

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

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TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	2	
Independent Auditors' Report	3	
Management's Discussion and Analysis	5	
<u>Basic Financial Statements</u>		
Government Wide Statements:		
Statement of Net Position	12	A-1
Statement of Activities	13	B-1
Governmental Fund Financial Statements:		
Balance Sheet	14	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances	18	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20	C-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual - General Fund	21	C-5
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	22	E-1
Statement of Changes in Fiduciary Fund Net Position	23	E-2
Notes to the Financial Statements	25	
<u>Required Supplementary Information</u>		
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	52	G-1
Schedule of District's Contributions for Pensions - Teacher Retirement System of Texas	54	G-2
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	56	G-3
Schedule of District's Contributions for Other Post-Employment Benefits (OPEB) - Teacher Retirement System of Texas	57	G-4
Notes to Required Supplementary Information	58	
<u>Combining Schedules</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	62	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66	H-2
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes Receivable	72	J-1
Budgetary Comparison Schedule - Child Nutrition Fund	74	J-2
Budgetary Comparison Schedule - Debt Service Fund	75	J-3
<u>Federal Awards Section</u>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79	
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	81	
Schedule of Findings and Questioned Costs	83	
Schedule of Status of Prior Findings	84	
Corrective Action Plan	85	
Schedule of Expenditures of Federal Awards	86	K-1
Notes on Accounting Policies for Federal Awards	87	

CERTIFICATE OF BOARD

Kaufman Independent School District
Name of School District

Kaufman
County

129-903
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, 2019, at a meeting of the Board of Trustees of such school district on the 13th day of January, 2020.

Signature of Board Secretary

Signature of Board President

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

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Independent Auditor's Report

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District as of August 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 10 and the *pension and OPEB schedules* on pages 52 through 59 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 Kaufman Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020 on our consideration of Kaufman Independent School District's internal control over financial reporting and on our test 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 Kaufman Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn + Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 2, 2020

**KAUFMAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)**

As management of Kaufman Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2019. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Kaufman Independent School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,423,662 (net position). Of this amount, (\$9,154,071) represents negative unrestricted net position.
- The District's total net position increased by \$2,243,493 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,531,932. Over 73% of this total amount (\$12,889,582) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,889,582 or 37.8% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose 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 and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is 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, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

The District as Trustee

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for a scholarship fund. The District’s fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 22 and a Statement of Changes in Fiduciary Fund Net Position on page 23. We exclude these resources from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our 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 \$10,180,169 to \$12,423,662. 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 (\$9,154,071) at August 31, 2019. The increase in governmental net position was primarily the result of the increase in the Governmental Funds fund balances.

Table I
NET POSITION

	Governmental Activities	
	2019	2018
Current and other assets	\$ 21,789,570	\$ 18,679,486
Capital assets	96,993,875	100,155,961
Total assets	118,783,445	118,835,447
Deferred outflows of resources	9,288,543	4,154,189
Long-term liabilities	106,118,013	100,478,974
Other liabilities	3,704,193	5,315,758
Total liabilities	109,822,206	105,794,732
Deferred inflows of resources	5,826,120	7,014,735
Net Position:		
Net investment in capital assets	17,502,763	18,799,164
Restricted	4,074,970	2,562,210
Unrestricted	(9,154,071)	(11,181,205)
Total Net Position	\$ 12,423,662	\$ 10,180,169

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting a positive balance in net investment in capital assets and restricted net position. The District's net position increased \$2,243,493 during the current fiscal year.

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues:		
Charges for services	\$ 1,358,437	\$ 1,424,366
Operating grants and contributions	8,717,888	3,248,630
General Revenues:		
Maintenance and operations taxes	9,123,062	8,284,872
Debt service taxes	2,952,484	2,678,183
State aid	25,592,266	24,777,973
Investment earnings	334,405	91,855
Miscellaneous	182,032	5,041
Total Revenue	<u>48,260,574</u>	<u>40,510,920</u>
Expenses:		
Instruction, curriculum and media services	26,048,686	18,477,086
Instructional and school leadership	3,036,122	1,911,808
Student support services	3,480,849	2,429,531
Food services	2,053,899	1,982,642
Extracurricular activities	1,826,835	1,722,368
General administration	1,224,545	743,163
Plant maintenance, security and data processing	5,481,308	4,727,535
Community services	81,493	155,222
Debt services	2,651,427	2,675,832
Facilities acquisition, construction	3,883	1,698
Intergovernmental charges	128,034	128,726
Total Expenses	<u>46,017,081</u>	<u>34,955,611</u>
Increase (decrease) in net position	2,243,493	5,555,309
Net Position - beginning of year	10,180,169	26,300,489
Prior period adjustment	-	(21,675,629)
Net Position - end of year	<u>\$ 12,423,662</u>	<u>\$ 10,180,169</u>

Although this financial report presents an acceptable fund balance in the General and Debt Service Funds, a number of adjustments were necessary in the preparation of the 2018-19 Budget to enable the District to maintain a sound financial position.

- General Fund expenditures decreased 2.7% due primarily to lower personnel costs. General Fund revenues increased 6.7% due to higher state aid and local tax collections.
- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation for the ninth consecutive year. The Debt Service tax rate remained \$0.38 per \$100 valuation. The District's taxable property value increased 15.9%.

The cost of all governmental activities for the current fiscal year was \$46,017,081. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$12,075,546 because some of the costs were paid by those who directly benefited from the programs (\$1,358,437) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,717,888) or by State equalization funding (\$25,592,266).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$17,531,932, which is \$4,830,817 more than last year's total of \$12,701,115. Included in this year's total change in fund balance is an increase of \$3,641,940 in the District's General Fund. The Debt Service Fund fund balance increased \$940,890.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2018). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The primary amendment was for additional facilities acquisition and construction budgeted for land acquisition and other construction projects. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$14,886,768 reported on page 16 differs from the General Fund's budgetary fund balance of \$8,977,038 reported in the budgetary comparison schedule on page 21. This is principally due to cost savings in most functional categories and revenues higher than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2019, the District had \$96,993,875 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$3,162,086, or 3.2 percent, more than last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At August 31, 2019, the District had \$80,186,987 in bonds, notes, loans and capital leases outstanding (including accreted interest on bonds) versus \$82,106,201 last year—a decrease of \$1,919,214. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General Fund revenue from the State is budgeted to increase approximately \$2.6 million due to increased state funding provided for in a new funding formula passed by the State Legislature in 2019.
- Expenditures are budgeted to increase approximately \$3.6 million due primarily to higher personnel costs. The new state funding formula required significant salary increases for employees.
- The District's maintenance and operations tax rate decreased from \$1.17 per \$100 valuation to \$1.0683 per \$100 valuation due to rate compression required by the new State funding legislation. The debt service tax rate remained \$0.38 per \$100 valuation.
- The 2019-2020 budget has budgeted revenue in excess of budgeted expenditures by \$3.4 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Kaufman Independent School District, 1000 S. Houston Street, Kaufman, Texas 75142 (972) 932-2622.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 17,452,439
1220 Property Taxes - Delinquent	742,670
1230 Allowance for Uncollectible Taxes	(66,841)
1240 Due from Other Governments	1,659,785
1290 Other Receivables, Net	4,331
1410 Prepayments	368,279
Capital Assets:	
1510 Land	2,645,657
1520 Buildings, Net	93,414,058
1530 Furniture and Equipment, Net	934,160
1800 Restricted Assets	1,628,907
1000 Total Assets	<u>118,783,445</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charges on Bond Refundings	695,875
1705 Deferred Outflows Related to TRS Pension	6,918,007
1706 Deferred Outflows Related to TRS OPEB	1,674,661
1700 Total Deferred Outflows of Resources	<u>9,288,543</u>
LIABILITIES	
2110 Accounts Payable	1,650,578
2140 Accrued Interest Payable	122,384
2150 Payroll Deductions and Withholdings	5,335
2160 Accrued Wages Payable	1,737,194
2190 Due to Student Groups	200
2200 Accrued Expenses	188,056
2300 Unearned Revenue	446
Noncurrent Liabilities:	
2501 Due Within One Year	2,333,247
2502 Due in More Than One Year	77,853,740
2540 Net Pension Liability (District's Share)	11,333,775
2545 Net OPEB Liability (District's Share)	14,597,251
2000 Total Liabilities	<u>109,822,206</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows Related to TRS Pension	1,210,118
2606 Deferred Inflows Related to TRS OPEB	4,616,002
2600 Total Deferred Inflows of Resources	<u>5,826,120</u>
NET POSITION	
3200 Net Investment in Capital Assets	17,502,763
3820 Restricted for Federal and State Programs	218,177
3850 Restricted for Debt Service	3,856,793
3900 Unrestricted	(9,154,071)
3000 Total Net Position	<u>\$ 12,423,662</u>

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

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

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2019					Net (Expense) Revenue and Changes in Net Position
Data		Program Revenues			
Control	1	3	4	6	
Codes			Operating	Primary Gov.	
	Expenses	Charges for	Grants and	Governmental	
		Services	Contributions	Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 25,224,040	\$ 459,454	\$ 3,335,047	\$ (21,429,539)	
12 Instructional Resources and Media Services	256,529	-	10,854	(245,675)	
13 Curriculum and Instructional Staff Development	568,117	-	25,133	(542,984)	
21 Instructional Leadership	137,220	-	5,263	(131,957)	
23 School Leadership	2,898,902	-	258,919	(2,639,983)	
31 Guidance, Counseling and Evaluation Services	1,606,647	-	344,147	(1,262,500)	
33 Health Services	437,137	-	69,008	(368,129)	
34 Student (Pupil) Transportation	1,437,065	-	446,576	(990,489)	
35 Food Services	2,053,899	282,234	1,945,201	173,536	
36 Extracurricular Activities	1,826,835	597,346	33,292	(1,196,197)	
41 General Administration	1,224,545	-	29,065	(1,195,480)	
51 Facilities Maintenance and Operations	3,918,685	19,403	59,866	(3,839,416)	
52 Security and Monitoring Services	408,179	-	19,360	(388,819)	
53 Data Processing Services	1,154,444	-	41,707	(1,112,737)	
61 Community Services	81,493	-	54,989	(26,504)	
72 Debt Service - Interest on Long-Term Debt	2,648,047	-	2,017,027	(631,020)	
73 Debt Service - Bond Issuance Cost and Fees	3,380	-	-	(3,380)	
81 Capital Outlay	3,883	-	22,434	18,551	
99 Other Intergovernmental Charges	128,034	-	-	(128,034)	
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 46,017,081	\$ 1,358,437	\$ 8,717,888	(35,940,756)	

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,123,062
DT	Property Taxes, Levied for Debt Service	2,952,484
SF	State Aid - Formula Grants	25,592,266
IE	Investment Earnings	334,405
MI	Miscellaneous Local and Intermediate Revenue	182,032
TR	Total General Revenues	<u>38,184,249</u>
CN	Change in Net Position	2,243,493
NB	Net Position - Beginning	<u>10,180,169</u>
NE	Net Position--Ending	<u>\$ 12,423,662</u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 13,977,950	\$ 2,011,257	\$ 1,275,404
1220 Property Taxes - Delinquent	591,251	151,419	-
1230 Allowance for Uncollectible Taxes	(53,213)	(13,628)	-
1240 Due from Other Governments	1,011,749	91,019	-
1260 Due from Other Funds	33,991	110,643	-
1290 Other Receivables	-	-	-
1410 Prepayments	368,279	-	-
1800 Restricted Assets	1,628,907	-	-
1000 Total Assets	<u>\$ 17,558,914</u>	<u>\$ 2,350,710</u>	<u>\$ 1,275,404</u>
LIABILITIES			
2110 Accounts Payable	\$ 236,146	\$ 440	\$ 1,275,404
2150 Payroll Deductions and Withholdings Payable	-	-	-
2160 Accrued Wages Payable	1,596,406	-	-
2170 Due to Other Funds	113,300	-	-
2190 Due to Student Groups	200	-	-
2200 Accrued Expenditures	188,056	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>2,134,108</u>	<u>440</u>	<u>1,275,404</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	538,038	137,791	-
2600 Total Deferred Inflows of Resources	<u>538,038</u>	<u>137,791</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	368,279	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	1,628,907	2,212,479	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	12,889,582	-	-
3000 Total Fund Balances	<u>14,886,768</u>	<u>2,212,479</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,558,914</u>	<u>\$ 2,350,710</u>	<u>\$ 1,275,404</u>

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

		Total Governmental Funds	
Other Funds			
\$	187,828	\$	17,452,439
	-		742,670
	-		(66,841)
	557,017		1,659,785
	2,657		147,291
	4,331		4,331
	-		368,279
	-		1,628,907
<u>\$</u>	<u>751,833</u>	<u>\$</u>	<u>21,936,861</u>
\$	138,588	\$	1,650,578
	5,335		5,335
	140,788		1,737,194
	33,991		147,291
	-		200
	-		188,056
	446		446
<u></u>	<u>319,148</u>	<u></u>	<u>3,729,100</u>
<u></u>	<u>-</u>	<u></u>	<u>675,829</u>
<u></u>	<u>-</u>	<u></u>	<u>675,829</u>
	-		368,279
	218,177		218,177
	-		3,841,386
	214,508		214,508
	-		12,889,582
<u></u>	<u>432,685</u>	<u></u>	<u>17,531,932</u>
<u>\$</u>	<u>751,833</u>	<u>\$</u>	<u>21,936,861</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 17,531,932
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	142,906,308
2 Accumulated depreciation is not reported in the fund financial statements.	(45,912,433)
3 Bonds payable, capital leases payable, and notes payable are not reported in the fund financial statements.	(73,938,997)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(5,016)
5 Premiums and discounts on outstanding bonds payable are not recognized in the fund financial statements.	(6,242,974)
6 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	675,829
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(122,384)
8 The deferred charge on bond refundings is not recognized in the fund financial statements.	695,875
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB #68 and #71 in the amount of \$11,333,775, Deferred Inflows of Resources related to TRS in the amount of \$1,210,118, and Deferred Outflows of Resources related to TRS in the amount of \$6,918,007. This results in a net decrease in Net Position in the amount of \$5,625,886.	(5,625,886)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$14,597,251, a Deferred Resource Inflow related to TRS OPEB in the amount of \$4,616,002, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$1,674,661. This results in a net decrease in Net Position in the amount of \$17,538,592.	(17,538,592)
19 Net Position of Governmental Activities	\$ 12,423,662

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 9,832,886	\$ 3,020,136	\$ -
5800	State Program Revenues	27,531,930	2,017,027	-
5900	Federal Program Revenues	379,553	-	-
5020	Total Revenues	37,744,369	5,037,163	-
EXPENDITURES:				
Current:				
0011	Instruction	19,440,173	-	-
0012	Instructional Resources and Media Services	224,494	-	-
0013	Curriculum and Instructional Staff Development	500,777	-	-
0021	Instructional Leadership	119,516	-	-
0023	School Leadership	2,346,114	-	-
0031	Guidance, Counseling and Evaluation Services	1,100,185	-	-
0033	Health Services	324,201	-	-
0034	Student (Pupil) Transportation	1,251,156	-	-
0035	Food Services	19,877	-	-
0036	Extracurricular Activities	1,268,323	-	-
0041	General Administration	1,148,918	-	-
0051	Facilities Maintenance and Operations	3,783,401	-	-
0052	Security and Monitoring Services	377,624	-	-
0053	Data Processing Services	1,047,832	-	-
0061	Community Services	25,343	-	-
Debt Service:				
0071	Principal on Long-Term Debt	379,388	1,241,931	-
0072	Interest on Long-Term Debt	41,329	2,852,162	-
0073	Bond Issuance Cost and Fees	1,200	2,180	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	585,654	-	-
Intergovernmental:				
0099	Other Intergovernmental Charges	128,034	-	-
6030	Total Expenditures	34,113,539	4,096,273	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,630,830	940,890	-
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	11,110	-	-
1200	Net Change in Fund Balances	3,641,940	940,890	-
0100	Fund Balance - September 1 (Beginning)	11,244,828	1,271,589	-
3000	Fund Balance - August 31 (Ending)	\$ 14,886,768	\$ 2,212,479	\$ -

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

	Other Funds	Total Governmental Funds
\$	816,981	\$ 13,670,003
	540,722	30,089,679
	4,333,511	4,713,064
	5,691,214	48,472,746
	2,365,365	21,805,538
	-	224,494
	10,042	510,819
	-	119,516
	133,395	2,479,509
	291,658	1,391,843
	51,723	375,924
	-	1,251,156
	2,029,543	2,049,420
	484,903	1,753,226
	-	1,148,918
	-	3,783,401
	-	377,624
	-	1,047,832
	54,164	79,507
	-	1,621,319
	-	2,893,491
	-	3,380
	22,434	608,088
	-	128,034
	5,443,227	43,653,039
	247,987	4,819,707
	-	11,110
	247,987	4,830,817
	184,698	12,701,115
\$	432,685	\$ 17,531,932

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 4,830,817
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	757,777
Depreciation is not recognized as an expense in government funds since it does not require the use of current financial resources. The effect of the current year's depreciation expense is to decrease net position.	(3,919,863)
Current year long-term debt principal payments on capital leases payable and bonds payable and payments of accreted interest payable on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	1,625,211
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	(1,488)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	1,078
Revenues from property taxes are recorded as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(110,246)
Current year amortization of the premiums/discounts on bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	295,491
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(53,529)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/18 caused the change in the ending net position to increase by \$30,736. These contributions were replaced with the District's pension expense for the year of \$1,002,439, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$971,703.	(971,703)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2018 but during the current fiscal year caused the ending net position to increase in the amount of \$8,946. These contributions were replaced with the District's OPEB expense for the year of \$218,998, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$210,052.	(210,052)
Change in Net Assets of Governmental Activities	\$ 2,243,493

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

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,025,000	\$ 9,028,000	\$ 9,832,886	\$ 804,886
5800 State Program Revenues	25,082,849	25,781,900	27,531,930	1,750,030
5900 Federal Program Revenues	200,000	200,000	379,553	179,553
5020 Total Revenues	34,307,849	35,009,900	37,744,369	2,734,469
EXPENDITURES:				
Current:				
0011 Instruction	19,280,996	20,980,837	19,440,173	1,540,664
0012 Instructional Resources and Media Services	334,911	334,911	224,494	110,417
0013 Curriculum and Instructional Staff Development	484,562	524,562	500,777	23,785
0021 Instructional Leadership	119,907	139,907	119,516	20,391
0023 School Leadership	2,323,610	2,373,610	2,346,114	27,496
0031 Guidance, Counseling and Evaluation Services	1,312,513	1,307,513	1,100,185	207,328
0033 Health Services	421,201	421,201	324,201	97,000
0034 Student (Pupil) Transportation	1,287,913	1,337,913	1,251,156	86,757
0035 Food Services	15,079	35,079	19,877	15,202
0036 Extracurricular Activities	1,242,458	1,342,458	1,268,323	74,135
0041 General Administration	998,232	1,273,232	1,148,918	124,314
0051 Facilities Maintenance and Operations	4,010,052	4,110,052	3,783,401	326,651
0052 Security and Monitoring Services	355,063	420,063	377,624	42,439
0053 Data Processing Services	1,081,155	1,101,155	1,047,832	53,323
0061 Community Services	29,177	34,177	25,343	8,834
Debt Service:				
0071 Principal on Long-Term Debt	629,505	629,605	379,388	250,217
0072 Interest on Long-Term Debt	50,515	50,415	41,329	9,086
0073 Bond Issuance Cost and Fees	6,000	26,000	1,200	24,800
Capital Outlay:				
0081 Facilities Acquisition and Construction	200,000	680,000	585,654	94,346
Intergovernmental:				
0099 Other Intergovernmental Charges	125,000	155,000	128,034	26,966
6030 Total Expenditures	34,307,849	37,277,690	34,113,539	3,164,151
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,267,790)	3,630,830	5,898,620
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	11,110	11,110
1200 Net Change in Fund Balances	-	(2,267,790)	3,641,940	5,909,730
0100 Fund Balance - September 1 (Beginning)	11,244,828	11,244,828	11,244,828	-
3000 Fund Balance - August 31 (Ending)	\$ 11,244,828	\$ 8,977,038	\$ 14,886,768	\$ 5,909,730

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

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

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 249,395	\$ 83,008
Total Assets	<u>249,395</u>	<u>\$ 83,008</u>
LIABILITIES		
Accounts Payable	-	\$ 38
Due to Student Groups	-	82,970
Total Liabilities	<u>-</u>	<u>\$ 83,008</u>
NET POSITION		
Unrestricted Net Position	<u>249,395</u>	
Total Net Position	<u>\$ 249,395</u>	

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 72,413
Total Additions	<u>72,413</u>
DEDUCTIONS:	
Other Operating Costs	69,775
Total Deductions	<u>69,775</u>
Change in Net Position	2,638
 Total Net Position -September 1 (Beginning)	 <u>246,757</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 249,395</u></u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Kaufman Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (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, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Private Purpose Trust Fund** - The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's Private Purpose Trust Fund is a scholarship fund. These funds are not budgeted.
3. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

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

August 31, 2019	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$216,067
Nonappropriated Budget Funds	<u>216,618</u>
All Special Revenue Funds	<u>\$432,685</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2019.

F. INVENTORIES

The District records purchases of supplies and materials as expenditures.

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

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Furniture and Equipment	5-20 Years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2019 was \$695,875.

Deferred outflows of resources for pensions - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2019 was \$6,918,007.

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

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2019 was \$1,674,661.

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

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2019 was \$675,829.

Deferred inflows of resources for pensions - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5 year period. In fiscal year 2019, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$1,210,118.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2018 measurement year). In fiscal year 2019, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$4,616,002.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less when purchased.

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

L. NET POSITION

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

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

M. LONG-TERM OBLIGATIONS

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

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

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. ESTIMATES

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

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, or (b) are legally or contractually required to be maintained intact. The District has nonspendable fund balance for prepaid items.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. General Fund amounts that have been deposited into a sinking fund account for future debt service payments on the District's 2010 Maintenance Tax Notes are restricted for retirement of long-term debt. Debt service fund resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2019 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of August 31, 2019.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has \$368,279 of nonspendable fund balance for prepaid items.

The General Fund has \$1,628,907 of fund balance restricted for future retirement of long-term debt on the QSC Maintenance Tax Notes issued in October 2010. The General Fund has unassigned fund balance of \$12,889,582 at August 31, 2019.

Debt Service Fund

The Debt Service Fund has restricted funds of \$2,212,479 at August 31, 2019 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

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

Other Funds

The fund balance of \$214,508 of the Campus Activity Funds (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The following special revenue fund fund balance is restricted by Federal or State grant restrictions:

Child Nutrition Program	\$216,067
Advanced Placement Incentives	<u>2,110</u>
Total	<u>\$218,177</u>

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust, with the District's agent bank, 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 depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$11,136,512 and the bank balance was \$11,866,048. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. During the year ended August 31, 2019, District deposits were fully collateralized throughout the year.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2019, the District's cash deposits totaled \$11,866,048. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of August 31, 2019.

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

- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2019, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all three of the external investment pools held by the District at year-end was AAAm (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 90 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2019, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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

Name	Carrying Amount	Market Value
Lone Star Investment Pool	\$2,986,096	\$2,986,096
TexPool Investment Pool	8,053	8,053
MBIA Texas CLASS	<u>3,654,180</u>	<u>3,654,180</u>
	<u>\$6,648,329</u>	<u>\$6,648,329</u>

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

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investments in Public Investment Pools are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,645,657	\$ -	\$ -	\$ 2,645,657
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>2,645,657</u>	<u>-</u>	<u>-</u>	<u>2,645,657</u>
Capital assets being depreciated				
Buildings	131,298,218	477,166	-	131,775,384
Furniture and Equipment	<u>8,565,702</u>	<u>280,611</u>	<u>(361,046)</u>	<u>8,485,267</u>
Total capital assets being depreciated	<u>139,863,920</u>	<u>757,777</u>	<u>(361,046)</u>	<u>140,260,651</u>
Less accumulated depreciation for:				
Buildings	(35,016,885)	(3,344,441)	-	(38,361,326)
Furniture and Equipment	<u>(7,336,731)</u>	<u>(575,422)</u>	<u>361,046</u>	<u>(7,551,107)</u>
Total accumulated depreciation	<u>(42,353,616)</u>	<u>(3,919,863)</u>	<u>361,046</u>	<u>(45,912,433)</u>
Total capital assets being depreciated, net	<u>97,510,304</u>	<u>(3,162,086)</u>	<u>-</u>	<u>94,348,218</u>
Governmental activities capital assets, net	<u>\$ 100,155,961</u>	<u>\$ (3,162,086)</u>	<u>\$ -</u>	<u>\$ 96,993,875</u>

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

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$2,700,613
Instructional Resources & Media Services	23,999
Curriculum & Instructional Staff Development	46,126
Instructional Leadership	13,807
School Leadership	326,464
Guidance, Counseling & Evaluation Services	175,945
Health Services	48,417
Student (Pupil) Transportation	139,074
Food Services	4,479
Cocurricular/Extracurricular Activities	87,161
General Administration	88,710
Plant Maintenance and Operations	129,209
Security and Monitoring	43,900
Data Processing Services	90,583
Community Services	<u>1,376</u>
Total depreciation expense-Governmental activities	<u>\$3,919,863</u>

NOTE 5. MAINTENANCE TAX NOTES PAYABLE

Kaufman Independent School District Qualified School Construction Maintenance Tax Notes, Taxable Series 2010 were issued by the District on October 12, 2010 with an interest rate of 5.298%.

Debt service payments for the notes will be paid from the General Fund. 2010 Maintenance Tax Note payment requirements are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2020	\$ -	\$ 185,430	\$ 185,430
2021	-	185,430	185,430
2022	-	185,430	185,430
2023	-	185,430	185,430
2024	-	185,430	185,430
2025-2027	3,500,000	556,290	4,056,290
Thereafter	-	-	-
	<u>\$3,500,000</u>	<u>\$1,483,440</u>	<u>\$4,983,440</u>

The District is required to transfer into a sinking fund \$250,000 on August 15, 2014 and \$250,000 annually through August 15, 2027. These deposits are recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 31, 2019 the District had \$1,628,907 in the sinking fund.

The District will receive an interest subsidy payment on the notes from the federal government of up to \$175,000 per year through 2027.

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

NOTE 6. LOAN PAYABLE

The District is obligated under a loan payable as follows:

	<u>Interest Rate</u>	<u>Date of Loan</u>	<u>Final Maturity Date</u>	<u>Original Amount</u>	<u>Balance August 31, 2019</u>	<u>Purpose</u>
American National Bank	4.250%	2/15/2018	11/1/2022	<u>\$ 149,433</u>	<u>\$ 120,548</u>	Band Instruments

Future loan payable debt service requirements to maturity are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 28,260	\$ 5,194	\$ 33,454
2021	29,467	3,988	33,455
2022	30,748	2,707	33,455
2023	<u>32,073</u>	<u>1,382</u>	<u>33,455</u>
	<u>\$120,548</u>	<u>\$13,271</u>	<u>\$133,819</u>

NOTE 7. CAPITAL LEASES PAYABLE

The following is a summary of leased property under capital leases at August 31, 2019:

Buses	\$ 859,854
Buses	<u>876,395</u>
Total	<u>\$1,736,249</u>

The following is a schedule of future minimum lease payments as of August 31, 2019, for each of the next five years and in the aggregate:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payment</u>
2020	\$344,203	\$26,211	\$370,414
2021	172,114	17,332	189,446
2022	177,708	11,739	189,447
2023	183,484	5,963	189,447
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$877,509</u>	<u>\$61,245</u>	<u>\$938,754</u>

The lease payments will be made out of local general fund revenues. The interest rate on the capital leases are 1.25%-3.25%.

NOTE 8. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, loans, and capital leases. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council.

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

This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2019:

Description	Interest Rate Payable	Amounts Outstanding 9/1/18	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/19	Due Within One Year
Bonded Indebtedness:							
2014 Refunding Bonds	1.00-2.14%	\$ 722,871	\$ -	\$ -	\$ 1,931	\$ 720,940	\$ 940
2015 Unlimited Tax School Building Bonds	4.00%	8,295,000	-	-	-	8,295,000	-
2016 Unlimited Tax School Bldg. & Refunding Bonds	2.00-5.00%	52,810,000	-	-	1,130,000	51,680,000	1,450,000
2017 Unlimited Tax School Building Bonds	2.00-4.00%	8,855,000	-	-	110,000	8,745,000	210,000
Total Bonded Indebtedness:		<u>70,682,871</u>	<u>-</u>	<u>-</u>	<u>1,241,931</u>	<u>69,440,940</u>	<u>1,660,940</u>
Other Direct Obligations:							
Accreted Interest-							
Capital Appreciation Bonds		7,420	-	1,488	3,892	5,016	5,016
Premiums/Discounts on Bonds Payable		6,538,465	-	-	295,491	6,242,974	294,828
Loans Payable	4.25%	149,433	-	-	28,885	120,548	28,260
Qualified School Construction Maint. Tax Notes, 2010	5.298%	3,500,000	-	-	-	3,500,000	-
Capital Leases Payable	1.25-3.25%	1,228,012	-	-	350,503	877,509	344,203
Total Other Obligations:		<u>11,423,330</u>	<u>-</u>	<u>1,488</u>	<u>678,771</u>	<u>10,746,047</u>	<u>672,307</u>
Total Obligations of District		<u>\$ 82,106,201</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ 1,920,702</u>	<u>\$80,186,987</u>	<u>\$2,333,247</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,660,940	\$ 2,816,904	\$ 4,477,844
2021	1,755,000	2,718,332	4,473,332
2022	1,825,000	2,650,419	4,475,419
2023	1,885,000	2,588,631	4,473,631
2024	1,950,000	2,523,281	4,473,281
2025-2029	11,285,000	11,079,843	22,364,843
2030-2034	13,175,000	8,341,318	21,516,318
2035-2039	14,405,000	5,756,096	20,161,096
2040-2044	17,555,000	2,600,900	20,155,900
2045	3,945,000	78,900	4,023,900
	<u>\$69,440,940</u>	<u>\$41,154,624</u>	<u>\$110,595,564</u>

The 2014 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds final maturity is in 2020. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

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

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2019.

NOTE 9. DEFEASED DEBT

In prior years, the District has refunded certain bond series in advanced refunding transactions. Funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. All refunded bonds have been repaid.

The District's deferred charges on bond refundings are as follows:

Balance – August 31, 2018	\$749,404
Increase due to current year refunding	-
Current year amortization	<u>(53,529)</u>
Balance – August 31, 2019	<u>\$695,875</u>

NOTE 10. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2018-19 fiscal year was based was \$802,093,239. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.38 per \$100 valuation, respectively, for a total of \$1.55 per \$100 valuation.

Current tax collections for the year ended August 31, 2019 were 97.6% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible 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. As of August 31, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$538,038 and \$137,791 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

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

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

**KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Kaufman ISD FY2019 Employer Contributions		\$ 723,678
Kaufman ISD FY2019 Member Contributions		\$ 1,837,899
Kaufman ISD 2019 NECE On-Behalf Contributions		\$ 1,206,671

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

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

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

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

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

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Kaufman ISD's proportionate share of the net pension liability:	\$17,105,386	\$11,333,775	\$6,661,315

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, Kaufman Independent School District reported a liability of \$11,333,775 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Kaufman Independent School District. The amount recognized by Kaufman Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Kaufman Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$11,333,775
State's proportionate share that is associated with the District	<u>18,168,536</u>
Total	<u>\$29,502,311</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.020591%, an increase of 9.5% from its proportionate share of 0.0188005% at August 31, 2017.

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

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

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

For the year ended August 31, 2019, Kaufman Independent School District recognized pension expense of \$1,111,272 and revenue of \$1,111,272 for support provided by the State.

At August 31, 2019, Kaufman 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:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 70,645	\$ 278,086
Changes in actuarial assumptions	4,086,372	127,699
Difference between projected and actual investment earnings	589,008	804,058
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,448,304	275
Contributions paid to TRS subsequent to the measurement date	723,678	-
Total	\$6,918,007	\$1,210,118

\$723,678 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2020	\$ 1,300,246
2021	847,690
2022	721,619
2023	821,918
2024	783,244
Thereafter	509,494

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
January 1, 2018 thru December 31, 2018		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
 Kaufman ISD FY19 Employer Contributions		\$210,660
Kaufman ISD FY19 Member Contributions		\$155,148
Kaufman ISD 2019 NECE On-behalf Contributions		\$277,419

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislative House Bill 30 provided an additional \$212 million one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.50%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB Liability:	\$17,377,014	\$14,597,251	\$12,399,282

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate:

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

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the Net OPEB Liability:	\$12,123,255	\$14,597,251	\$17,855,558

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of \$14,597,251 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$14,597,251
State's proportionate share that is associated with the District	<u>18,829,516</u>
Total	<u>\$33,426,767</u>

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

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0292349%, an increase of 2.8% compared to the August 31, 2017 proportionate share of 0.028426%.

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

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

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

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

- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$259,782 and revenue of \$259,782 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 774,622	\$ 230,366
Changes in actuarial assumptions	243,589	4,385,636
Difference between projected and actual investment earnings	2,553	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	443,237	-
Contributions paid to TRS subsequent to the measurement date	210,660	-
Total	\$1,674,661	\$4,616,002

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (519,373)
2021	(519,373)
2022	(519,373)
2023	(519,855)
2024	(520,131)
Thereafter	(553,896)

NOTE 13. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$87,225, \$68,178 and \$66,144, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

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

NOTE 14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at August 31, 2019 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2019.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Debt Service Fund	\$110,643	\$110,643
Special Revenue Funds	<u>36,648</u>	<u>36,648</u>
Total Major Governmental Funds	<u>\$147,291</u>	<u>\$149,291</u>

NOTE 15. HEALTH CARE

During the year ended August 31, 2019, employees of Kaufman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$260 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 16. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$163,910 for the 17-18 fiscal year. Additionally, the District incurred fixed costs of \$50,712 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc. provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$188,056 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2019 and 2018 are represented below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2019	\$238,857	\$(4,438)	\$46,363	\$188,056
2018	201,312	93,972	56,427	238,857

NOTE 17. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

**KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General	\$1,011,749	\$ -	\$ -	\$1,011,749
Debt Service Fund	91,019	-	-	91,019
Nonmajor Special Revenue	151,337	405,680	-	557,017
Total	<u>\$1,254,105</u>	<u>\$405,680</u>	<u>\$ -</u>	<u>\$1,659,785</u>

NOTE 18. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 19. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$9,010,986	\$ -	\$2,915,191	\$11,926,177
Food Sales	-	275,357	-	275,357
Investment Income	287,565	-	46,840	334,405
Penalties, interest and other tax related income	201,509	-	58,105	259,614
Co-curricular student activities	112,443	534,747	-	647,190
Other	220,383	6,877	-	227,260
Total	<u>\$9,832,886</u>	<u>\$816,981</u>	<u>\$3,020,136</u>	<u>\$13,670,003</u>

NOTE 20. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Read to Succeed	\$ -	\$ 406	\$ -	\$ 406
Tobacco Grant	-	40	-	40
	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 446</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.020591%	0.0188005%	0.018483%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,333,775	\$ 6,011,380	\$ 6,984,597
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	18,168,536	11,294,384	13,778,519
Total	<u>\$ 29,502,311</u>	<u>\$ 17,305,764</u>	<u>\$ 20,763,116</u>
District's Covered Payroll	\$ 22,535,810	\$ 21,789,747	\$ 21,238,941
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	50.29%	27.59%	32.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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

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

FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
	0.019083%		0.012095%
\$	6,745,586	\$	3,230,741
	13,297,354		11,592,865
\$	20,042,940	\$	14,823,606
\$	20,367,180	\$	19,926,088
	33.12%		16.21%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 723,678	\$ 692,942	\$ 616,167
Contribution in Relation to the Contractually Required Contribution	(723,678)	(692,942)	(616,167)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 23,868,789	\$ 22,535,810	\$ 21,789,747
Contributions as a Percentage of Covered Payroll	3.03%	3.07%	2.83%

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

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

2016		2015	
\$	588,657	\$	565,057
	(588,657)		(565,057)
\$	-	\$	-
\$	21,238,941	\$	20,367,180
	2.77%		2.77%

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.0292349%	0.028426%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 14,597,251	\$ 12,361,393
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,829,516	16,691,956
Total	<u>\$ 33,426,767</u>	<u>\$ 29,053,349</u>
District's Covered Payroll	\$ 22,535,810	\$ 21,789,747
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	64.77%	56.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018
Contractually Required Contribution	\$ 210,660	\$ 201,714
Contribution in Relation to the Contractually Required Contribution	(210,660)	(201,714)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 23,868,789	\$ 22,535,810
Contributions as a Percentage of Covered Payroll	0.88%	0.90%

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

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

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

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

OPEB LIABILITY:

Changes of benefit terms:

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

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COMBINING SCHEDULES

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

Data Control Codes		205	211	224	225
			ESEA I, A	IDEA - Part B	IDEA - Part B
		Head Start	Improving Basic Program	Formula	Preschool
ASSETS					
1110	Cash and Cash Equivalents	\$ (98,681)	\$ 22,631	\$ (38,244)	\$ (1,728)
1240	Due from Other Governments	149,856	47,364	81,787	3,025
1260	Due from Other Funds	2,657	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 53,832</u>	<u>\$ 69,995</u>	<u>\$ 43,543</u>	<u>\$ 1,297</u>
LIABILITIES					
2110	Accounts Payable	\$ 446	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	1,607	1,669	1,607	51
2160	Accrued Wages Payable	51,779	53,624	27,041	782
2170	Due to Other Funds	-	14,702	14,895	464
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>53,832</u>	<u>69,995</u>	<u>43,543</u>	<u>1,297</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 53,832</u>	<u>\$ 69,995</u>	<u>\$ 43,543</u>	<u>\$ 1,297</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
\$ -	\$ 254,698	\$ -	\$ (12,083)	\$ (2,729)	\$ -	\$ (13,832)	\$ 2,110
-	101,492	-	13,811	8,345	-	14,522	-
-	-	-	-	-	-	-	-
-	631	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 356,821</u>	<u>\$ -</u>	<u>\$ 1,728</u>	<u>\$ 5,616</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 2,110</u>
\$ -	\$ 136,341	\$ -	\$ -	\$ -	\$ -	\$ 690	\$ -
-	83	-	178	140	-	-	-
-	3,567	-	-	3,995	-	-	-
-	763	-	1,550	1,481	-	-	-
-	-	-	-	-	-	-	-
-	140,754	-	1,728	5,616	-	690	-
-	216,067	-	-	-	-	-	2,110
-	-	-	-	-	-	-	-
-	216,067	-	-	-	-	-	2,110
<u>\$ -</u>	<u>\$ 356,821</u>	<u>\$ -</u>	<u>\$ 1,728</u>	<u>\$ 5,616</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 2,110</u>

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

Data Control Codes		410 State Textbook Fund	423 Read to Succeed	427 Tobacco Grant	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ (136,815)	\$ 406	\$ 40	\$ -
1240	Due from Other Governments	136,815	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 40</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenue	-	406	40	-
2000	Total Liabilities	<u>-</u>	<u>406</u>	<u>40</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 40</u>	<u>\$ -</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 212,055	\$ 187,828
-	557,017
-	2,657
3,700	4,331
<u>\$ 215,755</u>	<u>\$ 751,833</u>
\$ 1,111	\$ 138,588
-	5,335
-	140,788
136	33,991
-	446
<u>1,247</u>	<u>319,148</u>
-	218,177
214,508	214,508
<u>214,508</u>	<u>432,685</u>
<u>\$ 215,755</u>	<u>\$ 751,833</u>

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	612,088	794,163	693,657	16,682
5020 Total Revenues	612,088	794,163	693,657	16,682
EXPENDITURES:				
Current:				
0011 Instruction	493,201	688,578	411,999	16,682
0013 Curriculum and Instructional Staff Development	10,042	-	-	-
0023 School Leadership	27,810	105,585	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	281,658	-
0033 Health Services	51,723	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	6,878	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	22,434	-	-	-
6030 Total Expenditures	612,088	794,163	693,657	16,682
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
\$ -	\$ 282,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	10,922	-	-	-	-	47,286	-
10,000	1,934,279	45,606	108,472	69,820	48,744	-	-
10,000	2,227,435	45,606	108,472	69,820	48,744	47,286	-
-	-	45,606	108,472	69,820	48,744	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,029,543	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	47,286	-
-	-	-	-	-	-	-	-
10,000	2,029,543	45,606	108,472	69,820	48,744	47,286	-
-	197,892	-	-	-	-	-	-
-	18,175	-	-	-	-	-	2,110
\$ -	\$ 216,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,110

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

Data Control Codes	410 State Textbook Fund	423 Read to Succeed	427 Tobacco Grant	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	481,213	-	-	1,050
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	481,213	-	-	1,050
EXPENDITURES:				
Current:				
0011 Instruction	481,213	-	-	1,050
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	481,213	-	-	1,050
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

461		Total	
Campus		Nonmajor	
Activity		Governmental	
Funds		Funds	
\$	534,747	\$	816,981
	251		540,722
	-		4,333,511
	534,998		5,691,214
	-		2,365,365
	-		10,042
	-		133,395
	-		291,658
	-		51,723
	-		2,029,543
	484,903		484,903
	-		54,164
	-		22,434
	484,903		5,443,227
	50,095		247,987
	164,413		184,698
\$	214,508	\$	432,685

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REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 643,399,255
2011	1.170000	0.130000	640,085,175
2012	1.170000	0.130000	630,217,324
2013	1.170000	0.130000	611,557,905
2014	1.170000	0.130000	609,875,328
2015	1.170000	0.130000	608,966,432
2016	1.170000	0.290000	611,281,966
2017	1.170000	0.360000	628,724,630
2018	1.170000	0.380000	692,312,937
2019 (School year under audit)	1.170000	0.380000	802,093,239
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 131,652	\$ -	\$ 16,230	\$ 3,448	\$ (3,146)	\$ 108,828
26,509	-	3,486	387	(1,011)	21,625
29,911	-	4,655	517	(701)	24,038
29,272	-	5,573	619	(979)	22,101
34,024	-	8,396	933	1,410	26,105
45,414	-	10,269	1,141	7,137	41,141
61,555	-	14,592	3,617	6,285	49,631
94,360	-	23,920	7,360	(4,619)	58,461
411,121	-	201,352	65,396	(37,508)	106,865
-	12,018,931	8,718,873	2,831,771	(184,412)	283,875
<u>\$ 863,818</u>	<u>\$ 12,018,931</u>	<u>\$ 9,007,346</u>	<u>\$ 2,915,189</u>	<u>\$ (217,544)</u>	<u>\$ 742,670</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 329,002	\$ 329,002	\$ 282,234	\$ (46,768)
5800 State Program Revenues	12,615	12,615	10,922	(1,693)
5900 Federal Program Revenues	1,570,456	1,570,456	1,934,279	363,823
5020 Total Revenues	1,912,073	1,912,073	2,227,435	315,362
EXPENDITURES:				
Current:				
0035 Food Services	2,087,325	2,087,325	2,029,543	57,782
6030 Total Expenditures	2,087,325	2,087,325	2,029,543	57,782
1200 Net Change in Fund Balances	(175,252)	(175,252)	197,892	373,144
0100 Fund Balance - September 1 (Beginning)	18,175	18,175	18,175	-
3000 Fund Balance - August 31 (Ending)	\$ (157,077)	\$ (157,077)	\$ 216,067	\$ 373,144

KAUFMAN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,585,000	\$ 2,585,000	\$ 3,020,136	\$ 435,136
5800 State Program Revenues	2,087,791	2,087,791	2,017,027	(70,764)
5020 Total Revenues	4,672,791	4,672,791	5,037,163	364,372
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,241,935	1,241,936	1,241,931	5
0072 Interest on Long-Term Debt	2,852,165	2,852,164	2,852,162	2
0073 Bond Issuance Cost and Fees	3,000	23,000	2,180	20,820
6030 Total Expenditures	4,097,100	4,117,100	4,096,273	20,827
1200 Net Change in Fund Balances	575,691	555,691	940,890	385,199
0100 Fund Balance - September 1 (Beginning)	1,271,589	1,271,589	1,271,589	-
3000 Fund Balance - August 31 (Ending)	\$ 1,847,280	\$ 1,827,280	\$ 2,212,479	\$ 385,199

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' 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
Kaufman Independent School District
Kaufman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Kaufman Independent School District's basic financial statements, and have issued our report dated January 2, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 2, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

Report on Compliance for Each Major Federal Program

We have audited Kaufman Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Kaufman Independent School District's major federal programs for the year ended August 31, 2019. Kaufman Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kaufman Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kaufman Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kaufman Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Kaufman Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of Kaufman Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kaufman Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kaufman Independent School District's internal control over compliance.

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

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

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 2, 2020

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:

Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Findings and Questioned Costs Related to Federal Awards

None

IV. Other Findings

None

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

PRIOR YEAR FINDING/NONCOMPLIANCE

No prior year findings.

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

CORRECTIVE ACTION PLAN

None required.

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057950	\$ 785,746
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101057950	8,417
Total CFDA Number 84.010A			794,163
Title III, Part A - English Language Acquisition	84.365A	19671001057950	69,820
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501057950	108,472
ESEA, Title IV, Part A - Discretionary Funds	84.424A	19680101057950	48,744
Total Passed Through Region 10 Service Center			1,021,199
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	186600011296036600	53,452
*IDEA - Part B, Formula	84.027	196600011299036600	640,205
*IDEA - Part B, Discretionary	84.027	1866031	10,000
Total CFDA Number 84.027			703,657
*IDEA - Part B, Preschool	84.173	196610011299036610	16,682
Total Special Education Cluster (IDEA)			720,339
Career and Technical - Basic Grant	84.048	19420006129903	45,606
Total Passed Through State Department of Education			765,945
TOTAL U.S. DEPARTMENT OF EDUCATION			1,787,144
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH010150-04-00	612,088
Total Direct Programs			612,088
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			612,088
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	416,276
*National School Lunch Program - Cash Assistance	10.555	71301901	1,328,988
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	157,729
Total CFDA Number 10.555			1,486,717
Total Child Nutrition Cluster			1,902,993
2018 NSLP Equipment Assistance Grants	10.579	6TX300355	31,286
Total Passed Through the State Department of Agriculture			1,934,279
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,934,279
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,333,511

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$379,553 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.

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