

FORT DAVIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Fort Davis Independent School District
Name of School District

Jeff Davis
County

122-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 12th day of January, 2021.


Signature of Board Secretary


Signature of Board President

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Fort Davis Independent School District

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 Fort Davis Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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 Fort Davis Independent School District as of August 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment liabilities related schedules following the notes to the financial statements 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.

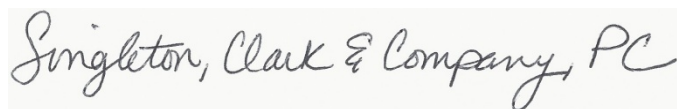
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Davis Independent School District's basic financial statements. The combining statements of individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of Fort Davis Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Fort Davis Independent School District's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

November 20, 2020

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Fort Davis Independent School District (the “District”) discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2020. Please read this information in conjunction with the District’s basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s net position for governmental activities increased by \$357,591 as a result of this year’s current operations, to end at \$4,485,340.
- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, and the Capital Projects Fund) reported an overall fund balance increase of \$198,530, to end at \$2,218,643.
- The General Fund of the District reported a fund balance decrease of \$120,007 for the year, to end at \$1,900,106.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor’s report, management’s discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting statements and schedules as applicable.

Independent Auditor’s Report

State law requires the District’s financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted 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. The District received an *Unmodified* opinion on its financial statements this year.

Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas and the Texas Public School Retired Employees Group Insurance Plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information.

OVERVIEW OF THE FEDERAL AWARDS SECTION

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required to consider the internal controls the District has in place over financial reporting and whether any noncompliance with rules, laws, and regulations was noted during the audit. This report describes the scope of the testing of internal control and compliance, however, it does not provide an opinion on the effectiveness of internal control or on compliance.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs provides an overall summary of auditor results, including identification of the type of opinion on the financial statements, whether any significant deficiencies or material weaknesses in internal controls were observed by the audit firm, and whether any material noncompliance was noted. This schedule also lists any audit findings reported by the audit firm for the year.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

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

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District’s governmental activities.

Net position of the District’s governmental activities increased from \$4,127,749 to \$4,485,340. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$513,454 at August 31, 2020. The increase in governmental net position was primarily due to factors such as higher than normal local revenues received during the year, including receipt of insurance proceeds related to a roof damage claim.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

Table I
Fort Davis Independent School District
NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Change
Current & Other Assets	\$ 2,573,846	\$ 2,306,825	\$ 267,021
Capital Assets	3,748,302	3,402,411	345,891
Total Assets	<u>6,322,148</u>	<u>5,709,236</u>	<u>612,912</u>
Deferred Outflows of Resources	<u>1,255,138</u>	<u>706,275</u>	<u>548,863</u>
Current Liabilities	165,151	118,922	46,229
Long-Term Liabilities	2,073,746	1,597,759	475,987
Total Liabilities	<u>2,238,897</u>	<u>1,716,681</u>	<u>522,216</u>
Deferred Inflows of Resources	<u>853,049</u>	<u>571,081</u>	<u>281,968</u>
Net Position:			
Net Investment in Capital Assets	3,653,349	3,402,411	250,938
Restricted	318,537	-	318,537
Unrestricted	513,454	725,338	(211,884)
Total Net Position	<u>\$ 4,485,340</u>	<u>\$ 4,127,749</u>	<u>\$ 357,591</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

Table II
FORT DAVIS INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 7,948	\$ 23,930	\$ (15,982)
Operating Grants & Contributions	407,964	316,848	91,116
General Revenues:			
Maintenance & Operations Taxes	2,181,956	2,369,693	(187,737)
State Aid - Formula Grants	629,504	388,799	240,705
Grants & Contributions not Restricted	113,475	111,074	2,401
Investment Earnings	21,208	35,924	(14,716)
Miscellaneous	731,545	14,619	716,926
Total Revenue	<u>4,093,600</u>	<u>3,260,887</u>	<u>832,713</u>
Expenses:			
Instruction	2,071,543	1,850,659	220,884
Instr. Resources & Media Services	1,356	1,296	60
Curriculum and Staff Development	25,474	22,830	2,644
School Leadership	278,614	266,071	12,543
Guidance/Counseling Services	97,132	69,536	27,596
Health Services	1,921	2,273	(352)
Student Transportation	24,687	20,782	3,905
Food Services	4,610	6,878	(2,268)
Cocurricular/Extracurricular Act.	126,138	170,816	(44,678)
General Administration	417,994	337,974	80,020
Plant Maintenance and Operations	447,373	409,310	38,063
Security and Monitoring Services	8,463	7,074	1,389
Data Processing Services	97,860	101,759	(3,899)
Debt Service	1,177	444	733
Payments to Fiscal Agents	59,388	47,518	11,870
Other Intergovernmental Charges	72,279	74,134	(1,855)
Total Expenses	<u>3,736,009</u>	<u>3,389,354</u>	<u>346,655</u>
Change in Net Position	<u>357,591</u>	<u>(128,467)</u>	<u>486,058</u>
Net Position at 9/1/19 and 9/1/18	4,127,749	4,274,522	(146,773)
Prior Period Adjustment	-	(18,306)	18,306
Net Position at 8/31/20 and 8/31/19	<u>\$ 4,485,340</u>	<u>\$ 4,127,749</u>	<u>\$ 357,591</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

THE DISTRICT’S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$1,900,106, which is \$120,007 less than last year’s total of \$2,020,113. The decrease in fund balance is mainly attributable to the General Fund deficit budget adopted by the board for fiscal year 2020.

The District’s Capital Projects Fund reported a fund balance of \$318,537 which is \$318,537 more than last year’s total of \$0. The Capital Projects fund balance was more at August 31, 2020, as compared to the prior year end, due to a one time receipt of insurance proceeds in compensation for a roof damage claim. The purpose of the Capital Projects Fund is to account for the construction, improvement and renovation of school buildings in the District along with acquiring land and equipment. This fund is budgeted on a project basis rather than annually.

The District’s other governmental funds reported combined ending fund balances of \$0. This combined balance is the same as in the previous year. The primary reason for this is that the other governmental funds are comprised of Special Revenue Funds that do not carry fund balances from year to year.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. Budget amendments made during the year to Functions 34 and 53 were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2020, the District had \$3,748,302 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2020 and 2019 is as follows:

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 41,590	\$ 41,590	\$ -
Construction in Progress	509,461	163,161	346,300
Buildings	4,462,499	4,427,299	35,200
Furniture and Equipment	1,894,116	1,817,493	76,623
Total	<u>6,907,666</u>	<u>6,449,543</u>	<u>458,123</u>
Less Accumulated Depreciation	<u>(3,159,364)</u>	<u>(3,047,132)</u>	<u>(112,232)</u>
Capital Assets, Net of Depreciation	<u>\$ 3,748,302</u>	<u>\$ 3,402,411</u>	<u>\$ 345,891</u>

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

Debt

At year-end, the District had \$94,953 in bonds and other long-term debt outstanding versus \$0 last year. The increase is attributable to the District entering into a new Capital Lease agreement to acquire a school bus.

A summary of the ending balances of long-term debt by type for both 2020 and 2019 is as follows:

	Governmental Activities 2020	Governmental Activities 2019	Change
Capital Leases Payable	\$ 94,953	\$ -	\$ 94,953
Total	\$ 94,953	\$ -	\$ 94,953

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2020-2021 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$3.2 million for the 2020-2021 fiscal year. This reflects an approximate decrease of \$100,000 in budgeted expenditures from fiscal year 2019-2020 to fiscal year 2020-2021.

For the 2020-2021 budget year, the District has decreased its maintenance and operations tax rate at \$1.035 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District did not adopt a debt service tax rate for the 2020-2021 budget year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Fort Davis Independent School District, P.O. Box 1339, 400 Webster, Fort Davis, Texas 79734, or by calling (432) 426-4440.

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BASIC FINANCIAL STATEMENTS

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

Data Control Codes	Primary Government <u>1</u> Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,340,737
1225 Property Taxes Receivable, net	190,953
1240 Due from Other Governments	41,803
1290 Other Receivables, net	353
Capital Assets:	
1510 Land	41,590
1520 Buildings and Improvements, net	2,189,064
1530 Furniture and Equipment, net	1,008,187
1580 Construction in Progress	509,461
1000 Total Assets	<u>6,322,148</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows-Pension	306,351
1706 Deferred Outflows-OPEB	948,787
Total Deferred Outflows of Resources	<u>1,255,138</u>
LIABILITIES	
2140 Interest Payable	901
2150 Payroll Deductions & Withholdings	64
2160 Accrued Wages Payable	78,695
2180 Due to Other Governments	58,117
2200 Accrued Expenses	24,081
2300 Unearned Revenue	3,293
Noncurrent Liabilities:	
2501 Due Within One Year	22,764
2502 Due in More Than One Year	72,189
2540 Net Pension Liability	408,113
2545 Other Post-Employment Benefits Liability	1,570,680
2000 Total Liabilities	<u>2,238,897</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows-Pension	173,515
2606 Deferred Inflows-OPEB	679,534
Total Deferred Inflows of Resources	<u>853,049</u>
NET POSITION	
3200 Net Investment in Capital Assets	3,653,349
Restricted for:	
3860 Capital Projects	318,537
3900 Unrestricted	513,454
3000 Total Net Position	<u>\$ 4,485,340</u>

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1 Expenses	Program Revenues		Net (Expense)
		3 Charges for Services	4 Operating Grants and Contributions	Rev. & Change in Net Position 6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 2,071,543	\$ -	\$ 288,940	\$ (1,782,603)
12 Instructional Resources & Media Services	1,356	-	-	(1,356)
13 Curriculum & Staff Development	25,474	-	141	(25,333)
23 School Leadership	278,614	-	27,055	(251,559)
31 Guidance/Counseling/Evaluation Services	97,132	-	14,936	(82,196)
33 Health Services	1,921	-	513	(1,408)
34 Student Transportation	24,687	-	-	(24,687)
35 Food Services	4,610	-	391	(4,219)
36 Extracurricular Activities	126,138	7,948	2,817	(115,373)
41 General Administration	417,994	-	24,580	(393,414)
51 Plant Maintenance and Operations	447,373	-	26,272	(421,101)
52 Security and Monitoring Services	8,463	-	-	(8,463)
53 Data Processing Services	97,860	-	22,319	(75,541)
72 Interest on Long-Term Debt	1,177	-	-	(1,177)
93 Payments to Fiscal Agent/Member Dist. of SSA	59,388	-	-	(59,388)
99 Other Intergovernmental Charges	72,279	-	-	(72,279)
TG Total Governmental Activities:	<u>3,736,009</u>	<u>7,948</u>	<u>407,964</u>	<u>(3,320,097)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 3,736,009</u>	<u>\$ 7,948</u>	<u>\$ 407,964</u>	<u>(3,320,097)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				2,181,956
SF State Aid - Formula Grants				629,504
GC Grants and Contributions, not Restricted				113,475
IE Investment Earnings				21,208
MI Miscellaneous Local and Intermediate Revenue				731,545
Total General Revenues				<u>3,677,688</u>
CN Change in Net Position				357,591
NB Net Position -- Beginning				4,127,749
NE Net Position -- Ending				<u>\$ 4,485,340</u>

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,994,529	\$ 335,852	\$ 10,356	\$ 2,340,737
1220 Property Taxes - Delinquent	212,169	-	-	212,169
1230 Allowance for Uncollectible Taxes (Credit)	(21,216)	-	-	(21,216)
1240 Due from Other Governments	-	-	41,803	41,803
1260 Due from Other Funds	65,123	-	-	65,123
1290 Other Receivables	353	-	-	353
1000 Total Assets	<u>\$ 2,250,958</u>	<u>\$ 335,852</u>	<u>\$ 52,159</u>	<u>\$ 2,638,969</u>
LIABILITIES				
2150 Payroll Ded. and Withholdings Payable	\$ 64	-	\$ -	\$ 64
2160 Accrued Wages Payable	74,221	-	4,474	78,695
2170 Due to Other Funds	21,487	-	43,636	65,123
2180 Due to Other Governments	58,117	-	-	58,117
2200 Accrued Expenditures	6,010	17,315	756	24,081
2300 Unearned Revenues	-	-	3,293	3,293
2000 Total Liabilities	<u>159,899</u>	<u>17,315</u>	<u>52,159</u>	<u>229,373</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows-Unavailable Revenues	190,953	-	-	190,953
Total Deferred Inflows of Resources	<u>190,953</u>	<u>-</u>	<u>-</u>	<u>190,953</u>
FUND BALANCES				
Restricted for:				
3470 Capital Acq. and Contractual Oblig.	-	318,537	-	318,537
3600 Unassigned Fund Balance	1,900,106	-	-	1,900,106
3000 Total Fund Balances	<u>1,900,106</u>	<u>318,537</u>	<u>-</u>	<u>2,218,643</u>
4000 Fund Balances	<u>\$ 2,250,958</u>	<u>\$ 335,852</u>	<u>\$ 52,159</u>	<u>\$ 2,638,969</u>

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

		1
Total Fund Balances - Governmental Funds		\$ 2,218,643
<p>¹ Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 6,907,666	
Less accumulated depreciation	<u>(3,159,364)</u>	3,748,302
<p>² Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Notes and capital leases payable	(94,953)	
Net pension liability	(408,113)	
Net OPEB liability	<u>(1,570,680)</u>	(2,073,746)
<p>³ Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(901)
<p>⁴ Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	306,351	
Deferred inflows of resources related to pensions	(173,515)	
Deferred outflows of resources related to OPEB	948,787	
Deferred inflows of resources related to OPEB	<u>(679,534)</u>	402,089
<p>⁵ Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		190,953
¹⁹ Net Position of Governmental Activities		<u><u>\$ 4,485,340</u></u>

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IIN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data	10	60	98	
Control	General	Capital	Other	Total
Codes	Fund	Projects Fund	Funds	Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 2,254,657	\$ 664,837	\$ -	\$ 2,919,494
5800 State Program Revenues	786,673	-	37,096	823,769
5900 Federal Program Revenues	68,966	-	121,245	190,211
5020 Total Revenues	<u>3,110,296</u>	<u>664,837</u>	<u>158,341</u>	<u>3,933,474</u>
EXPENDITURES				
0011 Instruction	1,701,197	-	98,716	1,799,913
0012 Instructional Resources & Media Services	1,285	-	-	1,285
0013 Curriculum & Instructional Staff Development	23,894	-	-	23,894
0023 School Leadership	239,972	-	2,251	242,223
0031 Guidance, Counseling & Evaluation Services	78,166	-	5,672	83,838
0033 Health Services	1,307	-	513	1,820
0034 Student (Pupil) Transportation	137,181	-	-	137,181
0035 Food Services	4,089	-	-	4,089
0036 Cocurricular/Extracurricular Activities	112,298	-	-	112,298
0041 General Administration	374,329	-	854	375,183
0051 Plant Maintenance and Operations	411,193	-	33,039	444,232
0052 Security and Monitoring Services	8,018	-	-	8,018
0053 Data Processing Services	107,301	-	17,296	124,597
0071 Debt Service - Principal	25,147	-	-	25,147
0072 Debt Service - Interest	276	-	-	276
0081 Facilities Acquisition and Construction	-	346,300	-	346,300
0093 Payments to Fiscal Agent/Member Dist. of SSA	56,268	-	-	56,268
0099 Other Intergovernmental Charges	68,482	-	-	68,482
6030 Total Expenditures	<u>3,350,403</u>	<u>346,300</u>	<u>158,341</u>	<u>3,855,044</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(240,107)</u>	<u>318,537</u>	<u>-</u>	<u>78,430</u>
OTHER FINANCING SOURCES (USES)				
7913 Capital Leases	120,100	-	-	120,100
7080 Total Other Financing Sources (Uses)	<u>120,100</u>	<u>-</u>	<u>-</u>	<u>120,100</u>
1200 Net Change in Fund Balance	(120,007)	318,537	-	198,530
0100 Fund Balance - Beginning	2,020,113	-	-	2,020,113
3000 Fund Balance - Ending	<u>\$ 1,900,106</u>	<u>\$ 318,537</u>	<u>\$ -</u>	<u>\$ 2,218,643</u>

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Total Net Change in Fund Balances – Governmental Funds	\$	198,530
1 Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	\$	539,023
Less current year depreciation		<u>(193,132)</u>
		345,891
2 Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.		
		25,147
3 Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.		
		(120,100)
3 The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.		
		(901)
4 Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		
		23,163
5 Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.		
		5,184
6 Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net OPEB liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.		
		(119,323)
19 Change in Net Position of Governmental Activities	\$	<u>357,591</u>

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

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES				
5700 Local & Intermediate Sources	\$ 2,255,992	\$ 2,205,992	\$ 2,254,657	\$ 48,665
5800 State Program Revenues	822,916	253,000	786,673	533,673
5900 Federal Program Revenues	-	822,916	68,966	(753,950)
5020 Total Revenues	<u>3,078,908</u>	<u>3,281,908</u>	<u>3,110,296</u>	<u>(171,612)</u>
EXPENDITURES				
0011 Instruction	1,743,665	1,743,665	1,701,197	42,468
0012 Instructional Resources & Media Services	1,650	1,650	1,285	365
0013 Curriculum and Staff Development	28,500	25,500	23,894	1,606
0021 Instructional Leadership	1,000	1,000	-	1,000
0023 School Leadership	253,474	242,474	239,972	2,502
0031 Guidance/Counseling/Evaluation Services	87,497	86,997	78,166	8,831
0033 Health Services	1,200	1,820	1,307	513
0034 Student Transportation	64,300	144,800	137,181	7,619
0035 Food Services	7,315	5,315	4,089	1,226
0036 Extracurricular Activities	154,665	124,665	112,298	12,367
0041 General Administration	362,375	382,375	374,329	8,046
0051 Facilities Maintenance & Operations	370,252	419,252	411,193	8,059
0052 Security and Monitoring Services	9,000	9,000	8,018	982
0053 Data Processing Services	81,473	125,473	107,301	18,172
Debt Service:				
0071 Principal on Long Term Debt	2,000	25,500	25,147	353
0072 Interest on Long Term Debt	-	-	276	(276)
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Dist. of SSA	56,268	56,268	56,268	-
0099 Other Intergovernmental Charges	74,000	74,000	68,482	5,518
6030 Total Expenditures	<u>3,298,634</u>	<u>3,469,754</u>	<u>3,350,403</u>	<u>119,351</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(219,726)</u>	<u>(187,846)</u>	<u>(240,107)</u>	<u>(52,261)</u>
OTHER FINANCING SOURCES (USES)				
7913 Capital Leases	-	-	120,100	120,100
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>120,100</u>	<u>120,100</u>
1200 Net Change in Fund Balances	(219,726)	(187,846)	(120,007)	67,839
0100 Fund Balance-September 1 (Beginning)	2,020,113	2,020,113	2,020,113	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 1,800,387</u>	<u>\$ 1,832,267</u>	<u>\$ 1,900,106</u>	<u>\$ 67,839</u>

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

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

Data Control Codes	Student Activity Funds
ASSETS	
1110 Cash and Cash Equivalents	\$ 55,682
1000 Total Assets	<u>55,682</u>
LIABILITIES	
2190 Due to Student Groups	55,682
2000 Total Liabilities	<u>\$ 55,682</u>

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

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to Fort Davis Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as “component units”, included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Agency funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds and Fund Types

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The Capital Projects Fund is used to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

Agency Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Budgetary Information

Budgets are prepared annually for the General Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Ad Valorem Property Taxes - Delinquent taxes, when received, 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. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

Pensions - The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

Data Control Codes

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and agency funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2020, the carrying amount of the District's deposits was \$2,396,418 and the bank balance was \$2,417,605. The District's deposits with financial institutions at August 31, 2020 and during the year ended August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Fort Davis State Bank, Texas
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$1,859,316.
- c) The largest cash, savings and time deposit combined account balance amounted to \$1,853,466 and occurred during the month of November 2019.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$750,000.

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.

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 credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2020, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Jeff Davis Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Jeff Davis County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Property taxes are levied as of 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 year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2019, upon which the October 2019 levy was based was \$203,673,596. The District levied taxes based on a combined tax rate of \$1.06 per \$100 of assessed valuation for local maintenance (general governmental services).

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of August 31, 2020 are summarized below:

Due From Other Governments:	Non-Major Governmental Funds
	<hr/>
Governmental Activities:	
Federal Grants	\$ 41,803
Total - Governmental Activities	<u>\$ 41,803</u>
Due To Other Governments:	
	General Fund
	<hr/>
Governmental Activities:	
Foundation & Per Capita Entitlements	\$ 58,117
Total - Governmental Activities	<u>\$ 58,117</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

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

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 65,123
Total General Fund		<u>65,123</u>
Grand Total		<u><u>\$ 65,123</u></u>

6. CAPITAL ASSETS

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

	Beginning			Ending
	Balance 9/1/19	Additions	Retirements	Balance 8/31/20
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 41,590	\$ -	\$ -	\$ 41,590
Construction in Progress	163,161	346,300	-	509,461
Total Capital Assets, not Being Depreciated	<u>204,751</u>	<u>346,300</u>	<u>-</u>	<u>551,051</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,427,299	35,200	-	4,462,499
Furniture and Equipment	1,817,493	157,523	(80,900)	1,894,116
Total Capital Assets, Being Depreciated	<u>6,244,792</u>	<u>192,723</u>	<u>(80,900)</u>	<u>6,356,615</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,179,885)	(93,550)	-	(2,273,435)
Furniture and Equipment	(867,247)	(99,582)	80,900	(885,929)
Total Accumulated Depreciation	<u>(3,047,132)</u>	<u>(193,132)</u>	<u>80,900</u>	<u>(3,159,364)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 3,402,411</u></u>	<u><u>\$ 345,891</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,748,302</u></u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	\$ 99,796
Instructional Resources & Media	71
Curriculum & Staff Development	1,325
School Leadership	13,430
Guidance/Counseling/Evaluation Services	4,648
Health Services	101
Student Transportation	7,606
Food Services	227
Cocurricular/Extracurricular Activities	6,226
General Administration	20,802
Plant Maintenance and Operations	24,630
Security and Monitoring Services	445
Data Processing Services	6,908
Payments Related to SSAs	3,120
Other Intergovernmental Charges	3,797
Totals	\$ 193,132

7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at August 31, 2020 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2020
\$120,100 Capital Lease, with Santander Bank, N.A., issued February 14, 2020, due in annual installments of \$25,423 through May 1, 2024; interest at 2.80%.	\$ 94,953
Total General Long-Term Debt	\$ 94,953

The following is a summary of changes in long-term liabilities for the year ended August 31, 2020:

Type	Outstanding 9/1/19	Additions	Deletions	Outstanding 8/31/20	Due in One Year
Other Long-Term Liabilities:					
Capital Lease	-	120,100	(25,147)	94,953	22,764
Total Other Long-Term Liabilities	-	120,100	(25,147)	94,953	22,764
Total Governmental Activities	\$ -	\$ 120,100	\$ (25,147)	\$ 94,953	\$ 22,764

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District’s tax bond indebtedness would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

The debt service requirements for notes payable and capital leases as of August 31, 2020 are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2021	\$ 22,764	\$ 2,659	\$ 25,423
2022	23,402	2,021	25,423
2023	24,057	1,366	25,423
2024	24,730	693	25,423
	\$ 94,953	\$ 6,739	\$ 101,692

8. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN

A. Pension Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board of TRS and its composition can be found within the separately issued TRS Comprehensive Annual Financial Report within Note 1 to the financial statements. That report may be obtained online at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees.

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

C. Contributors to the Plan

Contributors to the Plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also 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.

The number of participating employers during fiscal year 2019 are disclosed in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,023
Charter Schools (open enrollment only)	179
Community and Junior Colleges	50
Senior Colleges and Universities	47
Regional Service Centers	20
Medical Schools	9
Educational Districts	3
State Agency	1
Total	1,332

Plan membership as of August 31, 2018 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2018 (see Section F), the Plan membership counts are as of August 31, 2018.

<u>Pension Plan Membership</u>	
Retired plan members or beneficiaries currently receiving benefits	420,458
Inactive plan members entitled to but not yet receiving benefits	298,498
Active plan members	872,999
	1,591,955

The Average Expected Remaining Service Life (AERSL) of 6.3623 years is based on membership information as of the beginning of the fiscal year.

D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- On the portion of a 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 or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Members	7.7%	7.7%
Employer	6.8%	7.5%
State of Texas (NECE)	6.8%	7.5%
 <u>Contribution Amounts</u>		
Members	\$ 128,777	\$ 147,130
Employer	27,591	55,453
State of Texas (NECE)	99,666	117,011

Employers are also required to pay surcharges in the following cases:

- 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 percent of the member's salary.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2019 are disclosed below.

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as Percentage of Total Pension Liability	75.24%

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2018 and were adopted in July 2018.

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

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

Asset Class	FY 2019 Target Allocation* %	New Target Allocation** %	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds****	3.00%	0.00%	0.00%
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.00%	-6.00%	2.70%
Total	100.00%	100.00%	7.23%
Expected Return			7.23%

* FY2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

** New Target Allocation based on the Strategic Asset Allocation dated 10/1/2019

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

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

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

The following table discloses the assumptions that were applied to this measurement period.

Actuarial Methods and Assumptions

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

G. Discount Rate

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

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

H. Changes of Assumptions Since the Prior Measurement Date

The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumptions			
	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
District's Proportionate Share of the Net Pension Liability:	\$ 627,329	\$ 408,113	\$ 230,506

J. District Net Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense

The Net Pension Liability of the Plan as a whole was last measured as of August 31, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's Net Pension Liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2018 through August 31, 2019.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net Pension Liability, as well as the State's proportionate share of the Net Pension Liability associated with the District.

	Measurement Date		Change
	8/31/18	8/31/19	
District's Proportion of the Collective Net Pension Liability	0.000005440005	0.000007850873	0.000002410868
District's Proportionate Share of the Net Pension Liability	\$ 299,431	\$ 408,113	\$ 108,682
State's Proportionate Share of the Net Pension Liability Associated with the District	1,574,187	1,398,082	(176,105)
Total Pension Liability	<u>\$ 1,873,618</u>	<u>\$ 1,806,195</u>	<u>\$ (67,423)</u>

At August 31, 2020, Fort Davis Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,714	\$ 14,170
Changes in actuarial assumptions	126,617	52,324
Difference between projected and actual investment earnings	24,536	20,438
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	98,031	86,583
Contributions paid to TRS subsequent to the measurement date	55,453	-
Total	<u>\$ 306,351</u>	<u>\$ 173,515</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized in pension expense as follows:

Measurement Year Ended August 31,	Pension Expense Amount
2020	\$ (10,007)
2021	(10,476)
2022	35,436
2023	39,396
2024	21,595
Thereafter	1,439

For the year ended August 31, 2020, Fort Davis Independent School District recognized pension expense of (\$5,184) and revenue of \$219,618 for support provided by the State.

9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2020, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$475 per month per employee to the Plan, the State provided an additional \$75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – TRS-CARE

A. Plan Description

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multiple-employer, cost-sharing, defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Further detailed information regarding TRS and TRS-Care is available in a separately issued Comprehensive Annual Financial Report for TRS that includes financial statements and required supplementary information. That report may be obtained online at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

C. Contributors to TRS-Care

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2019, the number of participating employers are presented in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,022
Open Enrollment Charter Schools	179
Regional Service Centers	20
Other Educational Districts	<u>3</u>
Total	<u><u>1,224</u></u>

TRS-Care plan membership as of August 31, 2018 is shown in the following table. Because the actuarial valuation was based on a roll-forward (See Section F), the counts are as of that date.

<u>TRS-Care Plan Membership</u>	
Active plan members	718,000
Inactive plan members currently receiving benefits	194,346
Inactive plan members entitled to but not yet receiving benefits	14,142
Total	<u><u>926,488</u></u>

The Average Expected Remaining Service Life (AERSL) of 9.0344 is based on the membership information as of the beginning of the fiscal year.

D. 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 participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2019.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Members	0.65%	0.65%
Employer	0.75%	0.75%
State of Texas	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%
 <u>Contribution Amounts</u>		
Members	\$ 10,870	\$ 11,453
Employer	24,107	24,623
State of Texas (NECE)	17,588	20,649
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of the TRS. The TRS-Care surcharges for fiscal year 2019 totaled \$10,800,712.

A supplemental appropriation was received in 2019 for \$73.6 million, which was re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse/Children	468	408
Retiree and Family	1,020	999

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2019 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 48,583,247,239
Less: Plan Fiduciary Net Position	<u>(1,292,022,349)</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>
 Net Position as a Percentage of Total OPEB Liability	 2.66%

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

- Rates of Mortality
- Rates of Retirement
- Rates of Termination
- Rates of Disability
- General Inflation
- Wage Inflation
- Salary Increases

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

Health Care Trend Rates

The initial medical trend rates were 10.25 percent for Medicare retirees and 7.50 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 percent over a period of 13 years.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Actuarial Methods and Assumptions

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

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

G. Discount Rate

A single discount rate of 2.63 percent was used to measure the total OPEB liability. This was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

H. Change of Assumptions Since the Prior Measurement Date

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

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

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

I. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

J. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower, 1.63 percent, or one-percentage point higher, 3.63 percent, than the AA/Aa rate.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions			
	1% Decrease 1.63%	Current Single Discount Rate 2.63%	1% Increase 3.63%
District's proportionate share of the Net OPEB Liability	\$ 1,896,316	\$ 1,570,680	\$ 1,315,937

K. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions

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	\$ 1,281,306	\$ 1,570,680	\$ 1,958,310

L. District Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and OPEB Expense

The Net OPEB Liability of the TRS-Care program as a whole was last measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care's Net OPEB Liability based on the District's contributions to the program relative to the contributions of all employers for the period September 1, 2018 through August 31, 2019.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net OPEB Liability, as well as the State's proportionate share of the Net OPEB Liability associated with the District.

	Measurement Date		Change
	8/31/18	8/31/19	
District's Proportion of the Collective Net OPEB Liability	0.000026002488	0.000033212949	0.000007210461
District's Proportionate Share of the Net OPEB Liability	\$ 1,298,328	\$ 1,570,680	\$ 272,352
State's Proportionate Share of the Net OPEB Liability Associated with the District	1,429,192	2,087,084	657,892
Total OPEB Liability	\$ 2,727,520	\$ 3,657,764	\$ 930,244

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, Fort Davis Independent School District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 77,055	\$ 257,025
Changes in actuarial assumptions	87,239	422,475
Difference between projected and actual investment earnings	204	34
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	759,666	-
Contributions paid to TRS subsequent to the measurement date	24,623	-
Total	\$ 948,787	\$ 679,534

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB (not including the deferred contribution paid subsequent to the measurement date) will be recognized in OPEB expense as follows:

Measurement Year Ended August 31,	OPEB Expense Amount
2020	\$ 14,240
2021	14,240
2022	14,184
2023	14,153
2024	14,162
Thereafter	173,651

For the year ended August 31, 2020, Fort Davis Independent School District recognized OPEB expense of \$119,323 and revenue of \$55,005 for support provided by the State.

11. FRINGE BENEFITS PAID BY OTHER GOVERNMENTS

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, 2020 and August 31, 2019, the subsidy payments received by TRS-Care on behalf of the District were \$8,294 and \$6,355, respectively.

12. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described on the next page.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. 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, committed fund balance, assigned fund balance, and unassigned fund balance.

13. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Type	General Fund	Major Capital Projects Fund	Total
Property Taxes	\$ 2,158,793	\$ -	\$ 2,158,793
Investment Income	21,208	-	21,208
Gifts	32,435	-	32,435
Athletics	7,948	-	7,948
Miscellaneous Local Revenue	34,273	664,837	699,110
Total	<u>\$ 2,254,657</u>	<u>\$ 664,837</u>	<u>\$ 2,919,494</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

14. UNEARNED REVENUE

Unearned revenue at August 31, 2020 consisted of the following amounts:

Fund	State Grants	Federal Grants	Total
Non-Major Governmental Funds	\$ 2,370	\$ 923	\$ 3,293
Total	<u>\$ 2,370</u>	<u>\$ 923</u>	<u>\$ 3,293</u>

15. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers’ compensation, and other miscellaneous bonds. During the year ended August 31, 2020, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2020, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

17. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2020, Fort Davis Independent School 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 monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2020, the Fund anticipates that Fort Davis Independent School District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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REQUIRED SUPPLEMENTARY INFORMATION

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year			
	2019	2018	2017	2016
District's Proportion of the Net Pension Liability	0.0007850873%	0.0005440005%	0.0005283125%	0.0004390585%
District's Proportionate Share of the Net Pension Liability	\$ 408,113	\$ 299,431	\$ 168,926	\$ 165,914
State's Proportionate Share of the District Net Pension Liability	1,398,082	1,574,187	899,732	1,109,579
Total Pension Liability	<u>\$ 1,806,195</u>	<u>\$ 1,873,618</u>	<u>\$ 1,068,658</u>	<u>\$ 1,275,493</u>
District's Covered-Employee Payroll	\$ 1,672,428	\$ 1,646,895	\$ 1,607,887	\$ 1,557,871
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	24.40%	18.18%	10.51%	10.65%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	75.24%	73.74%	82.17%	78.00%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 68.

Measurement Year	
2015	2014

0.0004816000% 0.0013654000%

\$ 170,239 \$ 364,717

619,042	1,122,850
<u>\$ 789,281</u>	<u>\$ 1,487,567</u>

\$ 1,556,051 \$ 1,840,525

10.94% 19.82%

78.43% 83.25%

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS –
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year			
	2020	2019	2018	2017
Contractually Required Contribution	\$ 55,453	\$ 27,591	\$ 19,081	\$ 17,316
Contribution in Relation to the Contractually Required Contribution	<u>(55,453)</u>	<u>(27,591)</u>	<u>(19,081)</u>	<u>(17,316)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,762,035	\$ 1,672,428	\$ 1,646,895	\$ 1,607,887
Contributions as a Percentage of Covered- Employee Payroll	3.15%	1.65%	1.16%	1.08%

The amounts presented are as of the District's fiscal year end of August 31.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

Fiscal Year	
2016	2015
\$ 14,150	\$ 15,174
<u>(14,150)</u>	<u>(15,174)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,557,871	\$ 1,556,051
0.91%	0.98%

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year		
	2019	2018	2017
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0033212949%	0.0026002488%	0.0018491978%
District's Proportionate Share of the Net Post Employment Benefit Liability	\$ 1,570,680	\$ 1,298,328	\$ 804,147
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	<u>2,087,084</u>	<u>1,429,192</u>	<u>1,271,944</u>
Total Other Post Employment Benefits Liability	<u>\$ 3,657,764</u>	<u>\$ 2,727,520</u>	<u>\$ 2,076,091</u>
District's Covered Payroll	\$ 1,672,428	\$ 1,646,895	\$ 1,607,887
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	93.92%	78.83%	50.01%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	2.66%	1.57%	0.91%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 75.

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS –
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year			
	2020	2019	2018	2017
Contractually Required Contribution	\$ 24,623	\$ 24,107	\$ 5,027	\$ 7,340
Contribution in Relation to the Contractually Required Contribution	<u>(24,623)</u>	<u>(24,107)</u>	<u>(5,027)</u>	<u>(7,340)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,762,035	\$ 1,672,428	\$ 1,646,895	\$ 1,607,887
Contributions as a Percentage of Covered Payroll	1.40%	1.44%	0.31%	0.46%

The amounts presented are as of the District's fiscal year end of August 31.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Teacher Retirement System

Actuarial Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the Net Pension Liability in accordance with GASB 68. Actuarial methods and assumptions used for funding purposes can be found in the Teacher Retirement System of Texas Pension Plan note to the financial statements.

Changes of Benefit Terms

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

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

Texas Public School Retired Employees Group Insurance Plan

Actuarial Assumptions

Actuarial methods and assumptions used for funding purposes can be found in the Other Post-Employment Benefits (OPEB) Plan – TRS Care note to the financial statements.

Changes of Benefit Terms

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

Changes of Assumptions Since the Prior Measurement Date

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

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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data	211	255	266 Elementary and Secondary School	270
Control	ESEA, Title I, Part A	ESEA, Title II, Part A	Emergency Relief Fund	ESEA, Title VI, Part B
Codes				
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,472	\$ -	\$ -	\$ 994
1240 Due from Other Governments	2,744	994	37,603	462
1000A Total Assets	<u>\$ 8,216</u>	<u>\$ 994</u>	<u>\$ 37,603</u>	<u>\$ 1,456</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 2,720	\$ -	\$ -	\$ 1,244
2170 Due to Other Funds	5,039	994	37,603	-
2200 Accrued Expenditures	457	-	-	212
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>8,216</u>	<u>994</u>	<u>37,603</u>	<u>1,456</u>
FUND BALANCES				
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 8,216</u>	<u>\$ 994</u>	<u>\$ 37,603</u>	<u>\$ 1,456</u>

289	410	429	
Federally Funded Spec. Rev. Fund	State Textbook Fund	State Funded Special Revenue Funds	Total Non- Major Governmental Funds
\$ 1,520	\$ 2,370	\$ -	\$ 10,356
-	-	-	41,803
<u>\$ 1,520</u>	<u>\$ 2,370</u>	<u>\$ -</u>	<u>\$ 52,159</u>
\$ 510.00	\$ -	-	\$ 4,474
-	-	-	43,636
87	-	-	756
923	2,370	-	3,293
<u>1,520</u>	<u>2,370</u>	<u>-</u>	<u>52,159</u>
-	-	-	-
<u>\$ 1,520</u>	<u>\$ 2,370</u>	<u>\$ -</u>	<u>\$ 52,159</u>

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA, Title I, Part A	255 ESEA, Title II, Part A	266 Elementary and Secondary School Emergency Relief Fund	270 ESEA, Title VI, Part B
REVENUES				
5800 State Program Revenues	\$ -	\$ -	\$ -	\$ -
5900 Federal Program Revenues	44,287	5,522	37,603	24,525
5020 Total Revenues	44,287	5,522	37,603	24,525
EXPENDITURES				
0011 Instruction	44,287	-	8,500	24,525
0023 School Leadership	-	-	2,251	-
0031 Guidance, Counseling & Evaluation Svcs.	-	5,522	150	-
0033 Health Services	-	-	513	-
0041 General Administration	-	-	854	-
0051 Plant Maintenance and Operations	-	-	8,039	-
0053 Data Processing Services	-	-	17,296	-
6030 Total Expenditures	44,287	5,522	37,603	24,525
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - Beginning	-	-	-	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

289	410	429	
Federally Funded Spec. Rev. Fund	State Textbook Fund	State Funded Special Revenue Funds	Total Non- Major Governmental Funds
\$ -	\$ 12,096	\$ 25,000	\$ 37,096
9,308	-	-	121,245
9,308	12,096	25,000	158,341
9,308	12,096	-	98,716
-	-	-	2,251
-	-	-	5,672
-	-	-	513
-	-	-	854
-	-	25,000	33,039
-	-	-	17,296
9,308	12,096	25,000	158,341
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31,		1		2		3	
		Tax Rates				Assessed/Appraised Value for School Tax Purposes	
		Maintenance		Debt Service			
2011	and prior years	Various		Various		Various	
2012		1.04000		-		\$	166,098,410
2013		1.04000		-			170,785,096
2014		1.04000		-			175,331,834
2015		1.17000		-			178,613,906
2016		1.17000		-			174,281,111
2017		1.17000		-			177,997,803
2018		1.17000		-			199,056,439
2019		1.17000		-			199,101,368
2020	(School year under audit)	1.06000		-			203,673,596
TOTALS							

10	20	31	32	40	50
Beginning Balance 9/1/19	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/20
\$ 27,056	\$ -	\$ 1,668	\$ -	\$ (3,000)	\$ 22,388
6,988	-	752	-	1	6,237
6,907	-	183	-	-	6,724
9,388	-	1,206	-	-	8,182
12,231	-	1,605	-	-	10,626
13,287	-	1,263	-	-	12,024
15,793	-	1,669	-	-	14,124
29,412	-	5,595	-	(1)	23,816
65,371	-	28,069	-	-	37,302
-	2,158,940	2,085,699	-	(2,495)	70,746
<u>\$ 186,433</u>	<u>\$ 2,158,940</u>	<u>\$ 2,127,709</u>	<u>\$ -</u>	<u>\$ (5,495)</u>	<u>\$ 212,169</u>

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1 Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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?	No
SF3	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? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
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 post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$ -

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FEDERAL AWARDS SECTION

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

To the Board of Trustees of
Fort Davis Independent School District

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 Fort Davis Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Fort Davis Independent School District's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Davis Independent School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Davis Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Davis Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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.

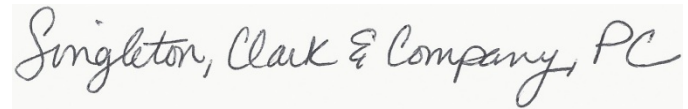
Compliance and Other Matters

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

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Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

November 20, 2020

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FORT DAVIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended August 31, 2020 due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2020 and 2019.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Guidance:

Not applicable.