

FRANKSTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

FRANKSTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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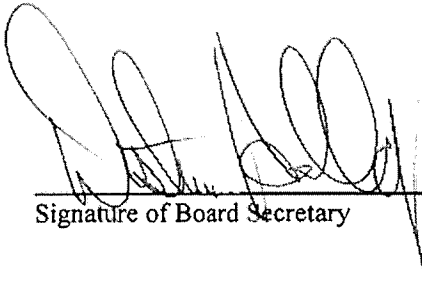
CERTIFICATE OF BOARD

Frankston Independent School District
Name of School District


Anderson
County

001-904
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved _____ disapproved for the year ended August 31, 2019 at a meeting of the board of school trustees of such school district on the 23rd day of January, 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)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

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smithlambright.com

**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

Board of School Trustees
Frankston Independent School District
P.O. Box 428
Frankston, Texas 75763

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 (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, schedule of district's proportionate share of the net pension liability - TRS, Schedule of district contributions for pensions - TRS, schedule of the district's proportionate share of the net OPEB liability - TRS, schedule of district contributions for other post-employment benefits - TRS, as listed in the table of contents 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 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 Required Supplementary Information and Other Information

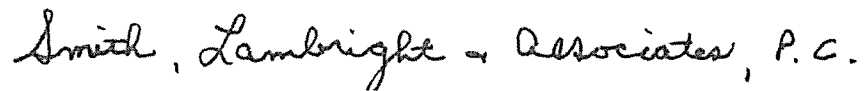
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule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

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards 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 January 23, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

January 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



FRANKSTON INDEPENDENT SCHOOL DISTRICT
Preparing for Today and Tomorrow

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, 2019. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's net position increased as a result of this year's operations by 357,009.
- During the year, the District had total expenses that were 81,243 less than the 10,482,138 million generated in taxes and other revenues for government programs.
- The General Fund ended the year with a fund balance of 4,044,840.
- The resources available for appropriation were 472,466 more than the amount budgeted for the General Fund.

USING THIS ANNUAL 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 activities, 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 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 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 the grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position includes all the District's assets 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 year or future years.

These two statements report the District's net position and changes. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or

decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider 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.

In the Statement of Net Position and the Statement of Activities, the District reports only governmental activities, since the District has no business type 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 Every Student Succeeds Act (ESSA), 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, such as Campus Activities.

Most of the District's basic services are reported in governmental funds. These reports 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 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 and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position in the audit report. 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

Net position of the District's governmental activities decreased from 508,565, to 357,009.

Decrease in net position	(151,556)
Transfers	0
Special items	0
Net assets at the beginning of 09/01/18	508,565
Net assets at the end of 8/31/19	357 009

The Governmental Funds Statement of Revenue and Expenditures Reported:

The total cost of all programs and services were 10,400,855.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of 4,044,840, which is more than last year's total of 3,963,597. Included in this year's total change in fund balance is an increase of 81,243, in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved after the beginning of the year and reflect the actual beginning balances versus the balances

estimated in August 2019. The second category involved amendments moving funds from programs that did not need the resources appropriated to them into programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had 28,473,894, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

- No major additions were added during the school year 2018-2019.

Debt

At year-end, the District had 14,106,275, in bonds and notes outstanding. In November, 2011, the voters approved a \$17.3 million bond. These were issued as Series 11 and Series 12. For more detailed information please refer to the Bond Payable charts in the audit report.

ECONOMIC FACTORS: NEXT YEAR'S BUDGET AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget and tax rates. Amounts available for appropriation in the General Fund budget are 9,284,597, an increase of 7.5% from the final 2019 budget of 8,581,549. Property taxes remained at a total of \$1.0683 for M&O and \$0.3516 for I&S, for a total tax rate of \$1.4199.

If these estimates are realized, the District's budgetary General Fund balance will remain unchanged by the close of 2020. 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, 100 Perry Street, or P.O. Box 428, Frankston, Texas 75763. The phone number is 903-876-2556.

Frankston Independent School District

Net Position – Governmental Activities

	2017-2018	2018-2019
Current and Other Assets	4,799,306	5,014,920
Capital Assets	<u>16,774,305</u>	<u>16,419,334</u>
Total Assets	<u>21,573,611</u>	<u>21,434,254</u>
<i>Deferred Outflow - TRS</i>	<u>652,454</u>	<u>2,048,897</u>
Long Term Liabilities	19,716,076	20,662,039
Other Liabilities	<u>652,454</u>	<u>1,034,510</u>
Total Liabilities	<u>20,119,754</u>	<u>21,696,549</u>
<i>Deferred Inflow - TRS</i>	<u>1,597,746</u>	<u>1,429,593</u>
<i>Total Net Position</i>	<u>508,565</u>	<u>357,009</u>
Invested in Capital Assets		
Net of Related debt	1,484,653	1,589,573
Restricted	437,266	568,081
Unrestricted	<u>(1,413,354)</u>	<u>(1,800,645)</u>
<i>Total Net Position</i>	<u>508,565</u>	<u>357,009</u>

Frankston Independent School District Changes in Net Position for Years Stated

	2017-2018	2018-2019
Revenues:		
<i>Program Revenues</i>		
Charges for Services	196,145	193,311
Operating Grants	(137,685)	1,382,032
<i>General Revenues</i>		
Taxes	2,700,938	2,757,851
Debt Service Taxes	898,281	872,693
State Aid Formula Grants	5,172,052	4,888,767
Grants and Contributions Not Restricted	0	14,364
Investment Earnings	62,262	100,890
Miscellaneous	95,161	489,248
Special Item-Capital Adjust	0	0
Total General Revenue	8,928,694	9,123,813
Expenses:		
Instruction	3,203,985	5,268,307
Inst Res & Media Services	59,430	77,082
Curriculum & Staff Development	86,087	172,664
Instructional Leadership	0	0
School Leadership	279,733	531,089
Guidance & Counseling	150,840	216,924
Health Services	64,674	110,780
Student Transportation	72,098	80,264
Food Services	472,483	521,664
Co-curricular /Extracurricular Activity	958,891	1,036,459
General Administration	388,372	577,201
Plant Maintenance & Operations	914,385	1,075,720
Data Processing Services	133,107	430,802
Security & Monitoring Service	48,754	45,482
Debt Service-Interest LT Debt	465,291	458,328
Debt Service-Bond Issue & Fee	1,700	1,700
Facility Acquisition/Construction	0	0
Payments to Fiscal Agents	154,096	168,884
Other Governmental Charges	72,514	77,362
Total Expenses	7,526,800	10,850,712
<i>Change in Net Position</i>	1,460,354	(151,556)

FINANCIAL STATEMENTS

FRANKSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 680,623
1120 Current Investments	3,297,795
1220 Property Taxes - Delinquent	452,509
1230 Allowance for Uncollectible Taxes	(22,625)
1240 Due from Other Governments	589,397
1267 Due from Fiduciary Funds	929
1290 Other Receivables, Net	16,292
Capital Assets:	
1510 Land	81,180
1520 Buildings, Net	15,387,355
1530 Furniture and Equipment, Net	950,799
1000 Total Assets	21,434,254
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	1,473,032
1706 Deferred Outflow Related to TRS OPEB	575,865
1700 Total Deferred Outflows of Resources	2,048,897
LIABILITIES	
2110 Accounts Payable	92,684
2140 Interest Payable	19,314
2160 Accrued Wages Payable	431,037
2177 Due to Fiduciary Funds	1,508
2300 Unearned Revenue	14,967
Noncurrent Liabilities:	
2501 Due Within One Year	475,000
2502 Due in More Than One Year	14,354,761
2540 Net Pension Liability (District's Share)	2,368,505
2545 Net OPEB Liability (District's Share)	3,938,773
2000 Total Liabilities	21,696,549
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	184,058
2606 Deferred Inflow Related to TRS OPEB	1,245,535
2600 Total Deferred Inflows of Resources	1,429,593
NET POSITION	
3200 Net Investment in Capital Assets	1,589,573
3850 Restricted for Debt Service	548,007
3870 Restricted for Campus Activities	20,074
3900 Unrestricted	(1,800,645)
3000 Total Net Position	\$ 357,009

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,268,307	\$ -	\$ 616,936	\$ (4,651,371)
12 Instructional Resources and Media Services	77,082	-	42,019	(35,063)
13 Curriculum and Instructional Staff Development	172,664	-	13,412	(159,252)
23 School Leadership	531,089	-	44,482	(486,607)
31 Guidance, Counseling and Evaluation Services	216,924	-	18,042	(198,882)
33 Health Services	110,780	-	10,467	(100,313)
34 Student (Pupil) Transportation	80,264	-	1,748	(78,516)
35 Food Services	521,664	114,566	300,093	(107,005)
36 Extracurricular Activities	1,036,459	78,745	24,543	(933,171)
41 General Administration	577,201	-	32,514	(544,687)
51 Facilities Maintenance and Operations	1,075,720	-	47,882	(1,027,838)
52 Security and Monitoring Services	45,482	-	-	(45,482)
53 Data Processing Services	430,802	-	85,461	(345,341)
72 Debt Service - Interest on Long-Term Debt	458,328	-	144,433	(313,895)
73 Debt Service - Bond Issuance Cost and Fees	1,700	-	-	(1,700)
93 Payments Related to Shared Services Arrangements	168,884	-	-	(168,884)
99 Other Intergovernmental Charges	77,362	-	-	(77,362)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 10,850,712</u>	<u>\$ 193,311</u>	<u>\$ 1,382,032</u>	<u>\$ (9,275,369)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		2,757,851
DT	Property Taxes, Levied for Debt Service		872,693
SF	State Aid - Formula Grants		4,888,767
GC	Grants and Contributions not Restricted		14,364
IE	Investment Earnings		100,890
MI	Miscellaneous Local and Intermediate Revenue		489,248
TR	Total General Revenues		<u>9,123,813</u>
CN	Change in Net Position		(151,556)
NB	Net Position - Beginning		<u>508,565</u>
NE	Net Position--Ending		<u>\$ 357,009</u>

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 650,964	\$ 79,253	\$ (49,594)	\$ 680,623
1120 Investments - Current	2,809,274	488,521	-	3,297,795
1220 Property Taxes - Delinquent	362,645	89,864	-	452,509
1230 Allowance for Uncollectible Taxes	(18,132)	(4,493)	-	(22,625)
1240 Due from Other Governments	466,302	-	123,095	589,397
1260 Due from Other Funds	5,729	-	-	5,729
1290 Other Receivables	16,292	-	-	16,292
1000 Total Assets	<u>\$ 4,293,074</u>	<u>\$ 653,145</u>	<u>\$ 73,501</u>	<u>\$ 5,019,720</u>
LIABILITIES				
2110 Accounts Payable	\$ 75,199	\$ -	\$ 17,485	\$ 92,684
2160 Accrued Wages Payable	395,095	-	35,942	431,037
2170 Due to Other Funds	1,508	4,800	-	6,308
2300 Unearned Revenue	-	14,967	-	14,967
2000 Total Liabilities	<u>471,802</u>	<u>19,767</u>	<u>53,427</u>	<u>544,996</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	344,513	85,371	-	429,884
2600 Total Deferred Inflows of Resources	<u>344,513</u>	<u>85,371</u>	<u>-</u>	<u>429,884</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	548,007	-	548,007
Committed Fund Balance:				
3510 Construction	625,000	-	-	625,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	20,074	20,074
3600 Unassigned Fund Balance	2,851,759	-	-	2,851,759
3000 Total Fund Balances	<u>3,476,759</u>	<u>548,007</u>	<u>20,074</u>	<u>4,044,840</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,293,074</u>	<u>\$ 653,145</u>	<u>\$ 73,501</u>	<u>\$ 5,019,720</u>

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,044,840
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$28,058,204 and the accumulated depreciation was \$11,283,899. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was \$15,289,652. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. Note: Beginning Balances related to TRS are NOT included in this amount.		1,484,653
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		885,690
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,473,032, a deferred resource inflow in the amount of \$184,058, and a net pension liability in the amount of \$2,368,505. This resulted in an increase (decrease) in net position.		(1,079,531)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB75. The net position related to TRS included a deferred resource outflow in the amount of \$575,865, a deferred resource inflow of \$1,245,535, and a net OPEB liability in the amount of \$3,938,773. This resulted in an increase (decrease) in net position		(4,608,443)
5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(770,661)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		400,461
19 Net Position of Governmental Activities	\$	<u>357,009</u>

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,359,536	\$ 903,927	\$ 172,371	\$ 4,435,834
5800 State Program Revenues	5,222,013	144,433	79,078	5,445,524
5900 Federal Program Revenues	-	-	600,780	600,780
5020 Total Revenues	<u>8,581,549</u>	<u>1,048,360</u>	<u>852,229</u>	<u>10,482,138</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,349,841	-	277,855	4,627,696
0012 Instructional Resources and Media Services	9,108	-	42,019	51,127
0013 Curriculum and Instructional Staff Development	157,826	-	-	157,826
0023 School Leadership	466,344	-	-	466,344
0031 Guidance, Counseling and Evaluation Services	199,337	-	-	199,337
0033 Health Services	102,382	-	-	102,382
0034 Student (Pupil) Transportation	172,205	-	-	172,205
0035 Food Services	4,908	-	406,287	411,195
0036 Extracurricular Activities	699,412	-	55,051	754,463
0041 General Administration	539,512	-	-	539,512
0051 Facilities Maintenance and Operations	1,024,213	-	-	1,024,213
0052 Security and Monitoring Services	45,482	-	-	45,482
0053 Data Processing Services	341,253	-	68,744	409,997
Debt Service:				
0071 Principal on Long-Term Debt	-	470,000	-	470,000
0072 Interest on Long-Term Debt	-	448,599	-	448,599
0073 Bond Issuance Cost and Fees	-	1,700	-	1,700
Capital Outlay:				
0081 Facilities Acquisition and Construction	272,571	-	-	272,571
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	168,884	-	-	168,884
0099 Other Intergovernmental Charges	77,362	-	-	77,362
6030 Total Expenditures	<u>8,630,640</u>	<u>920,299</u>	<u>849,956</u>	<u>10,400,895</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,091)</u>	<u>128,061</u>	<u>2,273</u>	<u>81,243</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	481	481
8911 Transfers Out (Use)	(481)	-	-	(481)
7080 Total Other Financing Sources (Uses)	<u>(481)</u>	<u>-</u>	<u>481</u>	<u>-</u>
1200 Net Change in Fund Balances	(49,572)	128,061	2,754	81,243
0100 Fund Balance - September 1 (Beginning)	<u>3,526,331</u>	<u>419,946</u>	<u>17,320</u>	<u>3,963,597</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,476,759</u>	<u>\$ 548,007</u>	<u>\$ 20,074</u>	<u>\$ 4,044,840</u>

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	81,243
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		885,690
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(770,661)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(31,570)
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 \$127,873. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$125,416. 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 \$242,092. The net result is an increase (decrease) in the change in net position.		(239,635)
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 \$38,065. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$37,834. Finally, the proportionate share of the TRS expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$76,854. The net result is an increase (decrease) in the change in net position.		(76,623)
Change in Net Position of Governmental Activities	\$	(151,556)

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 106,039
Due from Other Funds	1,508
Other Receivables	34
Total Assets	<u>\$ 107,581</u>
LIABILITIES	
Accounts Payable	\$ 522
Due to Other Funds	929
Due to Student Groups	106,130
Total Liabilities	<u>\$ 107,581</u>

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *GASB Statement No. 56*; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the “Board”) has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental “reporting entity” as defined by *GASB Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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 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 revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. 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 includes tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, 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 and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

The fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following fund types:

Governmental Funds:

- 1. General 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.
- 2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 4. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

- 5. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

E. 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.

F. 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.

G. 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.

H. 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 estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Vehicles	10
Furniture and Equipment	7-20

Land and construction in progress are not depreciated.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

I. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

J. LONG TERM DEBT

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.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

K. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This 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.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

L. USE OF ESTIMATES

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. 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 insure accuracy in building a Statewide data base for policy development and funding plans.

N. TEACHER RETIREMENT SYSTEM - PENSIONS

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deduction 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 of the system are reported at fair value.

O. TEACHER RETIREMENT SYSTEM - OTHER POST-EMPLOYMENT BENEFITS

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

P. DEFICIT NET POSITION

At August 31, 2019, the District has a deficit unrestricted net position in the Government-Wide Statement of Net Position. This deficit is due to the combined effects of recognizing the net pension liability required by GASB 68 and the net other post-employment benefits liability required by GASB 75.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 81 180	\$	\$ 81 180	\$
Buildings & Improvements	24 962 611	9 147 053	15 815 558	
Furniture & Equipment	2 366 009	2 136 846	229 163	
Non Depreciable Assets - Grants	648 404		648 404	
Totals	\$ 28 058 204	\$ 11 283 899	\$	
Change in Net Position				\$ 16 774 305
Long-term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Bonds Payable			\$ 14 576 275	
Accretion Payable			221 611	
Premium (Discount) on Issuance of Bonds			491 766	
Changes in Net Position				(15 289 652)
Net Adjustment to Net Position				\$ 1 484 653

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in Net Position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay:</u>			
Land	\$	\$	\$
Buildings & Improvements			
Furniture & Equipment	143 119		
Construction in Progress	272 571		
Total Capital Outlay	\$ 415 690	\$ 415 690	\$ 415 690
 <u>Debt Payments</u>			
Bonds Principal	\$ 470 000		\$
Total Principal Payments	\$ 470 000	\$ 470 000	\$ 470 000
Total Adjustment to Net Position		\$ 885 690	\$ 885 690

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Position</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 141 176	\$ (141 176)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	119 335	119 335	119 335
Uncollected Taxes (assumed collectible) from Prior Year Levy	310 549		310 549
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	38 345	(38 345)	(38 345)
Current Year Paid	0		
Accrued Interest on Debt;			
Prior Year	19 694	19 694	
Current Year	19 314	(19 314)	(19 314)
Bond Premium Amortization:			
Current Year	28 236	28 236	28 236
		<u> </u>	<u> </u>
Total		<u>\$ (31 570)</u>	<u>\$ 400 461</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue 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 General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

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

Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

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.

Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.

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.

A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2019 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 0
Non-appropriated Budget Funds	20 074
All Special Revenue Funds	\$ 20 074

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District made expenditures in excess of the budgeted amount in one functional area of the General Fund due to the reclassification of transportation costs to function 36.

C. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2019-2020 budget.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 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:

- a. 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 2018-2019 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.

The largest combined balances of cash, savings and time deposit accounts amounted to \$1,946,813 and occurred on February 12, 2019. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$2,235,574. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

- b. 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.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

- c. 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.
- d. 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.

CASH DEPOSITS

At August 31, 2019, the amount of the District's cash balance in checking accounts was \$775,462. Cash on hand was \$11,200.

The District's investments - cash equivalents at June 30, 2019, are shown below:

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at August 31, 2019, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
First Public / Lone Star Investment Pool	\$ 1 981 130	\$ 1 981 035	.0740
Texas Class	<u>1 316 665</u>	<u>1 316 912</u>	.1342
Total Investments	<u>\$ 3 297 795</u>	<u>\$ 3 297 947</u>	

INVESTMENTS - OTHER

The District's investments - other at August 31, 2019, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
N/A	<u>\$</u>	<u>\$</u>	
Total Investments	<u>\$</u>	<u>\$</u>	

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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, 2019, the District's investments in investment pools met or exceeded the ratings criteria.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due 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, 2018 upon which the levy for the 2018-2019 fiscal year was based, was \$233,869,419. The tax rates assessed for the year ended August 31, 2019 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.3691 per \$100 valuation, respectively, for a total of \$1.5391 per \$100 valuation. Current tax collections for the year ended August 31, 2019 were 96.6% of the year end adjusted tax levy. As of August 31, 2019, property taxes receivable totaled \$362,645 and \$89,864 for the General and Debt Service Funds respectively.

C. RECEIVABLES 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, 2019 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.

	General Fund	Debt Service Fund	Other Funds	Total
State Entitlements	\$ 466 302	\$	\$	\$ 466 302
Other State Grants			11 661	11 661
Federal Grants			111 434	111 434
Total	\$ 466 302	\$	\$ 123 095	\$ 589 397

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2019 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:	\$	\$
Debt Service Fund	4 800	
Agency Fund	<u>929</u>	<u>1 508</u>
Total	<u>5 729</u>	<u>1 508</u>
Debt Service Fund:	\$	\$
General Fund	<u> </u>	<u>4 800</u>
Agency Fund:		
General Fund:	<u>1 508</u>	<u>929</u>
Totals	<u>\$ 7 237</u>	<u>\$ 7 237</u>

Interfund transfers for the year ended August 31, 2019 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	<u>\$ </u>	<u>\$ 481</u>
Special Revenue Fund:		
General Fund	<u>481</u>	<u> </u>
Totals	<u>\$ 481</u>	<u>\$ 481</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

E. RECEIVABLES AND PAYABLES

Receivables at August 31, 2019, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 344 513	\$ 85 371	\$	\$ 429 884
Other Governments	466 302		123 095	589 397
Other Receivables	16 292			16 297
Other Funds	<u>5 729</u>			<u>5 729</u>
Totals	<u>\$ 832 836</u>	<u>\$ 85 371</u>	<u>\$ 123 095</u>	<u>\$ 1 041 302</u>

Payables at August 31, 2019, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 75 199	\$	\$ 17 485	\$ 92 684
Accrued Wages	395 095		35 942	431 037
Other Funds	<u>1 508</u>	<u>4 800</u>		<u>6 308</u>
Totals	<u>\$ 471 802</u>	<u>\$ 4 800</u>	<u>\$ 53 427</u>	<u>\$ 530 029</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 81 180			\$ 81 180
Construction in Progress		272 571	(272 571)	0
Non Depreciable Assets - Grants	<u>648 404</u>			<u>648 404</u>
Subtotal Nondepreciable Assets	<u>729 584</u>	<u>272 571</u>	<u>(272 581)</u>	<u>729 584</u>
Depreciable Capital Assets				
Building & Improvements	24 962 611		272 571	25 235 182
Furniture & Equipment	<u>2 366 009</u>	<u>143 119</u>		<u>2 509 128</u>
Non Depreciable Assets				
Subtotal Depreciable Assets	<u>27 328 620</u>	<u>143 119</u>	<u>572 571</u>	<u>27 744 310</u>
Total at Historical Cost	<u>28 058 204</u>	<u>415 690</u>	<u>0</u>	<u>28 473 894</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	9 147 053	700 774		9 847 827
Furniture & Equipment	<u>2 136 846</u>	<u>69 887</u>		<u>2 206 733</u>
Total Accumulated Depreciation	<u>11 283 899</u>	<u>770 661</u>	<u>0</u>	<u>12 054 560</u>
Governmental Activities Capital Assets, Net	<u>\$ 16 774 305</u>	<u>\$ (354 971)</u>	<u>\$ 0</u>	<u>\$ 16 419 334</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	305 318
12	Instructional Resources and Media Services	20 188
13	Curriculum & Instructional Staff Development	170
23	School Leadership	25 057
31	Guidance, Counseling and Evaluation Services	1 287
34	Student (Pupil) Transportation	40 189
35	Food Services	94 577
36	Cocurricular/Extracurricular Activities	252 073
41	General Administration	4 465
51	Plant Maintenance and Operations	23 193
53	Data Processing/Technology	<u>4 144</u>
	Total Depreciation Expense	\$ 770 661

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 8/31/18	Issued	Retired	Amounts Outstanding 8/31/2019	Interest Current Year
Unlimited Tax School Building Bonds Series 2011	1.45% to 2.45%	\$ 8 300 000	\$ 1 550 000	\$	\$ 375 000	1 175 000	\$ 30 899
Unlimited Tax School Building Bonds Series 2012	.40% to 4.00%	\$ 8 996 275	\$ 8 471 275	\$	\$ 95 000	8 376 275	\$ 297 463
Unlimited Tax Refunding Bonds Series 2016	2.0% to 3.0%	\$ 4 555 000	\$ 4 555 000	\$	\$ 0	4 555 000	\$ 120 237
Totals			<u>\$14 576 275</u>	<u>\$ 0</u>	<u>\$ 470 000</u>	<u>\$14 106 275</u>	<u>\$ 448 599</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

Debt service requirements are as follows:

Year Ended August 31	General Obligations		
	Principal	Interest	Total Requirements
2020	\$ 475 000	\$ 439 416	\$ 914 416
2021	490 000	428 520	918 520
2022	500 000	416 038	916 038
2023	505 000	402 062	907 062
2024	520 000	386 687	906 687
2025 - 2029	2 825 000	1 706 100	4 531 100
2030 - 2034	2 425 874	2 184 495	4 610 369
2035 - 2039	3 680 401	1 055 499	4 735 900
2040 - 2042	2 685 000	163 900	2 848 900
Totals	\$ 14 106 275	\$ 7 182 717	\$ 21,288,992

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, 2019.

The District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2019 \$4,740,000 considered defeased in prior years are still outstanding.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable					
General Obligation Bonds	\$ 14 576 275	\$	\$ 470 000	\$ 14 106 275	\$ 475 000
Accretion Payable:					
Capital Appreciation Bonds	<u>221 611</u>	<u>38 345</u>	<u> </u>	<u>259 956</u>	<u> </u>
Premium (Discount) on Issuance of Bonds:					
Premium	<u>491 766</u>	<u> </u>	<u>28 236</u>	<u>463 530</u>	<u> </u>
Total Governmental Activities Long-term Liabilities	<u>\$ 15 289 652</u>	<u>\$ 38 345</u>	<u>\$ 498 236</u>	<u>\$ 14 829 761</u>	<u>\$ 475 000</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

J. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Instructional Facilities Allotment	\$	\$ 3 294	\$	\$ 3 294
Existing Debt Allotment		11 673		11 673
Total	\$ 0	\$ 14 967	\$ 0	\$ 14 967

Unavailable revenue at the fiscal year end consisted of the following:

Net Property Taxes	\$ 344 513	\$ 85 371	\$ 0	\$ 429 884
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FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

K. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$	\$	\$	\$
Prepaid Items				
Restricted:				
Child Nutrition				
Federal Grants				
State Grants				
Debt Service		548 007		548 007
Capital Projects				
Other				
Committed:				
Construction	625 000			625 000
Other				
Assigned:				
Campus Activity			20 074	20 074
Unassigned	<u>2 851 759</u>	<u> </u>	<u> </u>	<u>2 851 759</u>
Total Fund Balances	<u>\$ 3 476 759</u>	<u>\$ 548 007</u>	<u>\$ 20 074</u>	<u>\$ 4 044 840</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

L. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

During the current year, local and intermediate sources of revenues consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 2 777 522	\$ 874 863	\$	\$ 3 652 385
Penalties, Interest & Other				
Tax Related Income	72 456	16 857		89 313
Food Sales			114 566	114 566
Investment Income	88 684	12 207		100 891
Co-curricular Student				
Activities	20 874		57 805	78 679
Other	<u>400 000</u>	<u> </u>	<u> </u>	<u>400 000</u>
	<u>\$ 3 359 536</u>	<u>\$ 903 927</u>	<u>\$ 172 371</u>	<u>\$ 4 435 834</u>

M. 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 \$166,884.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

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

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

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

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

<u>Contribution Rates</u>		
	2018	2019
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Current Fiscal Year Employer Contributions		\$ 127,873
District's 2019 Current Fiscal Year Member Contributions		\$ 363,005
District's 2018 Measurement Year NECE On-Behalf Contributions		\$ 248,787

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 source, a privately sponsored source, from non-educational and general, or local funds.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

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

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate	7.25%
Municipal Bond Rate as of August 2018	3.69%
Inflation	2.30%
Salary Increases	3.05% to 9.05%
Ad Hoc Post Employment Benefit Changes	None

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018**

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflations Expectations			2.3%
Volatility Drag ³			-0.8%
Total	<u>100%</u>		<u>7.2%</u>

¹ Target allocations are based on the FY 2016 policy model.

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

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

	<u>1% Decrease in Discount Rate</u> <u>(5.907%)</u>	<u>Discount Rate</u> <u>(6.907%)</u>	<u>1% Increase in Discount Rate</u> <u>(7.907%)</u>
District's proportionate share of the net pension liability:	\$3,574,642	\$2,368,505	\$1,392,066

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$2,368,505 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	\$ 2 368 505
State's proportionate share that is associated with the District	4 067 505
Total	\$ 6 436 010

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0043030539%, which was an increase (decrease) of .0005370997% from its proportion measured as of August 31, 2017.

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

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

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

For the year ended August 31, 2019, the District recognized pension expense of \$770,083 and revenue of \$402,575 for support provided by the State.

At August 31, 2019, 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	\$ 14 763	\$ 58 114
Changes in actuarial assumptions	853 960	26 686
Difference between projected and actual investment earnings		44 940
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	476 436	54 318
Total as of August 31, 2018 measurement date	1 345 159	184 058
Contributions paid to TRS subsequent to the measurement date	127 873	
Total as of fiscal year end	\$ 1 473 032	\$ 184 058

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 Amount
2020	\$ 304,327
2021	209,753
2022	182,826
2023	190,959
2024	161,160
Thereafter	112,077

Long Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 1,204,149	\$ 1,309,315	\$ 144,959	\$ 2,368,505

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

O. 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/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public school, 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 dependent 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 a retiree with and without Medicare 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	1020	999
* or surviving spouse		

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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		
	2018	2019
Active Employee	0.65%	0.7%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District’s 2019 Current Fiscal Year Employer Contributions		\$ 38 065
District’s 2019 Current Fiscal Year Member Contributions		\$ 30 644
District’s 2018 Measurement Year NECE On-behalf Contributions		\$ 55 303

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

Actuarial Assumptions

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation.
Ad hoc post-employment benefit changes	None

Other Information: None

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase .27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB liability:	\$ <u>4,688,493</u>	\$ <u>3,938,773</u>	\$ <u>3,345,696</u>

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% healthcare cost trend rate.

	1% Decrease Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District’s Proportionate share of net OPEB liability:	\$ <u>3,271,215</u>	\$ <u>3,938,773</u>	\$ <u>4,817,961</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB’s

At August 31, 2019, the District reported a liability of \$3,938,773 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 total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$ 3,938,773
State’s proportionate share that is associated with the District	<u>4,008,445</u>
Total	<u>\$ <u>7,947,218</u></u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was .0078884457% which was an increase (decrease) of .0004785751% from its proportion measured as of August 31, 2017 .

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

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

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

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

For the year ended August 31, 2019, the District recognized OPEB expense of \$260,491 and revenue of \$145,803. For support provided by the State

At August 31, 2019, 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	\$ 209 016	\$ 62 160
Changes in actuarial assumptions	65 727	1 183 375
Difference between projected and actual investment earnings	689	
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	262 368	
Total as of August 31, 2018 measurement date	537 800	1 245 535
Contributions paid to TRS subsequent to the measurement date	38 065	
Total as of fiscal year end	\$ 575 865	\$ 1 245 535

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (122,381)
2021	(122,381)
2022	(122,381)
2023	(122,511)
2024	(122,589)
Thereafter	(95,492)

Long-Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 3 222 275	\$ 770,917	\$ 54,919	\$ 3,938,773
	3 222 275	770,917	54,919	3,938,773

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

P. HEALTH CARE

During the year ended August 31, 2019, 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.

Q. 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.

Medicare Part D:

Federal Government Retiree Drug Subsidy - 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. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended August 31, 2019 is estimated by TRS at \$18,080.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

R. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Employees of the District are entitled to sick leave based on category/class of employment.

Upon retirement from the District under the Teacher Retirement System of Texas, an employee who has had at least five years of consecutive employment with the District shall be compensated for unused sick days at a rate of \$20 per day, to a maximum of \$1,000. The accumulated leave benefits at August 31, 2018 were \$1,000 and are accrued as a liability in the General Fund.

Q. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2019 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 prorata 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 \$15,519, 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 \$47,735 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$17,913 covering plan periods ending August 31, 2019, and has accrued \$12,372 as a liability for unpaid claims determined by the claims administrator.

R. CONSTRUCTION AND OTHER 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, 2019 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.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

S. 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 2019 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.

T. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 23, 2020; the date which the financial statements were available for distribution. There were none noted.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,087,992	\$ 3,087,992	\$ 3,359,536	\$ 271,544
5800 State Program Revenues	5,021,091	5,021,091	5,222,013	200,922
5020 Total Revenues	8,109,083	8,109,083	8,581,549	472,466
EXPENDITURES:				
Current:				
0011 Instruction	4,376,594	4,376,594	4,349,841	26,753
0012 Instructional Resources and Media Services	14,300	14,300	9,108	5,192
0013 Curriculum and Instructional Staff Development	159,662	159,662	157,826	1,836
0023 School Leadership	467,600	467,600	466,344	1,256
0031 Guidance, Counseling and Evaluation Services	203,539	203,539	199,337	4,202
0033 Health Services	105,108	105,108	102,382	2,726
0034 Student (Pupil) Transportation	302,806	302,806	172,205	130,601
0035 Food Services	6,000	6,000	4,908	1,092
0036 Extracurricular Activities	586,967	586,967	699,412	(112,445)
0041 General Administration	544,855	544,855	539,512	5,343
0051 Facilities Maintenance and Operations	1,068,414	1,068,414	1,024,213	44,201
0052 Security and Monitoring Services	45,482	45,482	45,482	-
0053 Data Processing Services	354,458	354,458	341,253	13,205
Capital Outlay:				
0081 Facilities Acquisition and Construction	279,303	279,303	272,571	6,732
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	168,884	168,884	168,884	-
0099 Other Intergovernmental Charges	77,362	77,362	77,362	-
6030 Total Expenditures	8,761,334	8,761,334	8,630,640	130,694
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(652,251)	(652,251)	(49,091)	603,160
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(481)	(481)
1200 Net Change in Fund Balances	(652,251)	(652,251)	(49,572)	602,679
0100 Fund Balance - September 1 (Beginning)	3,526,331	3,526,331	3,526,331	-
3000 Fund Balance - August 31 (Ending)	\$ 2,874,080	\$ 2,874,080	\$ 3,476,759	\$ 602,679

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.004303054%	0.003765954%	0.003984574%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,368,505	\$ 1,204,149	\$ 1,505,711
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,067,505	2,464,593	2,981,871
Total	<u>\$ 6,436,010</u>	<u>\$ 3,668,742</u>	<u>\$ 4,487,582</u>
District's Covered Payroll	\$ 4,625,348	\$ 4,487,649	\$ 4,410,996
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	51.21%	26.83%	34.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0034661%		0.0018533%
\$	1,225,220	\$	495,042
	2,907,732		2,512,646
<u>\$</u>	<u>4,132,952</u>	<u>\$</u>	<u>3,007,688</u>
\$	4,171,570	\$	4,092,956
	29.37%		12.09%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 127,873	\$ 125,416	\$ 122,574
Contribution in Relation to the Contractually Required Contribution	(127,873)	(125,416)	(122,574)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 4,714,343	\$ 4,670,348	\$ 4,487,649
Contributions as a Percentage of Covered Payroll	2.71%	2.69%	2.73%

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

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

	2016	2015
\$	124,684	\$ 104,547
	(124,684)	(104,547)
\$	-	\$ -
\$	4,410,996	\$ 4,171,570
	2.83%	2.51%

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.007888446%	0.007409871%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,938,773	\$ 3,222,275
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,008,445	3,515,959
Total	<u>\$ 7,947,218</u>	<u>\$ 6,738,234</u>
District's Covered Payroll	\$ 4,625,348	\$ 4,487,649
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	85.16%	71.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018
Contractually Required Contribution	\$ 38,065	\$ 37,834
Contribution in Relation to the Contractually Required Contribution	(38,065)	(37,834)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 4,714,193	\$ 4,670,348
Contributions as a Percentage of Covered Payroll	0.81%	0.81%

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

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

FRANKSTON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

PENSIONS:

Changes of Benefit Terms

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

Changes of Assumptions

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

OTHER POST-EMPLOYMENT BENEFITS:

Changes of Benefit Term

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

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

Changes of Assumptions

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

COMBINING STATEMENTS

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
ASSETS				
1110 Cash and Cash Equivalents	\$ (56,706)	\$ -	\$ 16,459	\$ -
1240 Due from Other Governments	69,828	5,926	16,293	-
1000 Total Assets	<u>\$ 13,122</u>	<u>\$ 5,926</u>	<u>\$ 32,752</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 17,485	\$ -
2160 Accrued Wages Payable	13,122	5,926	15,267	-
2000 Total Liabilities	<u>13,122</u>	<u>5,926</u>	<u>32,752</u>	<u>-</u>
FUND BALANCES				
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,122</u>	<u>\$ 5,926</u>	<u>\$ 32,752</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A Subpart 1	410 State Instructional Materials	429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ (17,760)	\$ -	\$ -	\$ (11,661)	\$ -	\$ 20,074	\$ (49,594)
19,387	-	-	11,661	-	-	123,095
<u>\$ 1,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,074</u>	<u>\$ 73,501</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,485
1,627	-	-	-	-	-	35,942
<u>1,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,427</u>
-	-	-	-	-	20,074	20,074
-	-	-	-	-	20,074	20,074
<u>\$ 1,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,074</u>	<u>\$ 73,501</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 114,566	\$ -
5800 State Program Revenues	-	-	14,153	-
5900 Federal Program Revenues	178,122	95,652	277,087	10,945
5020 Total Revenues	178,122	95,652	405,806	10,945
EXPENDITURES:				
Current:				
0011 Instruction	110,611	95,652	-	10,945
0012 Instructional Resources and Media Services	42,019	-	-	-
0035 Food Services	-	-	406,287	-
0036 Extracurricular Activities	-	-	-	-
0053 Data Processing Services	25,492	-	-	-
6030 Total Expenditures	178,122	95,652	406,287	10,945
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(481)	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	481	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A Subpart 1	410 State Instructional Materials	429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,805	\$ 172,371
-	-	-	43,252	21,673	-	79,078
28,974	-	10,000	-	-	-	600,780
28,974	-	10,000	43,252	21,673	57,805	852,229
28,974	-	10,000	-	21,673	-	277,855
-	-	-	-	-	-	42,019
-	-	-	-	-	-	406,287
-	-	-	-	-	55,051	55,051
-	-	-	43,252	-	-	68,744
28,974	-	10,000	43,252	21,673	55,051	849,956
-	-	-	-	-	2,754	2,273
-	-	-	-	-	-	481
-	-	-	-	-	2,754	2,754
-	-	-	-	-	17,320	17,320
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,074	\$ 20,074

REQUIRED TEA SCHEDULES

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.000000	287,800,041
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 (School year under audit)	1.170000	0.369100	233,869,419
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 65,234	\$ -	\$ 3,730	\$ -	\$ (5,510)	\$ 55,994
15,743	-	2,231	-	(1,898)	11,614
23,329	-	3,700	-	(1,438)	18,191
31,507	-	4,417	1,826	(577)	24,687
35,382	-	4,669	1,197	(862)	28,654
40,490	-	6,638	2,042	(679)	31,131
60,923	-	14,770	5,050	(107)	40,996
78,830	-	17,479	5,974	(4,541)	50,836
124,062	-	40,464	13,730	(5,078)	64,790
-	3,599,484	2,679,424	845,044	50,600	125,616
<u>\$ 475,500</u>	<u>\$ 3,599,484</u>	<u>\$ 2,777,522</u>	<u>\$ 874,863</u>	<u>\$ 29,910</u>	<u>\$ 452,509</u>

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 130,000	\$ 130,000	\$ 114,566	\$ (15,434)
5800 State Program Revenues	2,300	2,300	14,153	11,853
5900 Federal Program Revenues	301,000	301,000	277,087	(23,913)
5020 Total Revenues	433,300	433,300	405,806	(27,494)
EXPENDITURES:				
Current:				
0035 Food Services	433,300	433,300	406,287	27,013
6030 Total Expenditures	433,300	433,300	406,287	27,013
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(481)	(481)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	481	481
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 814,924	\$ 814,924	\$ 903,927	\$ 89,003
5800 State Program Revenues	200,698	200,698	144,433	(56,265)
5020 Total Revenues	1,015,622	1,015,622	1,048,360	32,738
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	470,000	470,000	470,000	-
0072 Interest on Long-Term Debt	448,599	448,599	448,599	-
0073 Bond Issuance Cost and Fees	1,700	1,700	1,700	-
6030 Total Expenditures	920,299	920,299	920,299	-
1200 Net Change in Fund Balances	95,323	95,323	128,061	32,738
0100 Fund Balance - September 1 (Beginning)	419,946	419,946	419,946	-
3000 Fund Balance - August 31 (Ending)	\$ 515,269	\$ 515,269	\$ 548,007	\$ 32,738

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

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Athens, Texas 75751
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of School Trustees
Frankston Independent School District
PO Box 428
Frankston, Texas 75763

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 the District as of and for the year ended August 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

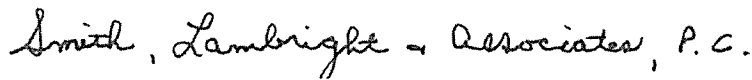
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Frankston, Texas

January 23, 2020

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2019

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a) _____ yes X no

Identification of major programs: N/A

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

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

Auditee qualified as low risk auditee? X yes _____ no

District Contact Person Nicci Cook
Interim Superintendent

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2019

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

FRANKSTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

FRANKSTON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101001904	\$ 178,122
IDEA - Part B, Formula	84.027	19-660001001902	95,652
Career and Technical - Basic Grant	84.048	18-420053711005	10,945
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19-694501001904	28,974
Title IV, Part A, Subpart I	84.424A	19-680101001904	10,000
Total Passed Through State Department of Education			323,693
TOTAL U.S. DEPARTMENT OF EDUCATION			323,693
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		68,134
*National School Lunch Program - Cash Assistance	10.555		182,862
*National School Lunch Prog. - Non-Cash Assistance	10.555		26,091
Total CFDA Number 10.555			208,953
Total Child Nutrition Cluster			277,087
Total Passed Through the State Department of Agriculture			277,087
TOTAL U.S. DEPARTMENT OF AGRICULTURE			277,087
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 600,780

*Clustered Programs

FRANKSTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or in a Special Revenue Fund which are Governmental Fund types.

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

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

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of the Period of Availability of Federal Funds.

The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, if any, is accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.

The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

Amount reported on the Schedule of Expenditures of Federal Awards \$	600 780
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N/A

Federal Program Revenue Reported on Exhibit C-3	\$ 600 780
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