

FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2019

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FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2019

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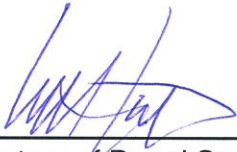
CERTIFICATE OF BOARD

Fruitvale Independent School District
Name of School District

Van Zandt
County

234-909
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was 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 December 19, 2019.



Signature of Board Secretary



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. These other supplementary information schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The other supplementary information schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, 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 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 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.



December 11, 2019
Greenville, Texas

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

Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fruitvale Independent School District (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 December 11, 2019.

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 control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Report on Internal Control – Continued

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 11, 2019
Greenville, Texas

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Financial Statement Findings (Section II)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Prior Year Findings (Section IV)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Corrective Action Plans (Section V)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

This section of Fruitvale Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

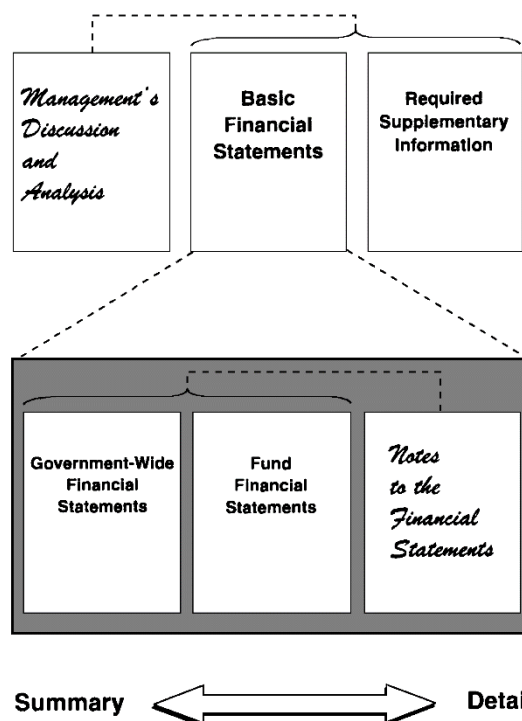
- The District's total combined net position was \$ 1,164,487 at August 31, 2019.
- During the year, the District's expenses were \$ 767,662, less than the \$ 6,087,373 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased over the prior year due to implementation of GASB 75 in the prior year, which required reporting on-behalf supplemental contributions from the state and retiree healthcare program changes.
- The General Fund reported a fund balance this year of \$ 3,128,788 an increase of \$ 577,333 over the previous year.
- The District issued no new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as a print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 1,164,487 at August 31, 2019.

Fruitvale Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Assets:			
Cash and Investments	\$ 2,868,469	\$ 2,519,839	13.8%
Other Assets	664,819	478,683	38.9%
Capital Assets less Accumulated Depreciation	7,067,236	7,247,163	-2.5%
Total Assets	\$ 10,600,524	\$ 10,245,685	3.5%
Total Deferred Net Outflows of Resources	\$ 998,383	\$ 412,909	141.8%
Liabilities:			
Current Liabilities	\$ 285,929	\$ 330,851	-13.6%
Long-term Liabilities	6,159,518	7,885,926	-21.9%
Total Liabilities	\$ 6,445,447	\$ 8,216,777	-21.6%
Total Deferred Net Inflows of Resources	\$ 3,988,973	\$ 2,044,992	95.1%
Net Position:			
Net Investment in Capital Assets	\$ 4,815,391	\$ 4,863,028	-1.0%
Restricted	77,635	100,650	-22.9%
Unrestricted	(3,728,539)	(4,566,853)	18.4%
Total Net Position	\$ 1,164,487	\$ 396,825	193.5%

The District has restricted \$ 13,782 to represent funds held for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 6,087,373. Approximately 10% of the District's revenue comes from local property taxes (See Table A-2). 87% comes from state aid and federal grants, while 3% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 5,319,711. 54% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 98.06%. The total collection rate (base tax and penalty and interest) was 100.76%.

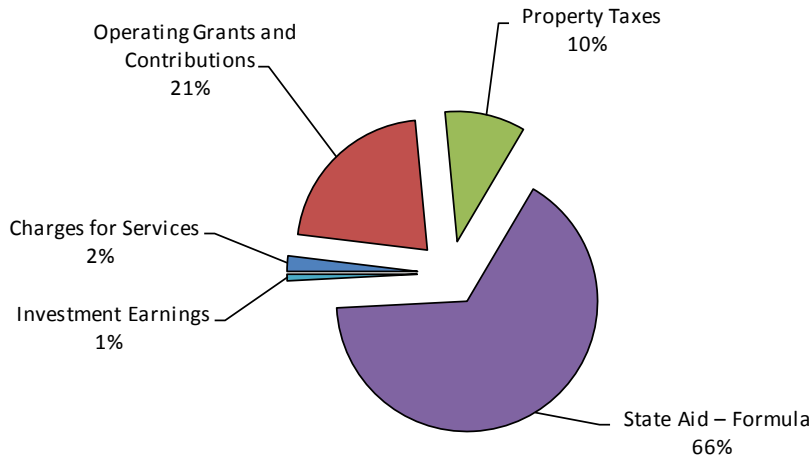
FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

GOVERNMENTAL ACTIVITIES

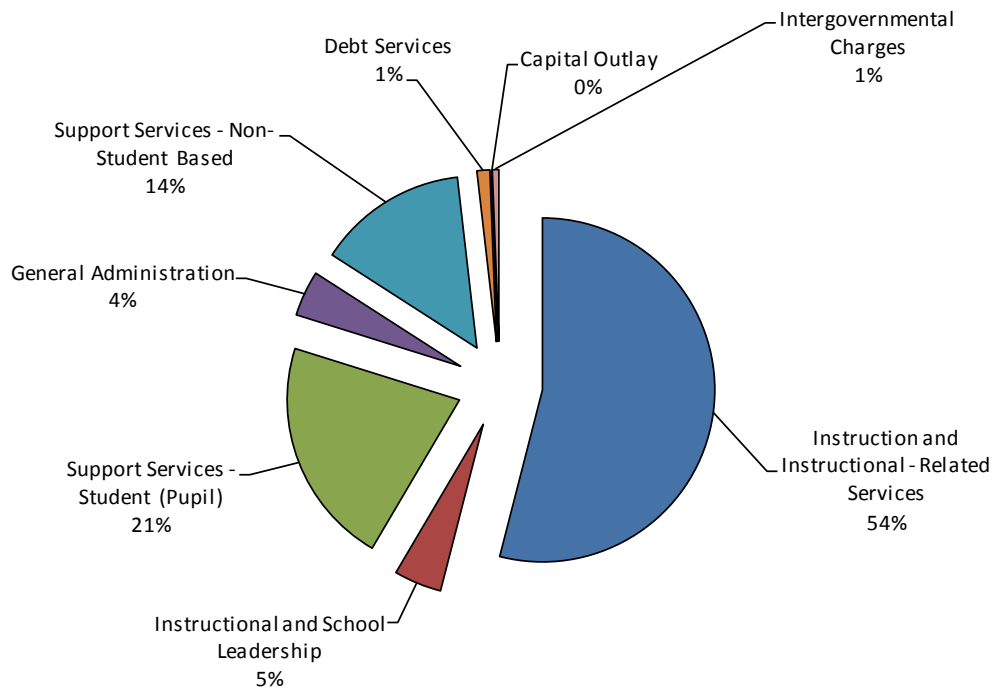
Changes in Fruitvale Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Program Revenues:			
Charges for Services	\$ 116,698	\$ 120,741	-3.35%
Operating Grants and Contributions	1,311,502	401,848	226.37%
General Revenues:			
Property Taxes	605,185	570,201	6.14%
State Aid – Formula	3,992,434	3,662,180	9.02%
Investment Earnings	49,519	25,541	93.88%
Miscellaneous	12,035	18,989	-36.62%
Total Revenues	\$ 6,087,373	\$ 4,799,500	26.83%
Expenses:			
Instruction	\$ 2,709,845	\$ 1,361,757	99.00%
Instructional Resources and Media Services	97,783	60,624	61.29%
Curriculum and Staff Development	64,519	8,542	655.31%
School Leadership	237,767	127,201	86.92%
Guidance, Counseling and Evaluation Services	211,191	79,045	167.18%
Health Services	102,065	21,657	371.28%
Student (Pupil) Transportation	184,044	84,859	116.88%
Food Services	322,626	204,130	58.05%
Cocurricular/Extracurricular Activities	317,437	192,186	65.17%
General Administration	226,972	135,307	67.75%
Plant Maintenance and Operations	510,348	388,954	31.21%
Security and Monitoring Services	42,042	38,305	9.76%
Data Processing Services	196,467	88,100	123.00%
Other Governmental Charges	12,278	11,871	3.43%
Debt Service	64,233	65,772	-2.34%
Payments for Shared Service Arrangements	20,094	587	3323.17%
Total Expenses	\$ 5,319,711	\$ 2,868,897	85.43%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 767,662	\$ 1,930,603	-60.24%
Increase (Decrease) in Net Position	\$ 767,662	\$ 1,930,603	-60.24%
Net Position - Beginning (September 1)	\$ 396,825	\$ 6,456,452	-93.85%
Prior Period Adjustment	-	(7,990,230)	100.00%
Net Position - Beginning, as Restated	\$ 396,825	\$ (1,533,778)	125.87%
Net Position - Ending (August 31)	\$ 1,164,487	\$ 396,825	193.45%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2019

Sources of Revenue for Fiscal Year 2019 - See Table A-2



Functional Expenses for Fiscal Year 2019 - See Table A-2



FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 5,319,711.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 605,185,
- Some of the cost was paid by those who directly benefited from the programs, \$ 116,698, or
- By grants and contributions \$ 1,311,502.

Fruitvale Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2019	2018	Change	2019	2018	Change	
Instruction	\$ 2,709,845	\$ 1,361,757	99.00%	\$ 1,977,366	\$ 1,171,311	68.82%	
School Leadership	237,767	127,201	86.92%	214,863	149,687	43.54%	
General Administration	226,972	135,307	67.75%	209,341	157,238	33.14%	
Plant Maintenance and Operations	510,348	388,954	31.21%	433,280	386,047	12.24%	
Debt Service	64,233	65,772	-2.34%	(52,467)	(49,425)	6.15%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 3,226,798.

Revenues from governmental fund types totaled \$ 5,977,850 which is an increase of \$ 432,009 from the prior year. The increase is representative of the increase in state aid.

Expenditures of governmental fund types totaled \$ 5,395,870 which is a decrease of \$ 47,845 from the prior year. The decrease was due to capital improvement projects completed in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 369,651 below final General Fund budget amounts. The most significant positive variance resulted from instruction.

Resources available were \$ 423,928 above the final General Fund budgeted amount. The favorable variance was primarily due to increased state aid.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 11,595,455 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Fruitvale Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2018-2019
	2019	2018	
Land	\$ 141,350	\$ 141,350	0.00%
Buildings and Improvements	10,319,410	10,305,637	0.13%
Vehicles	828,942	716,057	15.76%
Equipment	305,753	242,905	25.87%
Totals at Historical Cost	\$ 11,595,455	\$ 11,405,949	1.66%
Total Accumulated Depreciation	(4,528,219)	(4,158,786)	8.88%
Net Capital Assets	<u>\$ 7,067,236</u>	<u>\$ 7,247,163</u>	-2.48%

DEBT

At year end, the District had \$ 2,251,846 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Fruitvale Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change 2018-2019
	2019	2018	
Bonds Payable	\$ 2,005,000	\$ 2,105,000	-4.75%
Other Debt Payable	246,846	279,135	-11.57%
Total Debt Payable	<u>\$ 2,251,846</u>	<u>\$ 2,384,135</u>	-5.55%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to economic conditions in the area. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The taxpayers of the District approved a tax ratification election in prior year that increased the limit to \$ 1.17. The state funding formula was changed in prior years to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has leveled off in the prior year with anticipated steadying at the current level. The economic outlook for the area is for growth to be relatively slow, as indicated by the stagnation of local property values. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2019-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Bain, Superintendent of the District.

BASIC FINANCIAL STATEMENTS

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

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 2,868,469
1225 Property Taxes Receivable, Net	41,521
1240 Due from Other Governments	620,882
1290 Other Receivables, Net	2,416
Capital Assets:	
1510 Land	141,350
1520 Building and Improvements, Net	6,502,889
1530 Furniture and Equipment, Net	<u>422,997</u>
1000 Total Assets	<u>\$ 10,600,524</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pensions	\$ 793,530
1706 Deferred Outflows - OPEB	<u>204,853</u>
1700 Total Deferred Outflows of Resources	<u>\$ 998,383</u>
LIABILITIES	
2110 Accounts Payable	\$ 22,002
2140 Interest Payable	18,822
2165 Accrued Liabilities	240,665
2300 Unearned Revenue	4,440
Noncurrent Liabilities:	
2501 Due within one year	124,939
2502 Due in more than one year	2,126,907
2540 Net Pension Liability	1,436,521
2545 Net OPEB Liability	<u>2,471,151</u>
2000 Total Liabilities	<u>\$ 6,445,447</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pensions	\$ 201,540
2606 Deferred Inflows - OPEB	<u>3,787,433</u>
2600 Total Deferred Inflows of Resources	<u>\$ 3,988,973</u>
NET POSITION	
3200 Net Investment in Capital Assets	\$ 4,815,391
Restricted For:	
3820 Federal and State Programs	41,063
3850 Debt Service	13,782
3890 Other Programs	22,790
3900 Unrestricted	<u>(3,728,539)</u>
3000 Total Net Position	<u>\$ 1,164,487</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	3	4	Revenue and
Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
11 Instruction	\$ 2,709,845	\$ 1,635	\$ 730,844	\$ (1,977,366)
12 Instructional Resources and Media Services	97,783	-	8,197	(89,586)
13 Curriculum and Staff Development	64,519	-	1,823	(62,696)
23 School Leadership	237,767	-	22,904	(214,863)
31 Guidance, Counseling and Evaluation Services	211,191	-	19,650	(191,541)
33 Health Services	102,065	-	11,108	(90,957)
34 Student (Pupil) Transportation	184,044	-	9,285	(174,759)
35 Food Services	322,626	30,662	290,291	(1,673)
36 Cocurricular/Extracurricular Activities	317,437	35,901	10,939	(270,597)
41 General Administration	226,972	-	17,631	(209,341)
51 Plant Maintenance and Operations	510,348	48,500	28,568	(433,280)
52 Security and Monitoring Services	42,042	-	24,253	(17,789)
53 Data Processing Services	196,467	-	19,045	(177,422)
72 Interest on Long-term Debt	63,343	-	116,700	53,357
73 Debt Issuance Costs and Fees	890	-	-	(890)
93 Payments to Shared Service Arrangements	20,094	-	264	(19,830)
99 Other Intergovernmental Charges	12,278	-	-	(12,278)
TG Total Governmental Activities	<u>\$ 5,319,711</u>	<u>\$ 116,698</u>	<u>\$ 1,311,502</u>	<u>\$ (3,891,511)</u>
TP Total Primary Government	<u>\$ 5,319,711</u>	<u>\$ 116,698</u>	<u>\$ 1,311,502</u>	<u>\$ (3,891,511)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 562,539
DT Property Taxes, Levied for Debt Service				42,646
IE Investment Earnings				49,519
GC Grants and Contributions Not Restricted to Specific Programs				3,992,434
MI Miscellaneous				12,035
TR Total General Revenues				<u>\$ 4,659,173</u>
CN Change in Net Position				\$ 767,662
NB Net Position - Beginning (September 1)				396,825
NE Net Position - Ending (August 31)				<u>\$ 1,164,487</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS			
1110 Cash and Investments	\$ 2,818,832	\$ 36,862	\$ 2,855,694
1225 Property Taxes Receivable, Net	39,339	2,182	41,521
1240 Due from Other Governments	539,109	81,773	620,882
1290 Other Receivables	2,243	173	2,416
1000 Total Assets	<u>\$ 3,399,523</u>	<u>\$ 120,990</u>	<u>\$ 3,520,513</u>
LIABILITIES			
Current Liabilities:			
2110 Accounts Payable	\$ 5,685	\$ 1,404	\$ 7,089
2160 Accrued Wages Payable	220,897	14,121	235,018
2200 Accrued Expenditures	4,814	833	5,647
2300 Deferred Revenues	-	4,440	4,440
2000 Total Liabilities	<u>\$ 231,396</u>	<u>\$ 20,798</u>	<u>\$ 252,194</u>
DEFERRED INFLOWS OF RESOURCES			
2610 Deferred Property Taxes	\$ 39,339	\$ 2,182	\$ 41,521
2600 Total Deferred Inflows of Resources	<u>\$ 39,339</u>	<u>\$ 2,182</u>	<u>\$ 41,521</u>
FUND BALANCES			
Restricted Fund Balances:			
3450 Federal/State Funds Grants	\$ -	\$ 41,063	\$ 41,063
3480 Retirement of Long-Term Debt	-	30,421	30,421
3490 Other Restrictions of Fund Balance	-	22,906	22,906
Committed Fund Balances:			
3530 Capital Expenditures for Equipment	260,000	-	260,000
3545 Other Committed Fund Balance	400,000	3,620	403,620
3600 Unassigned	2,468,788	-	2,468,788
3000 Total Fund Balances	<u>\$ 3,128,788</u>	<u>\$ 98,010</u>	<u>\$ 3,226,798</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,399,523</u>	<u>\$ 120,990</u>	<u>\$ 3,520,513</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$	3,226,798
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		7,067,236
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		41,521
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		(2,138)
Payables for bond principal which are not due in the current period are not reported in the funds.		(2,005,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(31,712)
Payables for debt interest which are not due in the current period are not reported in the funds.		(18,822)
Payables for notes which are not due in the current period are not reported in the funds.		(87,548)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1,436,521)
Deferred Resource Inflows related to the net pension liability are not reported in the funds.		(201,540)
Deferred Resource Outflows related to the net pension liability are not reported in the funds.		793,530
Bond premiums are amortized in the SNA but not in the funds.		(127,586)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(2,471,151)
Deferred Resource Inflows related to OPEB are not reported in the funds.		(3,787,433)
Deferred Resource Outflows related to OPEB are not reported in the funds.		<u>204,853</u>
Net position of governmental activities - Statement of Net Position	\$	<u>1,164,487</u>

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES			
5700 Local and Intermediate Sources	\$ 692,036	\$ 114,125	\$ 806,161
5800 State Program Revenues	4,254,156	209,923	4,464,079
5900 Federal Program Revenues	146,474	561,136	707,610
5020 Total Revenues	\$ 5,092,666	\$ 885,184	\$ 5,977,850
EXPENDITURES			
Current:			
0011 Instruction	\$ 2,313,907	\$ 264,620	\$ 2,578,527
0012 Instructional Resources and Media Services	91,303	-	91,303
0013 Curriculum and Staff Development	25,053	47,837	72,890
0023 School Leadership	238,365	-	238,365
0031 Guidance, Counseling and Evaluation Services	175,970	46,719	222,689
0033 Health Services	102,122	-	102,122
0034 Student (Pupil) Transportation	218,074	-	218,074
0035 Food Services	-	303,717	303,717
0036 Cocurricular/Extracurricular Activities	250,077	23,817	273,894
0041 General Administration	229,311	-	229,311
0051 Plant Maintenance and Operations	566,575	-	566,575
0052 Security and Monitoring Services	35,685	22,962	58,647
0053 Data Processing Services	196,551	-	196,551
0071 Principal on Long-term Debt	24,636	100,000	124,636
0072 Interest on Long-term Debt	1,559	69,975	71,534
0073 Debt Issuance Cost and Fees	-	890	890
0081 Capital Outlay	13,773	-	13,773
0093 Payments for Shared Service Arrangements	20,094	-	20,094
0099 Other Intergovernmental Charges	12,278	-	12,278
6030 Total Expenditures	\$ 4,515,333	\$ 880,537	\$ 5,395,870
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 577,333	\$ 4,647	\$ 581,980
1200 Net Changes in Fund Balances	\$ 577,333	\$ 4,647	\$ 581,980
0100 Fund Balances - Beginning (September 1)	2,551,455	93,363	2,644,818
3000 Fund Balances - Ending (August 31)	\$ 3,128,788	\$ 98,010	\$ 3,226,798

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	581,980
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		189,506
The depreciation of capital assets used in governmental activities is not reported in the funds.		(369,433)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(1,650)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		7,653
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		100,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		7,257
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		17,379
(Increase) decrease in accrued interest expense from beginning of period to end of period.		538
The net revenue (expense) of internal service funds is reported with governmental activities.		(1,180)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		346,200
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.		32,033
OPEB contributions deferred in the PY are expended in the CY.		(34,142)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(112,109)
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.		91,818
Pension contributions deferred in the PY are expended in the CY.		(88,188)
		(88,188)
Change in net position of governmental activities - Statement of Activities	\$	767,662

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
 AUGUST 31, 2019

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	\$ <u>12,775</u>
1000 Total Assets	\$ <u>12,775</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	\$ <u>14,913</u>
2000 Total Liabilities	\$ <u>14,913</u>
 NET POSITION	
3900 Unrestricted Net Position	\$ <u>(2,138)</u>
3000 Total Net Position	\$ <u>(2,138)</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2019

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	OPERATING REVENUES	
5700	Local and Intermediate Sources	\$ <u>10,115</u>
5020	Total Revenues	\$ <u>10,115</u>
	OPERATING EXPENSES	
6400	Other Operating Costs	\$ <u>11,295</u>
6030	Total Expenses	\$ <u>11,295</u>
1200	Change in Net Position	\$ (1,180)
0100	Total Net Position - Beginning (September 1)	<u>(958)</u>
3000	Total Net Position - Ending (August 31)	\$ <u><u>(2,138)</u></u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2019

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Other Sources	\$ 10,112
Cash Receipts from Investment Earnings	3
Cash Payments for Claims	(2,778)
Cash Payments for Administration	(8,446)
	(8,446)
Net Cash Provided by (Used for) Operating Activities	\$ (1,109)
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (1,109)
Cash and Investments - Beginning (September 1)	13,884
Cash and Investments - Ending (August 31)	\$ 12,775
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (1,180)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	71
Net Cash Provided by (Used for) Operating Activities	\$ (1,109)

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Funds
<u> </u>		<u> </u>
	ASSETS	
1110	Cash and Investments	\$ 27,396
1000	Total Assets	\$ 27,396
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	\$ 979
2190	Due to Student Groups	26,417
2000	Total Liabilities	\$ 27,396
	NET POSITION	
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

The basic financial statements of the Fruitvale Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide (Guide)*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, 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 and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its 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.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

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

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

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. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. **Measurement Focus – Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

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

A. Summary of Significant Accounting Policies (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	0
Special Revenue Fund		0
Debt Service Fund		<u>0</u>
Total	\$	<u><u>0</u></u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash and investments if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

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

A. Summary of Significant Accounting Policies (Continued)

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Other Governmental	Total
Restricted			
Food Service	\$ -	\$ 41,063	\$ 41,063
Retirement of Long Term Debt	-	30,421	30,421
Bobcat Supplies	-	871	871
Scholarships	-	15,307	15,307
Other Restricted	-	6,728	6,728
Committed			
Capital Expenditures for Equipment	260,000	-	260,000
Campus Activity Funds	-	3,620	3,620
Other Purposes	400,000	-	400,000
Unassigned	<u>2,468,788</u>	<u>-</u>	<u>2,468,788</u>
Totals	<u>\$ 3,128,788</u>	<u>\$ 98,010</u>	<u>\$ 3,226,798</u>

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

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

A. Summary of Significant Accounting Policies (Continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Other Post Employment Benefits*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

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

A. Summary of Significant Accounting Policies (Continued)

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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 expenses, 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 term. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

12. Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

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

B. Deposits, Securities, and Investments (Continued)

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool and Lone Star Investment Pool. All external investment pool balances are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

The following table provides a listing of the District's investment at year end:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAM	\$ 1,509
TexPool	AAAM	<u>1</u>
Total		<u>\$ 1,510</u>

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

B. Deposits, Securities, and Investments (Continued)

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: City National Bank, Sulphur Springs, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 5,115,000.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 3,827,568, and occurred during the month of March 2019.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 324,927.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

C. Property Taxes (Continued)

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.17 to fund general operations, and \$ 0.09 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 47,021,984.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Land	\$ 141,350	\$ -	\$ -	\$ 141,350
Total Capital Assets not being Depreciated	\$ 141,350	\$ -	\$ -	\$ 141,350
Capital Assets being Depreciated:				
Building and Improvements	\$ 10,305,637	\$ 13,773	\$ -	\$ 10,319,410
Equipment	242,905	62,848	-	305,753
Vehicles	716,057	112,885	-	828,942
Total Capital Assets being Depreciated	\$ 11,264,599	\$ 189,506	-	\$ 11,454,105
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 3,522,393	\$ 294,128	\$ -	\$ 3,816,521
Equipment	226,634	8,316	-	234,950
Vehicles	409,759	66,989	-	476,748
Total Accumulated Depreciation	\$ 4,158,786	\$ 369,433	\$ -	\$ 4,528,219
Total Capital Assets being Depreciated, Net	\$ 7,105,813	\$ (179,927)	\$ -	\$ 6,925,886
Governmental Activities Capital Assets, Net	\$ 7,247,163	\$ (179,927)	\$ -	\$ 7,067,236

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

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 200,990
Instructional Resources and Media Services	8,175
School Leadership	4,590
Guidance, Counseling and Evaluation Services	1,221
Health Services	820
Student (Pupil) Transportation	63,776
Food Services	28,928
Cocurricular/Extracurricular Activities	46,871
General Administration	3,530
Plant Maintenance and Operations	7,425
Security	3,107
	<hr/>
Total	<u>\$ 369,433</u>

E. Long Term Obligations

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
General Obligation Bonds	\$ 2,105,000	\$ -	\$ 100,000	\$ 2,005,000	\$ 100,000
Capital Leases	38,889	-	7,177	31,712	7,517
Loans	104,927	-	17,379	87,548	17,422
Bond Premium (Discount)	135,239	-	7,653	127,586	-
	<hr/>				
Total Governmental Activities	<u>\$ 2,384,055</u>	<u>\$ -</u>	<u>\$ 132,209</u>	<u>\$ 2,251,846</u>	<u>\$ 124,939</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Balance	Outstanding Balances
Unlimited Tax School Refunding Bonds, Series 2014	2.2279%	\$ 940,000	\$ 625,000
Unlimited Tax School Building Bonds, Series 2016	2.7116%	1,500,000	1,380,000
			<hr/>
Totals			<u>\$ 2,005,000</u>

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

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2020	\$ 100,000	\$ 66,675	\$ 166,675
2021	100,000	63,375	163,375
2022	105,000	60,000	165,000
2023	115,000	56,275	171,275
2024	115,000	52,275	167,275
2025-2029	365,000	211,425	576,425
2030-2034	235,000	162,475	397,475
2035-2039	285,000	118,706	403,706
2040-2044	345,000	67,844	412,844
2045-2049	240,000	12,025	252,025
Totals	<u>\$ 2,005,000</u>	<u>\$ 871,075</u>	<u>\$ 2,876,075</u>

Loans

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes. The SECO Grant loans identified below require quarterly payments of principal and interest over a term of 8 years. The loans will mature in the 2024 fiscal year.

The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Balance	Outstanding Balances
SECO Grant Loan CL-281 - Energy Management	0.25%	\$ 43,296	\$ 27,161
SECO Grant Loan CL-282 - Energy Management	0.25%	96,258	60,387
Totals			<u>\$ 87,548</u>

Maturity requirements on loans at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2020	\$ 17,422	\$ 203	\$ 17,625
2021	17,466	159	17,625
2022	17,510	115	17,625
2023	17,553	71	17,624
2024	17,597	27	17,624
Totals	<u>\$ 87,548</u>	<u>\$ 575</u>	<u>\$ 88,123</u>

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

E. Long Term Obligations (Continued)

Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Original Property Value
Governmental Lease - Lighting Retrofit	3.53%	\$ 52,746

The lease terms are for various years not exceeding seven years. The terms call for semi-annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, are as follows:

Year Ending August 31	Total Requirements
2020	\$ 8,571
2021	8,570
2022	8,571
2023	8,570
Total Minimum Lease Payment	\$ 34,282
Less Amount Representing Interest	2,570
Present Value of Net Minimum Lease Payments	\$ 31,712

F. Pension Plan

1. *Plan Description*

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

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

F. Pension Plan (Continued)

2. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

3. *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.

Employees' 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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates

	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2019 Employer Contributions	\$	91,818
2019 Member Contributions	\$	233,401
2018 NECE On-Behalf Contributions	\$	143,487

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).

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

F. Pension Plan (Continued)

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 are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

4. *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 \$ 1,436,521 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	\$ 1,436,521
State's proportionate share that is associated with the District	<u>2,345,911</u>
Total	<u><u>\$ 3,782,432</u></u>

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 contribution 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 0.0049491411% which was a decrease of 0.0054805345% from its proportion measured as of August 31, 2017.

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

F. Pension Plan (Continued)

Changes Since the Prior Actuarial Valuation

The following changes have occurred to the actuarial assumptions or other inputs that affects measurement of the total premium liability since the prior measurement date:

- a. Use of the roll forward method for the 2018 valuation
- b. Use of the 2017 experience study which includes demographic assumptions such as post-retirement mortality, termination rates, and rates of retirement
- c. Use of economic assumption such as salary increases
- d. Change in discount rate from 8.0% to 6.907%
- e. Change in assumed rate of return from 8.0% to 7.25%

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

For the year ended August 31, 2019, the District recognized pension expense of \$ 432,480 and revenue of \$ 232,183 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 8,954	\$ 35,247
Changes of actuarial assumptions	517,935	16,185
Differences between projected and actual investment earnings	-	27,257
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>174,823</u>	<u>122,851</u>
Total as of August 31, 2018 measurement date	\$ 701,712	\$ 201,540
Contributions paid to TRS subsequent to the measurement date	<u>91,818</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 793,530</u>	<u>\$ 201,540</u>

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

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2020	\$ 149,855
2021	92,495
2022	75,231
2023	74,616
2024	65,389
Thereafter	42,586

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

F. Pension Plan (Continued)

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including Inflation	3.05 to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ended August 31, 2014 and adopted on September 24, 2015.

6. *Discount Rate*

The discount rate used to measure the total pension liability was 6.907%. There was no change in the discount rate since the previous year. 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 projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized on the next page:

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

F. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	<u>100.00%</u>		<u>7.25%</u>

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 6.907%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (5.907%) or 1 – percentage point higher (7.907%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 2,168,054	\$ 1,436,521	\$ 844,301

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

F. Pension Plan (Continued)

8. *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. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018 and 2017.

<u>Net Pension Liability</u>	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Total Pension Liability	\$ 209,611,328,793	\$ 179,336,834,819
Less: Plan Fiduciary Net Position	<u>(154,568,901,833)</u>	<u>(147,361,922,120)</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>	<u>\$ 31,974,912,699</u>
Net Position as percentage of Total Pension Liability	73.74%	82.17%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

The employer 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.

2. *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

3. *Benefits Provided*

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

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

G. Defined Other Post-Employment Benefit Plans (Continued)

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2017 - Dec. 31, 2018			
	<u>TRS-Care 1</u>	<u>TRS-Care 2</u>	<u>TRS-Care 3</u>
	Basic Plan	Optional Plan	Optional Plan
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. *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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
2019 Employer Contributions	\$ 32,033	
2019 Member Contributions	\$ 19,702	
2018 NECE On-Behalf Contributions	\$ 31,175	

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 \$ 15.6 million in fiscal year 2017 and \$ 394.6 million in fiscal year 2018.

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

G. Defined Other Post-Employment Benefit Plans (Continued)

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

6. *Discount Rate*

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

7. *Discount Rate Sensitivity Analysis*

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District’s proportionate share of the net OPEB liability	\$ 2,941,519	\$ 2,471,151	\$ 2,099,060

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

G. Defined Other Post-Employment Benefit Plans (Continued)

8. *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 healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,052,332	\$ 2,471,151	\$ 3,022,746

9. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*

At August 31, 2019, the District reported a liability of \$ 2,471,151 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,471,151
State's proportionate share that is associated with the District	<u>2,259,648</u>
Total	<u>\$ 4,730,799</u>

The net OPEB liability was measured as of 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 contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0049491411%, which is a decrease of 0.0054805345% from its proportion measured as of August 31, 2018.

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

- a. Use of a roll-forward method for the actuarial assumption
- b. Known retirees that discontinued health insurance were adjusted
- c. Changes in the healthcare trend rate allowing for the return of the Health Insurance Fee
- d. Demographic and economic changes resulting from the 2017 experience study
- e. Discount rate increase from 3.42% to 3.69%

Changes to the benefits provided since the prior measurement date include:

- a. Changes of retiree registration entry date
- b. Requiring retiree to contribute \$200 monthly towards insurance premiums
- c. Various changes in Medicare eligible retirees including prescription coverage and other appropriate health benefit plans.

For the year ended August 31, 2019, the District recognized OPEB expense of \$ (229,866) and revenue of \$ 82,192 for support provided by the State.

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

G. Defined Other Post-Employment Benefit Plans (Continued)

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 131,135	\$ 38,998
Changes in actuarial assumptions	41,237	742,439
Differences between projected and actual investment earnings	432	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	16	3,005,996
Total as of August 31, 2018 measurement date	\$ 172,820	\$ 3,787,433
Contributions paid to TRS subsequent to the measurement date	32,033	-
Total at fiscal year end	<u>\$ 204,853</u>	<u>\$ 3,787,433</u>

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

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2020	\$ (471,197)
2020	(471,197)
2021	(471,197)
2022	(471,278)
2023	(471,325)
Thereafter	(1,258,419)

H. Medicare Part D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$ 10,518, \$ 8,064 and \$ 7,651, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the district.

I. Risk Management

Health Care

During the year ended, employees of the Fruitvale Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

I. Risk Management (Continued)

The contract between the Fruitvale Independent School District and the TRS Activecare (Aetna) 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 year ended December 31, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

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

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 15,711 for the 18-19 fiscal year. Additionally, the District incurred fixed costs of \$ 8,446 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self insurance of \$ 14,645 includes \$ 4,596 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

Changes in the workers' compensation claims liability amounts in fiscal periods 2019 and 2018 are represented below:

	<u>2019</u>	<u>2018</u>
Claims Payable - Beginning	\$ 14,613	\$ 13,827
Claims Incurred and Changes in Estimate	2,323	2,765
Claim Payments	<u>(2,291)</u>	<u>(1,979)</u>
Claims Payable - Ending	<u>\$ 14,645</u>	<u>\$ 14,613</u>

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

I. Risk Management (Continued)

Other 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 disasters. During fiscal year, the District purchased commercial insurance to cover these liabilities. There were not 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.

J. Litigation

The District is not involved in any litigation as of year end.

K. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at year end, 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.

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate sources consisting of the following:

	General	Other Governmental	Totals
Property Tax Collections	\$ 564,721	\$ 42,115	\$ 606,836
Investment Income	49,242	127	49,369
Food Service Income	-	30,662	30,662
Cocurricular/Extracurricular Activities	17,537	29,421	46,958
Other	12,036	-	12,036
Gifts and Bequests	-	11,800	11,800
Insurance Recovery	48,500	-	48,500
Totals	<u>\$ 692,036</u>	<u>\$ 114,125</u>	<u>\$ 806,161</u>

M. Receivables

Receivables at year end, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Other Governmental	Totals
Due from Other Governments	\$ 539,109	\$ 81,773	\$ 620,882
Property Taxes Receivable	43,710	2,425	46,135
Less: Allowance for Uncollectible			
Property Taxes	(4,371)	(243)	(4,614)
Other	2,243	173	2,416
Net Receivables	<u>\$ 580,691</u>	<u>\$ 84,128</u>	<u>\$ 664,819</u>

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

N. Subsequent Events

The District's management has evaluated subsequent events through December 11, 2019, the date which the financial statements were available for use.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 197,076	\$ 3,715,485	\$ 116,700	Not
August Instructional Days Change	(5,000)	81,242	-	Eligible
Prior Period Settle-ups	-	(39)	-	
Financial Statement Earnings	<u>\$ 192,076</u>	<u>\$ 3,796,688</u>	<u>\$ 116,700</u>	<u>\$ -</u>
Financial Statement Classifications:				
August Instructional Days Receivable	\$ 5,772	\$ 269,347	\$ -	\$ -
SOF Receivable (Overpayment) *	-	263,990	-	-

* Overpayments are reported as Unearned Revenue in the government-wide Statements and governmental fund type financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 610,120	\$ 610,120	\$ 692,036	\$ 81,916
5800	State Program Revenues	3,867,616	3,954,618	4,254,156	299,538
5900	Federal Program Revenues	104,000	104,000	146,474	42,474
5020	Total Revenues	\$ 4,581,736	\$ 4,668,738	\$ 5,092,666	\$ 423,928
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 2,385,502	\$ 2,468,504	\$ 2,313,907	\$ 154,597
0012	Instructional Resources and Media Services	101,031	102,031	91,303	10,728
0013	Curriculum and Staff Development	42,084	42,584	25,053	17,531
	Total Instruction and Instr. Related Services	<u>\$ 2,528,617</u>	<u>\$ 2,613,119</u>	<u>\$ 2,430,263</u>	<u>\$ 182,856</u>
Instructional and School Leadership:					
0023	School Leadership	\$ 240,403	\$ 242,403	\$ 238,365	\$ 4,038
	Total Instructional and School Leadership	<u>\$ 240,403</u>	<u>\$ 242,403</u>	<u>\$ 238,365</u>	<u>\$ 4,038</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 196,863	\$ 198,363	\$ 175,970	\$ 22,393
0033	Health Services	104,180	105,180	102,122	3,058
0034	Student (Pupil) Transportation	197,065	252,565	218,074	34,491
0036	Cocurricular/Extracurricular Activities	258,182	275,682	250,077	25,605
	Total Support Services - Student (Pupil)	<u>\$ 756,290</u>	<u>\$ 831,790</u>	<u>\$ 746,243</u>	<u>\$ 85,547</u>
Administrative Support Services:					
0041	General Administration	\$ 247,005	\$ 251,505	\$ 229,311	\$ 22,194
	Total Administrative Support Services	<u>\$ 247,005</u>	<u>\$ 251,505</u>	<u>\$ 229,311</u>	<u>\$ 22,194</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 496,316	\$ 586,936	\$ 566,575	\$ 20,361
0052	Security and Monitoring Services	54,146	74,646	35,685	38,961
0053	Data Processing Services	179,368	211,368	196,551	14,817
	Total Support Services - Nonstudent Based	<u>\$ 729,830</u>	<u>\$ 872,950</u>	<u>\$ 798,811</u>	<u>\$ 74,139</u>
Debt Service:					
0071	Principal on Long-Term Debt	\$ 24,760	\$ 24,760	\$ 24,636	\$ 124
0072	Interest on Long-Term Debt	1,588	1,588	1,559	29
	Total Debt Service	<u>\$ 26,348</u>	<u>\$ 26,348</u>	<u>\$ 26,195</u>	<u>\$ 153</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 13,775	\$ 13,773	\$ 2
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 13,775</u>	<u>\$ 13,773</u>	<u>\$ 2</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 18,598	\$ 20,094	\$ 20,094	\$ -
0099	Other Intergovernmental Charges	13,000	13,000	12,278	722
	Total Intergovernmental Charges	<u>\$ 31,598</u>	<u>\$ 33,094</u>	<u>\$ 32,372</u>	<u>\$ 722</u>
6030	Total Expenditures	\$ 4,560,091	\$ 4,884,984	\$ 4,515,333	\$ 369,651
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 21,645	\$ (216,246)	\$ 577,333	\$ 793,579
1200	Net Change in Fund Balance	\$ 21,645	\$ (216,246)	\$ 577,333	\$ 793,579
0100	Fund Balance - Beginning (September 1)	2,551,455	2,551,455	2,551,455	-
3000	Fund Balance - Ending (August 31)	\$ 2,573,100	\$ 2,335,209	\$ 3,128,788	\$ 793,579

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

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0026098428%	0.0030221366%	0.0029900670%	0.0029952000%	0.0017655000%
District's proportionate share of the net pension liability	\$ 1,436,521	\$ 966,316	\$ 1,129,902	\$ 1,058,763	\$ 471,589
State's proportionate share of the net pension liability associated with the District	<u>2,345,911</u>	<u>1,335,158</u>	<u>1,681,173</u>	<u>1,800,376</u>	<u>1,477,900</u>
Total	<u>\$ 3,782,432</u>	<u>\$ 2,301,474</u>	<u>\$ 2,811,075</u>	<u>\$ 2,859,139</u>	<u>\$ 1,949,489</u>
District's covered-employee payroll (for Measurement Year)	\$ 2,741,154	\$ 2,603,216	\$ 2,603,216	\$ 2,830,362	\$ 2,568,400
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	52.41%	37.12%	43.40%	37.41%	18.36%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 91,818	\$ 88,188	\$ 99,048	\$ 93,968	\$ 86,813
Contributions in relations to the contractual required contributions	<u>(91,818)</u>	<u>(88,188)</u>	<u>(99,048)</u>	<u>(93,968)</u>	<u>(86,813)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,104,193	\$ 2,741,154	\$ 2,577,320	\$ 2,603,216	\$ 2,830,362
Contributions as a percentage of covered employee payroll	2.96%	3.22%	3.84%	3.61%	3.07%

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

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

	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0049491411%	0.0104296756%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 2,471,151	\$ 4,535,475
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>2,259,648</u>	<u>1,927,939</u>
Total	<u>\$ 4,730,799</u>	<u>\$ 6,463,414</u>
District's covered-employee payroll (for Measurement Year)	\$ 2,741,154	\$ 2,603,216
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	90.15%	174.23%
Plan fiduciary net position as a percentage of the Total OPEB Liability	1.57%	0.91%

Note: Only two years of data is presented in accordance with GASB 75 paragraph 245. "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."

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 32,033	\$ 34,142
Contributions in relations to the contractual required contributions	<u>(32,033)</u>	<u>(34,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,104,193	\$ 2,741,154
Contributions as a percentage of covered employee payroll	1.03%	1.25%

Note: Only two years of data is presented in accordance with GASB 75, paragraph 245. "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."

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2019

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 of the preceding fiscal year, 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.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions:

- a. A roll forward method was used to determine the August 31, 2018 valuation.
- b. Demographic assumptions including post retirement mortality, termination rates and rates of retirement were updated based on the experience study performed for the period ended August 31, 2017.
- c. The same experience study resulted in changes to the economic assumptions including rates of salary increases for individual participants.
- d. The discount rate was decreased from 8.0% to 6.907%.
- e. The assumed long term rate of return decreased from 8.0% to 7.25%.

2. Changes of Benefit Terms

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2019

C. OPEB Healthcare Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions.

- a. A roll forward method was used to develop the August 31, 2018 valuation.
- b. Adjustments were made for known retirees that discontinued their health insurance in the 2018 year.
- c. The health care trend rate assumption was adjusted to allow for the anticipated return of the Health Insurance Fee.
- d. The demographic and economic assumptions were changed to consider the result of the experience study for the year ended August 31, 2017.
- e. The discount rate was increased from 3.42% to 3.69%.

2. Changes of Benefit Terms

These following changes have occurred in the benefits terms:

- a. Implemented a high-deductible health plan that provides a zero cost generic prescriptions for certain preventative drugs and zero premium for disability retirees who retired as a disability retiree and are not eligible to enroll in Medicare.
- b. Created a single Medicare advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- c. Allowed the system (TRS) to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- d. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age. Rather than waiting for the next enrollment period.
- e. Eliminated free coverage under the TRS-Care except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards health insurance premiums.

OTHER SUPPLEMENTARY INFORMATION

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

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2018	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2019
		Maintenance	2 Debt Service							
XXXX	2010 and Prior Years	Various	Various	Various	\$ 2,846	\$ -	\$ 329	\$ 22	\$ (2,223)	\$ 272
2010	2011	1.170000	0.000000	59,577,897	442	-	351	-	-	91
2011	2012	1.170000	0.000000	52,513,846	767	-	351	-	(1)	415
2012	2013	1.170000	0.000000	58,511,363	944	-	566	-	-	378
2013	2014	1.170000	0.000000	56,024,701	1,502	-	629	-	(5)	868
2014	2015	1.170000	0.000000	52,660,536	2,333	-	1,254	-	(6)	1,073
2015	2016	1.170000	0.000000	44,426,689	4,502	-	2,107	-	955	3,350
2016	2017	1.170000	0.000000	45,995,632	10,881	-	5,178	-	206	5,909
2017	2018	1.170000	0.090000	43,917,528	23,751	-	5,003	385	(7,275)	11,088
2018	2019	1.170000	0.090000	47,021,984	-	592,477	524,443	40,342	(5,001)	22,691
1000	TOTALS				\$ 47,968	\$ 592,477	\$ 540,211	\$ 40,749	\$ (13,350)	\$ 46,135

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 25,500	\$ 25,500	\$ 30,662	\$ 5,162
5800	State Program Revenues	7,913	7,913	8,066	153
5900	Federal Program Revenues	268,000	268,000	278,745	10,745
5020	Total Revenues	\$ 301,413	\$ 301,413	\$ 317,473	\$ 16,060
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 296,591	\$ 317,066	\$ 303,717	\$ 13,349
	Total Support Services - Student (Pupil)	\$ 296,591	\$ 317,066	\$ 303,717	\$ 13,349
6030	Total Expenditures	\$ 296,591	\$ 317,066	\$ 303,717	\$ 13,349
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 4,822	\$ (15,653)	\$ 13,756	\$ 29,409
1200	Net Change in Fund Balance	\$ 4,822	\$ (15,653)	\$ 13,756	\$ 29,409
0100	Fund Balance - Beginning (September 1)	27,307	27,307	27,307	-
3000	Fund Balance - Ending (August 31)	\$ 32,129	\$ 11,654	\$ 41,063	\$ 29,409

FRUITVALE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 39,140	\$ 39,140	\$ 42,241	\$ 3,101
5800 State Program Revenues	64,641	64,641	116,700	52,059
5020 Total Revenues	\$ 103,781	\$ 103,781	\$ 158,941	\$ 55,160
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
0072 Interest on Long-term Debt	69,975	69,975	69,975	-
0073 Debt Issuance Costs and Fees	1,000	1,000	890	110
Total Debt Service	\$ 170,975	\$ 170,975	\$ 170,865	\$ 110
6030 Total Expenditures	\$ 170,975	\$ 170,975	\$ 170,865	\$ 110
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (67,194)	\$ (67,194)	\$ (11,924)	\$ 55,270
OTHER FINANCING SOURCES (USES)				
7915 Transfers in	\$ 30,194	\$ 30,194	\$ -	\$ (30,194)
7080 Net Other Financing Sources (Uses)	\$ 30,194	\$ 30,194	\$ -	\$ (30,194)
1200 Net Change in Fund Balance	\$ (37,000)	\$ (37,000)	\$ (11,924)	\$ 25,076
0100 Fund Balance - Beginning (September 1)	42,345	42,345	42,345	-
3000 Fund Balance - Ending (August 31)	\$ 5,345	\$ 5,345	\$ 30,421	\$ 25,076

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2019

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1,436,521
SF13	Net Pension Expense (6147) at fiscal year-end.	\$ 0