND BALANCES, ENDING	<u>\$ 3,171,217</u>	<u>\$ 3,171,217</u>	<u>\$ 4,115,292</u>	<u>\$ 944,075</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2020

Plan Year Ended August 31,	2019	2018
District's proportion of the net pension liability (asset)	0.0046342%	0.0043031%
District's proportionate share of the net pension liability (asset)	\$ 2,408,993	\$ 2,368,505
State's proportionate share of the net pension liability (asset) associated with the District	3,647,521	4,067,505
Total	\$ 6,056,514	\$ 6,436,010
District's covered-employee payroll	\$ 4,744,924	\$ 4,625,348
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.77%	51.21%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0037660%	0.0039846%	0.0034661%	0.0018533%
\$ 1,204,149	\$ 1,505,711	\$ 1,225,220	\$ 495,042
<u>2,464,593</u>	<u>2,981,871</u>	<u>2,907,732</u>	<u>2,512,646</u>
<u>\$ 3,668,742</u>	<u>\$ 4,487,582</u>	<u>\$ 4,132,952</u>	<u>\$ 3,007,688</u>
\$ 4,487,649	\$ 4,410,996	\$ 4,171,570	\$ 4,092,956
26.83%	34.14%	29.37%	12.09%
82.17%	78.00%	78.43%	83.25%

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal Year Ended August 31,	2020	2019
Contractually required contribution	\$ 114,687	\$ 127,873
Contributions in relation to the contractually required contribution	(114,687)	(127,873)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 5,215,145	\$ 4,714,243
Contribution as a percentage of covered-employee payroll	2.20%	2.71%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 125,416	\$ 122,574	\$ 124,684	\$ 104,547
(125,416)	(122,574)	(124,684)	(104,547)
\$ -	\$ -	\$ -	\$ -
\$ 4,670,348	\$ 4,487,649	\$ 4,410,996	\$ 4,171,570
2.69%	2.73%	2.83%	2.51%

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2020

Plan Year Ended August 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.008978289%	0.007888446%	0.007409871%
District's proportionate share of the net OPEB liability (asset)	\$ 4,245,944	\$ 3,938,773	\$ 3,222,275
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>5,641,908</u>	<u>4,008,445</u>	<u>3,515,959</u>
Total	\$ <u>9,887,852</u>	\$ <u>7,947,218</u>	\$ <u>6,738,234</u>
District's covered-employee payroll	\$ 4,744,924	\$ 4,625,348	\$ 4,487,649
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	89.48%	85.16%	71.80%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal year Ended August 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 75,455	\$ 38,065	\$ 37,834
Contributions in relation to the contractually required contribution	<u>(75,455)</u>	<u>(38,065)</u>	<u>(37,834)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,215,145	\$ 4,714,193	\$ 4,670,348
Contribution as a percentage of covered-employee payroll	1.45%	0.81%	0.81%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FRANKSTON INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2020

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund, the National School and Breakfast Lunch Fund, and the Debt Service Fund. 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 District presented the General Fund budgetary comparison schedule as required supplementary information. The Debt Service Fund and the National School Breakfast and Lunch Program Fund budgetary comparison schedules are presented as required TEA schedules.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The opening 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 September 1, the budget is legally enacted by a motion to adopt 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 at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Expenditures Over Appropriations

The District exceeded appropriations in the General Fund in object 8911 as noted on Exhibit G-1. This excess expenditure over appropriation were funded with overages in other objects.

COMBINING STATEMENTS

FRANKSTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 68,933
1240	Due from other governments	<u>30,971</u>	<u>26,975</u>	<u>13,588</u>
1000	Total assets	<u>30,971</u>	<u>26,975</u>	<u>82,521</u>
LIABILITIES				
2110	Accounts payable	1,047	434	15,960
2160	Accrued wages payable	13,140	4,810	18,790
2170	Due to other funds	<u>16,784</u>	<u>21,731</u>	<u>47,771</u>
2000	Total liabilities	<u>30,971</u>	<u>26,975</u>	<u>82,521</u>
FUND BALANCES				
Committed Fund Balance:				
3545	Committed for campus activities	<u>-</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	\$ <u>30,971</u>	\$ <u>26,975</u>	\$ <u>82,521</u>

255 ESEA II, A Training and Recruiting	266 Elementary and Secondary School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 ESEA, Title IV, Part A	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -
<u>11,551</u>	<u>2,381</u>	<u>-</u>	<u>330</u>	<u>18,297</u>
<u>11,551</u>	<u>2,381</u>	<u>-</u>	<u>330</u>	<u>18,297</u>
93	-	-	-	49
1,708	2,381	-	-	-
9,750	-	-	330	18,248
<u>11,551</u>	<u>2,381</u>	<u>-</u>	<u>330</u>	<u>18,297</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>11,551</u>	\$ <u>2,381</u>	\$ <u>-</u>	\$ <u>330</u>	\$ <u>18,297</u>

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FRANKSTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes		429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 20,302	\$ 89,235
1240	Due from other governments	<u>3,788</u>	<u>-</u>	<u>107,881</u>
1000	Total assets	<u>3,788</u>	<u>20,302</u>	<u>197,116</u>
LIABILITIES				
2110	Accounts payable	-	-	17,583
2160	Accrued wages payable	-	-	40,829
2170	Due to other funds	<u>3,788</u>	<u>-</u>	<u>118,402</u>
2000	Total liabilities	<u>3,788</u>	<u>-</u>	<u>176,814</u>
FUND BALANCES				
Committed Fund Balance:				
3545	Committed for campus activities	<u>-</u>	<u>20,302</u>	<u>20,302</u>
3000	Total fund balances	<u>-</u>	<u>20,302</u>	<u>20,302</u>
4000	Total liabilities and fund balances	<u>\$ 3,788</u>	<u>\$ 20,302</u>	<u>\$ 197,116</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B, Formula	240 National Breakfast and Lunch Program
	REVENUES			
5700	Local and intermediate sources	\$ -	\$ -	\$ 79,730
5800	State program revenues	-	-	5,908
5900	Federal program revenues	<u>210,556</u>	<u>58,300</u>	<u>322,458</u>
5020	Total revenues	<u>210,556</u>	<u>58,300</u>	<u>408,096</u>
	EXPENDITURES			
	Current:			
0011	Instruction	153,752	58,300	-
0012	Instructional resources and media service:	25,725	-	-
0035	Food service	-	-	475,829
0036	Extracurricular activities	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	<u>31,079</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>210,556</u>	<u>58,300</u>	<u>475,829</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(67,733)</u>
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	<u>-</u>	<u>-</u>	<u>67,733</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67,733</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

255 ESEA II, A Training and Recruiting	266 Elementary and Secondary School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 ESEA, Title IV, Part A	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	155,141
<u>26,394</u>	<u>2,381</u>	<u>16,193</u>	<u>13,205</u>	<u>-</u>
<u>26,394</u>	<u>2,381</u>	<u>16,193</u>	<u>13,205</u>	<u>155,141</u>
26,394	2,381	16,193	13,205	106,924
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,217</u>
<u>26,394</u>	<u>2,381</u>	<u>16,193</u>	<u>13,205</u>	<u>155,141</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental
REVENUES				
5700	Local and intermediate sources	\$ -	\$ 68,605	\$ 148,335
5800	State program revenues	25,000	-	186,049
5900	Federal program revenues	-	-	649,487
5020	Total revenues	<u>25,000</u>	<u>68,605</u>	<u>983,871</u>
EXPENDITURES				
Current:				
0011	Instruction	10,321	-	387,470
0012	Instructional resources and media services	-	-	25,725
0035	Food service	-	-	475,829
0036	Extracurricular activities	-	68,377	68,377
0052	Security and monitoring services	14,679	-	14,679
0053	Data processing services	-	-	79,296
6030	Total expenditures	<u>25,000</u>	<u>68,377</u>	<u>1,051,376</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>228</u>	<u>(67,505)</u>
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	67,733
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67,733</u>
1200	NET CHANGE IN FUND BALANCES	-	228	228
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>20,074</u>	<u>20,074</u>
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 20,302</u>	<u>\$ 20,302</u>

REQUIRED TEA SCHEDULES

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FOR THE YEAR ENDED AUGUST 31, 2020

Last Ten Years Ended August 31,	Tax Rates		3 Net Assessed/ Appraised Value for School Tax Purpose
	1 Maintenance	2 Debt Service	
2011 and prior years	various	various	various
2012	1.040000	0.000000	285,589,892
2013	1.040000	0.430000	270,220,976
2014	1.170000	0.300000	256,029,748
2015	1.170000	0.360000	255,062,886
2016	1.170000	0.400000	236,757,448
2017	1.170000	0.400000	226,659,866
2018	1.170000	0.400000	229,195,545
2019	1.170000	0.369100	233,869,419
2020 (School year under audit)	1.068300	0.351600	260,316,290
1000 Totals			

EXHIBIT J-1

10	20	31	32	40	50
Beginning Balance 09/01/19	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/20
67,608	-	3,676	545	(159)	\$ 63,228
18,191	-	678	101	(51)	17,361
24,687	-	1,542	638	(72)	22,435
28,654	-	3,148	807	(72)	24,627
31,131	-	3,040	936	(75)	27,080
40,996	-	7,126	2,436	(31)	31,403
50,836	-	15,508	5,301	(34)	29,993
64,790	-	18,823	6,436	(334)	39,197
125,616	-	42,955	13,551	(4,501)	64,609
<u>-</u>	<u>3,696,231</u>	<u>2,684,459</u>	<u>883,512</u>	<u>(24,356)</u>	<u>103,904</u>
<u>\$ 452,509</u>	<u>\$ 3,696,231</u>	<u>\$ 2,780,955</u>	<u>\$ 914,263</u>	<u>\$ (29,685)</u>	<u>\$ 423,837</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 125,000	\$ 125,000	\$ 79,730	\$ (45,270)
5800	State program revenues	17,300	17,300	5,908	(11,392)
5900	Federal program revenues	<u>291,000</u>	<u>291,000</u>	<u>322,458</u>	<u>31,458</u>
5020	Total revenues	<u>433,300</u>	<u>433,300</u>	<u>408,096</u>	<u>(25,204)</u>
EXPENDITURES					
0035	Food services	<u>433,300</u>	<u>433,300</u>	<u>475,829</u>	<u>(42,529)</u>
6030	Total expenditures	<u>433,300</u>	<u>433,300</u>	<u>475,829</u>	<u>(42,529)</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(67,733)</u>	<u>(67,733)</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	<u>-</u>	<u>-</u>	<u>67,733</u>	<u>67,733</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67,733</u>	<u>67,733</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 835,824	\$ 835,824	\$ 925,475	\$ 89,651
5800	State program revenues	<u>78,592</u>	<u>78,592</u>	<u>36,437</u>	<u>(42,155)</u>
5020	Total revenues	<u>914,416</u>	<u>914,416</u>	<u>961,912</u>	<u>47,496</u>
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	475,000	475,000	475,000	-
0072	Interest on long-term debt	439,416	439,416	439,416	-
0073	Bond issuance cost and fees	-	-	1,700	(1,700)
6030	Total expenditures	<u>914,416</u>	<u>914,416</u>	<u>916,116</u>	<u>(1,700)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	45,796	45,796
0100	FUND BALANCE, BEGINNING	<u>548,007</u>	<u>548,007</u>	<u>548,007</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 548,007</u>	<u>\$ 548,007</u>	<u>\$ 593,803</u>	<u>\$ 45,796</u>

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COMPLIANCE SECTION

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

Board of Trustees
Frankston Independent School District
Frankston, Texas

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 Frankston Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Frankston Independent School District's basic financial statements, and have issued our report thereon December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frankston Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Frankston Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Frankston Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Frankston 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 14, 2020