# KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Kirbyville, Texas

## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2020

TABLE OF CONTENTS


| | EXHIBIT | PAGE |
|---|---|---|
| INTRODUCTORY SECTION | | |
| Certificate of Board | | 1 |
| FINANCIAL SECTION | | |
| Independent Auditors' Report on Financial Statements | | 2 |
| Management's Discussion and Analysis (Required Supplementary Information) | | 4 |
| Basic Financial Statements | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | A-1 | 12 |
| Statement of Activities | B-1 | 13 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | C-1 | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | C-2 | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | C-3 | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | C-4 | 17 |
| Statement of Net Position - Proprietary Funds | D-1 | 18 |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds | D-2 | 19 |
| Statement of Cash Flows - Proprietary Funds | D-3 | 20 |
| Statement of Fiduciary Net Position | E-1 | 21 |
| Notes to the Financial Statements | | 22 |
| Required Supplementary Information | | |
| Budgetary Comparison Schedules: | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | G-1 | 48 |
| Schedule of District's Proportionate Share of Net Pension Liability | G-2 | 49 |
| Schedule of District Contributions | G-3 | 50 |
| Schedule of District's Proportionate Share of Net OPEB Liability | G-4 | 51 |
| Schedule of District's Contributions for OPEB | G-5 | 52 |
| OTHER SUPPLEMENTARY INFORMATION SECTION | | |
| TEA Compliance Schedules: | | |
| Schedule of Delinquent Taxes Receivable | J-1 | 53 |
| Budgetary Comparison Schedules Required by the Texas Education Agency: | | |
| Child Nutrition Program | J-2 | 55 |
| Debt Service | J-3 | 56 |

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2020

TABLE OF CONTENTS


| | EXHIBIT | PAGE |
|---|---|---|
| COMPLIANCE SECTION | | |
| 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 | | 57 |
| Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control over Compliance in Accordance with the Uniform Guidance | | 59 |
| Schedule of Findings and Questioned Costs | | 61 |
| Summary Schedule of Prior Audit Findings | | 62 |
| Corrective Action Plan | | 63 |
| Schedule of Expenditures of Federal Awards | K-1 | 64 |
| Notes to the Schedule of Expenditures of Federal Awards | | 65 |
| Schedule of Required Responses to Selected School First Indicators | L-1 | 66 |

# *INTRODUCTORY SECTION*

CERTIFICATE OF BOARD

| Kirbyville Consolidated Independent School District | Jasper | 121-905 |
|---|---|---|
| Name of School District | County | Co.-Dist. Number |

We, the undersigned, certify that the attached annual financial reports of the above named school district was reviewed and ✓ approved _____ disapproved for the year ended August 31, 2020 at a meeting of the board of school trustees of such school district on the 15th day of December, 2020.

Lynnell Horn
Board Secretary

Board President

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

# *FINANCIAL SECTION*

J. R. Edwards & Associates, LLC
Certified Public Accountants

December 2, 2020

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, Texas 75956

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Kirbyville Consolidated Independent School District, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and other supplementary information is presented for purposes of additional analysis and is 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 Title 2 U.S. *Code Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and other supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance.

*J.R. Edwards & Associates, LLC*

In this section of the Annual Financial Report, we, the managers of the Kirbyville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 12.

## FINANCIAL HIGHLIGHTS

- The District's total combined net position was $5,625,215 at August 31, 2020.
- During the year, the District's expenses were $251,894 less than the $18,147,275 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased this year. The District continues to introduce new programs and enhance existing programs designed to assist students in at-risk, economically disadvantaged, and special education sub-groups in order to comply with State of Texas Assessment of Academic Readiness and End of Course assessments as well as the mandates of the federal SSI.
- The general fund reported a fund balance this year of $6,320,511. Of this amount, $5,220,511 is for unrestricted use by the District.
- During the 2019-2020 school year the District passed the State's Financial Integrity Rating System of Texas for the school year 2018-2019 with a Superior rating

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

**Government-Wide Financial Statements**. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that 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.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base. Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 74 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses

## OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

### Government-Wide Financial Statements, Continued

regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effect of the adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

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

The District has the following kinds of funds:

- ***Governmental Funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- ***Proprietary Funds.*** Proprietary funds reported by the District are generally used to account for services for which the District charges its employees or internal units. The District maintains an Internal Service fund to accumulate and allocate costs internally among the District's various functions. The District used internal service funds to account for its self-insurance program for workers' compensation. The activities and balances of these funds have been included with governmental activities in the government-wide financial statements.

- ***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position and the Statement of Changes in Fiduciary Net Position as listed in the table of contents.

**Notes to the Financial Statements.** The notes, as listed in the table of contents, provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 48 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The District's combined net position was $5,625,215 at August 31, 2020. (See Table I)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Table I**
**Kirbyville Consolidated Independent School District**
**Net Position**

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Current and Other Assets | $ 9,471,667 | $ 9,124,206 |
| Capital Assets | 28,540,113 | 29,052,849 |
| Deferred Outflows | 3,678,943 | 2,862,873 |
| Total Assets and Dferred Outflows | 41,690,723 | 41,039,928 |
| Long-term Liabilities | 31,510,406 | 32,260,153 |
| Other Liabilities | 1,367,651 | 1,288,254 |
| Deferred Inflows | 3,187,451 | 2,118,200 |
| Total Liabilities and Deferred Inflows | 36,065,508 | 35,666,607 |
| Net Position: | | |
| Net Investment in Capital Assets | 6,952,145 | 6,680,842 |
| Restricted for Federal and State Programs | 523,017 | 508,576 |
| Restricted for Debt Service | 867,250 | 769,283 |
| Restricted for Capital Projects | - | - |
| Unrestricted | (2,717,197) | (2,585,380) |
| Total Net Position | $ 5,625,215 | $ 5,373,321 |

Approximately $7.0 million of the District's net position represents investments in capital assets net of related debt. The ($2.7) million of unrestricted net position was created due to the recognition of the OPEB liability required by GASB 75 implementation.

**Changes in net position.** The Districts total revenues were $18.1 million. A portion, 22 percent, of the District's revenue comes from local property taxes, 75 percent comes from grants and contributions, while only 1 percent relates to charges for services and the remaining 2 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was $17.9 million. The net position of the District for the current year increased $251,894 (see Table II of this report).

Key elements of the governmental activities of the District are reflected in the following table.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Table II**
**Kirbyville Consolidated Independent School District**
**Changes in Net Position**

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | $ 145,167 | $ 133,882 |
| Operating Grants and Contributions | 1,846,238 | 1,722,511 |
| General Revenues: | | |
| Maintenance and Operations Taxes | 3,029,630 | 3,254,493 |
| Debt Service Taxes | 1,034,954 | 583,062 |
| State Aid - Formula Grants | | |
| Grants and Contributions - Not Restricted to Specific Functions | 11,850,046 | 12,066,648 |
| Investment Earnings | 124,916 | 195,405 |
| Miscellaneous | 116,324 | 427,998 |
| Transfers Out | - | - |
| Total Revenue | 18,147,275 | 18,383,999 |
| Expenses: | | |
| Instruction | 8,716,586 | 7,622,402 |
| Instructional Resources and Media Services | 197,734 | 253,881 |
| Curriculum/Instructional Development | 97,089 | 145,229 |
| Instructional Leadership | 17,364 | 1,912 |
| School Leadership | 868,232 | 852,995 |
| Guidance and Counseling Services | 404,791 | 250,136 |
| Social Work Services | 8,120 | 4,733 |
| Health Services | 195,787 | 148,447 |
| Student (Pupil) Transportation | 690,822 | 759,846 |
| Food Services | 964,839 | 957,514 |
| Cocurricular/Extracurricular Activities | 565,168 | 615,392 |
| General Administration | 884,473 | 959,394 |
| Plant Maintenance and Operations | 2,379,366 | 2,058,023 |
| Security and Monitoring Services | 356,083 | 387,826 |
| Data Processing Services | 285,631 | 378,681 |
| Community Services | 5,047 | - |
| Debt Services - Interest on Long-Term Debt | 817,762 | 844,904 |
| Debt Services - Bond Issuance Cost & Fees | 1,500 | 1,500 |
| Payments to Fiscal Agent/Member Districts of SSA | 438,987 | 482,077 |
| Total Expenses Governmental Activities | 17,895,381 | 16,724,892 |
| Increase (Decrease) in Net Assets | 251,894 | 1,659,107 |
| Net Assets - September 1 (Beginning) | 5,373,321 | 3,714,214 |
| Prior Period Adjustment | - | - |
| Net Assets - September 1 (Restated) | 5,373,321 | 3,714,214 |
| Net Assets - August 31 (Ending) | $ 5,625,215 | $ 5,373,321 |

## GOVERNMENTAL ACTIVITIES

- Property tax rates were set at $.97 per $100 valuation for M&O and $.335 for I&S. The rate for 2020-2021 is set at $.9664 for M&O and $.335 for I&S.

- The District continues to pay down the $21.2 million in bonds and notes payable.

Table III presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid. The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $17.9 million.

- The amount that our taxpayers paid for these activities through property taxes was $4.3 million.

- Some of the cost, $145,167 was paid by those who directly benefited from the programs or by grants and contributions in the amount of $1,846,238.

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Instruction | $ 8,716,586 | $ 7,622,402 | $ 8,046,521 | $ 6,913,950 |
| School Administration | 884,473 | 959,394 | 880,910 | 953,683 |
| School Leadership | 868,232 | 852,995 | 868,232 | 852,995 |
| Plant Maintenance & Operations | 2,379,366 | 2,058,023 | 2,170,549 | 2,020,875 |
| Cocurrricular/Extracurricular Activities | 565,168 | 615,392 | 544,066 | 575,994 |
| Food Services | 964,839 | 957,514 | (34,808) | 37,128 |
| Student (Pupil) Transportation | 690,822 | 759,846 | 690,822 | 759,846 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint. With much uncertainty about the future of public school finance and the ongoing health crisis, the District feels it is prudent to continue to approach fiscal matters conservatively.

In 2019-2020, the District continued to make safety and security improvements. In addition to a high school security officer, CPR certifications for all employees, trauma kits, security fencing and new door locking systems, there are also cabinets stocked with emergency supplies in every classroom and other areas throughout the district.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments for the 2019-2020 school year were required to meet various needs throughout the District. All amendments were approved by the Board of Trustees.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

**Capital Assets**. At August 31, 2020 the District had $28.5 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a small net decrease (including additions and deductions) over last year.

**Kirbyville Consolidated Independent School District**
**Capital Assets**
**Governmental Activities**

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Land | 596,685 | 596,685 |
| Buildings and Improvements | 41,171,049 | 41,171,049 |
| Equipment | 2,848,963 | 2,561,435 |
| Vehicles | 2,898,409 | 2,799,486 |
| Totals at Historical Cost | 47,515,106 | 47,128,655 |
| | | |
| Less Accumulated Depreciation: | | |
| Buildings and Improvements | (14,454,731) | (13,738,121) |
| Equipment | (2,161,677) | (2,064,284) |
| Vehicles | (2,358,588) | (2,273,403) |
| Total Accumulated Depreciation | (18,974,996) | (18,075,808) |
| Net Capital Assets | $ 28,540,110 | $ 29,052,847 |

**Long-Term Debt.** At year-end, the District had $21.2 million in bonds and notes payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Kirbyville Consolidated Independent School District**
**Outstanding Debt**

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| Governmental activities: | | |
| Capital Lease | - | - |
| General Obligation Bonds | $ 21,020,000 | $ 21,690,000 |
| Tax Exempt Obligations | 198,278 | 241,357 |
| Total | $ 21,218,278 | $ 21,931,357 |

## ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- Appraised value used for 2019-2020 budget preparation increased slightly. However, due to the instability of the Texas school finance system and the uncertainty of the COVID-19 pandemic, the District continues to systematically review staffing patterns, special projects, and revenue and expenditure projections.

- General operating fund spending per student increased in the 2020 budget and the district anticipates an increase again in 2021 due to continued efforts to provide a device and internet service to every student in grades PK-12. Other increase from inflation, salaries, professional development for staff, and campus safety and security were realized in 2020 and will continue into 2021.

- The District projected 2019-2020 refined ADA numbers to be approximately 1401. Due to COVID-19, refined ADA at year end was 1377 only after TEA created ADA and FTE "Hold Harmless" calculations. Since the health pandemic is continuing to affect districts, TEA is continuing a "Hold Harmless" level of funding for the first semester of 2020-21.

These indicators were taken into account when adopting the general fund budget for 2019-2020. Budget amounts available in the general fund budget are slightly higher due to the District striving to be fiscally conservative.

Expenditures continue to rise due to salary increases, increased insurance and utility costs, and safety and security upgrades. The District is consistently looking for highly qualified teachers and staff. This year the District's instructional focus was on early literacy and preparing our students for post-secondary opportunities. Other initiatives remain focused on improving student performance by offering more professional development activities in core academic areas including math, science, language arts, and social studies.

The District continues to support Career and Technology education by providing several quality programs such as Ag Science, Auto Mechanics, Building Trades, FCCLA, and DECA. We are currently offering additional certification programs in the health science fields.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, 206 East Main Street Kirbyville, Texas 75956.

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*BASIC FINANCIAL STATEMENTS*

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT A-1

STATEMENT OF NET POSITION
AUGUST 31, 2020

| Data Control Codes | | Primary Government Governmental Activities |
|---|---|---|
| | **Assets** | |
| 1110 | Cash and Cash Equivalents | $ 8,532,474 |
| 1220 | Property Taxes Receivable (Delinquent) | 1,767,380 |
| 1230 | Allowance for Uncollectible Taxes | (1,237,166) |
| 1240 | Due from Other Governments | 358,148 |
| 1290 | Other Receivables | 50,831 |
| | Capital Assets (Net of Accumulated Depreciation): | |
| 1510 | Land | 596,685 |
| 1520 | Buildings and Improvements | 26,716,318 |
| 1530 | Furniture and Equipment | 1,227,110 |
| 1580 | Construction In Progress | - |
| 1000 | **Total Assets** | 38,011,780 |
| | **Deferred Outflows of Resources** | |
| 1705 | Deferred Resource Outflow Related to TRS Pension | 2,330,979 |
| 1706 | Deferred Resource Outflow Related to TRS OPEB | 1,347,964 |
| 1700 | **Total Deferred Outflows of Resources** | 3,678,943 |
| | **Total Assets and Deferred Outflows of Resources** | 41,690,723 |
| | **Liabilities** | |
| 2110 | Accounts Payable and Accrued Expenses | 300,450 |
| 2140 | Interest Payable | 41,459 |
| 2160 | Accrued Wages Payable | 583,167 |
| 2180 | Due to Other Governments | 329,231 |
| 2200 | Accrued Expenditures | 113,344 |
| | Long Term Liabilities: | |
| 2501 | Due Within One Year | 755,532 |
| 2502 | Due in More Than One Year | 21,275,619 |
| 2540 | Net Pension Liability (District's Share) | 3,486,121 |
| 2545 | Net OPEB Liability (District's Share) | 5,993,134 |
| 2000 | **Total Liabilities** | 32,878,057 |
| | **Deferred Inflows of Resources** | |
| 2605 | Deferred Resource Inflow Related to TRS Pension | 594,732 |
| 2606 | Deferred Resource Inflow Related to TRS OPEB | 2,592,719 |
| 2600 | **Total Deferred Inflows of Resources** | 3,187,451 |
| | **Total Liabilities and Deferred Inflows of Resources** | 36,065,508 |
| | **Net Position** | |
| 3200 | Net Investment in Capital Assets | 6,952,145 |
| 3820 | Restricted for Federal and State Programs | 523,017 |
| 3850 | Restricted for Debt Service | 867,250 |
| 3900 | Unrestricted Net Position | (2,717,197) |
| 3000 | **Total Net Position** | $ 5,625,215 |

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities |
|---|---|---|---|---|---|
| | **Governmental Activities** | | | | |
| 0011 | Instruction | $ 8,716,586 | $ - | $ 670,065 | $ (8,046,521) |
| 0012 | Instructional Resources & Media Services | 197,734 | - | - | (197,734) |
| 0013 | Curriculum/Instructional Development | 97,089 | - | 66,770 | (30,319) |
| 0021 | Instructional Leadership | 17,364 | - | 16,394 | (970) |
| 0023 | School Leadership | 868,232 | - | - | (868,232) |
| 0031 | Guidance and Counseling Services | 404,791 | - | - | (404,791) |
| 0032 | Social Work Services | 8,120 | - | - | (8,120) |
| 0033 | Health Services | 195,787 | - | - | (195,787) |
| 0034 | Student (Pupil) Transportation | 690,822 | - | - | (690,822) |
| 0035 | Food Services | 964,839 | 59,389 | 940,258 | 34,808 |
| 0036 | Cocurricular/Extracurricular Activities | 565,168 | 21,102 | - | (544,066) |
| 0041 | General Administration | 884,473 | - | 3,563 | (880,910) |
| 0051 | Plant Maintenance and Operations | 2,379,366 | 64,676 | 144,141 | (2,170,549) |
| 0052 | Security and Monitoring Services | 356,083 | - | - | (356,083) |
| 0053 | Data Processing Services | 285,631 | - | - | (285,631) |
| 0061 | Community Services | 5,047 | - | 5,047 | - |
| 0072 | Debt Service - Interest on Long-Term Debt | 817,762 | - | - | (817,762) |
| 0073 | Debt Service - Bond Issuance Cost & Fees | 1,500 | - | - | (1,500) |
| 0093 | Shared Service Arrangements/Local Deaf | 438,987 | - | - | (438,987) |
| TG | **Total Governmental Activities:** | $ 17,895,381 | $ 145,167 | $ 1,846,238 | $ (15,903,976) |
| TP | **Total Primary Government** | $ 17,895,381 | $ 145,167 | $ 1,846,238 | (15,903,976) |

| Data Control Codes | | |
|---|---|---|
| | **General Revenues:** | |
| | Taxes: | |
| MT | Property Taxes, levied for general purposes | 3,029,630 |
| DT | Property Taxes, levied for debt service | 1,034,954 |
| GC | Grants and Contributions not restricted | 11,850,046 |
| IE | Investment Earnings | 124,916 |
| MI | Miscellaneous Local and Intermediate | 116,324 |
| TR | **Total General Revenues** | 16,155,870 |
| CN | **Change in Net Position** | 251,894 |
| NB | **Net Position - September 1 (Beginning)** | 5,373,321 |
| NE | **Net Position - August 31 (Ending)** | $ 5,625,215 |

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| | **Assets** | | | | |
| 1110 | Cash and Cash Equivalents | $7,259,697 | $ 916,930 | $ 293,992 | $ 8,470,619 |
| 1220 | Property Taxes - Delinquent | 1,430,892 | 336,488 | - | 1,767,380 |
| 1230 | Allowance for Uncollectible Taxes (credit) | (1,001,624) | (235,542) | - | (1,237,166) |
| 1240 | Due from Other Governments | 38,176 | - | 319,972 | 358,148 |
| 1260 | Due from Other Funds | 153,216 | 5,054 | 182,805 | 341,075 |
| 1290 | Other Receivables | 41,360 | 9,471 | - | 50,831 |
| 1000 | **Total Assets** | $7,921,717 | $ 1,032,401 | $ 796,769 | $ 9,750,887 |
| | **Liabilities** | | | | |
| 2110 | Accounts Payable and Accrued Expenditures | $ 194,594 | $ - | $ 105,856 | $ 300,450 |
| 2160 | Accrued Wages Payable | 522,561 | - | 60,606 | 583,167 |
| 2170 | Due to Other Funds | 235,329 | - | 153,214 | 388,543 |
| 2180 | Due to Other Governments | 254,307 | 74,924 | - | 329,231 |
| 2000 | **Total Liabilities** | $1,206,791 | $ 74,924 | $ 319,676 | $ 1,601,391 |
| | **Deferred Inflows of Resources** | | | | |
| 2601 | Unavailable Revenue - Property Taxes | $ 394,415 | $ 90,227 | $ - | $ 484,642 |
| 2600 | **Total Deferred Inflows of Resources** | $ 394,415 | $ 90,227 | $ - | $ 484,642 |
| | **Fund Balance** | | | | |
| | Restricted Fund Balance | | | | |
| 3450 | Federal or State Funds Grant Restriction | $ - | | $ 523,017 | $ 523,017 |
| 3470 | Capital Projects | - | | (45,924) | (45,924) |
| 3480 | Retirement of Long-Term Debt | - | 867,250 | - | 867,250 |
| | Committed Fund Balance: | | | | |
| 3510 | Construction | 500,000 | - | - | 500,000 |
| 3525 | Retirement of Long-Term Debt | 500,000 | | - | 500,000 |
| 3545 | Other Committed Fund Balance | 100,000 | | - | 100,000 |
| 3600 | Unassigned Fund Balance | 5,220,511 | - | - | 5,220,511 |
| 3000 | **Total Fund Balance** | $6,320,511 | $ 867,250 | $ 477,093 | $ 7,664,854 |
| 4000 | **Total Liabilities, Deferred Inflows, and Fund Balance** | $7,921,717 | $ 1,032,401 | $ 796,769 | $ 9,750,887 |

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| | |
|---|---|
| **Total Fund Balances - Governmental Funds** | $ 7,664,854 |
| Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds. | 28,540,112 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 484,642 |
| Notes payable which are not due in the current period are not reported in the funds. | (22,031,151) |
| The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. | (4,020) |
| Payable for bond interest is not reported in the funds. | (41,459) |
| Included in the items related to debit is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resourse outflow of $2,330,979, deferred resource inflow of ($594,732) and a net pension liabilty of ($3,486,121). | (1,749,874) |
| Included in the items related to debit is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resourse outflow of $1,347,964, a deferred resource Inflow of ($2,592,719) and a net OPEB liabilty of ($5,993,134). | (7,237,889) |
| | $ 5,625,215 |

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| | **Revenues** | | | | |
| 5700 | Local Sources | $ 3,272,304 | $ 1,062,213 | $ 69,893 | $ 4,404,410 |
| 5800 | State Program Revenues | 10,653,787 | 551,373 | 387,307 | 11,592,467 |
| 5900 | Federal Program Revenues | 31,681 | - | 1,458,931 | 1,490,612 |
| 5020 | **Total Revenues** | 13,957,772 | 1,613,586 | 1,916,131 | 17,487,489 |
| | **Expenditures** | | | | |
| | Current | | | | |
| 0011 | Instruction | 7,101,771 | - | 674,565 | 7,776,336 |
| 0012 | Instructional Resources and Media Services | 175,543 | - | - | 175,543 |
| 0013 | Curriculum and Instructional Development | 24,893 | - | 66,770 | 91,663 |
| 0021 | Instructional Leadership | - | - | 16,394 | 16,394 |
| 0023 | School Leadership | 767,645 | - | - | 767,645 |
| 0031 | Guidance and Counseling Services | 354,659 | - | - | 354,659 |
| 0032 | Social Work Services | 7,666 | - | - | 7,666 |
| 0033 | Health Services | 118,027 | - | - | 118,027 |
| 0034 | Student (Pupil) Transportation | 715,144 | - | - | 715,144 |
| 0035 | Food Services | - | - | 968,564 | 968,564 |
| 0036 | Cocurricular/Extracurricular Activities | 559,140 | - | - | 559,140 |
| 0041 | General Administration | 793,509 | - | 3,564 | 797,073 |
| 0051 | Plant Maintenance and Operations | 2,089,136 | - | 166,787 | 2,255,923 |
| 0052 | Security and Monitoring Services | 336,183 | - | - | 336,183 |
| 0053 | Data Processing Services | 250,343 | - | - | 250,343 |
| 0061 | Community Services | - | - | 5,047 | 5,047 |
| | Debt Service | | | | |
| 0071 | Debt Service - Principal on long-term debt | 43,080 | 670,000 | - | 713,080 |
| 0072 | Debt Service - Interest on long-term debt | 13,739 | 844,119 | - | 857,858 |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | 1,500 | - | 1,500 |
| | Intergovernmental | | | | |
| 0093 | Shared Service Arrangement/Deaf Program | 438,987 | - | - | 438,987 |
| 6030 | **Total Expenditures** | 13,789,465 | 1,515,619 | 1,901,691 | 17,206,775 |
| 1200 | Net Change in Fund Balances | 168,307 | 97,967 | 14,440 | 280,714 |
| 0100 | **Fund Balance - September 1 (Beginning)** | 6,152,204 | 769,283 | 462,653 | 7,384,140 |
| 3000 | **Fund Balance - August 31 (Ending)** | $ 6,320,511 | $ 867,250 | $ 477,093 | $ 7,664,854 |

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | $ 280,714 |
| Capital outlays and bond issuance costs are not reported as expenses in the statement of activities. | | 386,449 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. | | (899,188) |
| The Issuance and refunding of debt and the premium on the issuance of debt is recognized as an other financing source in the funds but not in the statement of activities. | | |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities. | | 713,079 |
| The amortization of bond premiums and discounts are not reported in the funds. | | 37,224 |
| Certain property tax revenues are deferred in the funds. This is the change in these. | | 30,864 |
| Accrued interest on bonds is not reported in the funds. | | 2,872 |
| The net revenue (expense) of internal service funds is reported with governmental activities | | (46,383) |
| The net change in net pension liability, deferred outflows, and deferred inflowsis reported in the statement of acivities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: | | |
| Deferred outflows increased (decreased) | 188,389 | |
| Deferred inflows increased (decreased) | (366,498) | |
| Net pension liability increased (decreased) | 15,912 | (162,197) |
| The net change in net OBEB liability, deferred outflows, and deferred inflowsis reported in the statement of acivities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: | | |
| Deferred outflows increased (decreased) | 627,681 | |
| Deferred inflows increased (decreased) | (702,753) | |
| Net OPEB liability increased (decreased) | (16,468) | (91,540) |
| | | $ 251,894 |

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

| | Governmental Activities Internal Service Fund |
|---|---|
| **Assets** | |
| **Current Assets:** | |
| Cash and Cash Equivalents | $ 61,854 |
| Due from Other Funds | 47,470 |
| **Total Current Assets** | 109,324 |
| **Total Assets** | 109,324 |
| **Liabilities** | |
| **Current Liabilities:** | |
| Accrued Expenses | 113,344 |
| **Total Current Liabilities** | 113,344 |
| **Total Liabilities** | 113,344 |
| **Net Position** | |
| Unrestricted Net Position | (4,020) |
| **Total Net Position** | $ (4,020) |

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| | Governmental Activities Internal Service Fund |
|---|---|
| **Operating Revenues** | |
| Local and Intermediate Sources | $ 15,719 |
| **Total Operating Revenues** | 15,719 |
| **Operating Expenses** | |
| Professional and Contracted Services | 62,103 |
| **Total Operating Expenses** | 62,103 |
| **Change in Net Position** | (46,384) |
| **Total Net Position - September 1 (Beginning)** | 42,364 |
| **Total Net Position - August 31 (Ending)** | $ (4,020) |

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| | Internal Service Funds |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Cash Received from Customers | $ 15,719 |
| Cash Payments to Other Suppliers for Goods and Services | (20,715) |
| Net Cash Provided by (Used for) Operating Activities | (4,996) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,996) |
| Cash and Cash Equivalents at Beginning of the Year: | 66,850 |
| Cash and Cash Equivalents at End of the Year: | $ 61,854 |

**Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:**

| | |
|---|---|
| Operating Income (Loss): | $ (46,384) |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Increase (decrease) in Accrued Expenses and Due From Other Funds | 41,388 |
| Net Cash Provided by (Used for) Operating Activities | $ (4,996) |

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DIST EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Agency Fund |
|---|---|
| **Assets** | |
| Cash and Cash Equivalents | $ 270,951 |
| Other Receivables | 2,156 |
| **Total Assets** | $ 273,107 |
| **Liabilities** | |
| Accounts Payable | $ 1,613 |
| Due to Student Groups | 271,494 |
| **Total Liabilities** | $ 273,107 |
| **Net Assets** | |
| Unrestricted Net Position | |
| **Total Liabilities and Net Position** | |

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

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kirbyville Consolidated Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

### A. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (consist of the statement of net position and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. They also include grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues.*

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

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

In addition, the District reports the following fund types:

Special Revenue Funds: These are governmental funds that are restricted, committed or assigned for specific purposes by a grantor or the Board. Federal programs where unused balances are returned to the grantor at the close of the specified project periods are accounted for in these funds.

Capital Projects Fund: This fund accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

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

Proprietary Fund - Internal Service Fund: Internal service funds distinguish operating revenues from non-operating revenues. This fund is used to report on activity in the worker's compensation fund. Accrued liabilities include provisions for claims reported and claims incurred but not reported for workers' compensation insurance.

### D. Assets, Liabilities, and Net Assets or Equity

#### 1. Cash, Cash Equivalents and Investments

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market bank sweep accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

For cash management purposes, the District's funds must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. 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.

### 2. Receivables and Payables

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

Property taxes are levied by October 1, on the assessed value listed as of the prior January 1, for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

### 3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### 4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances, which have not been liquidated, are reported as an assigned portion of fund balance in the governmental funds.

### 5. Capital Assets

Capital assets which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years.

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### 5. Capital Assets, continued

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

| Assets | Years |
|---|---|
| Infrastructure | 40 |
| Buildings | 40 |
| Building Improvements | 40 |
| Vehicles | 10 |
| Office Equipment | 10 |
| Computer Equipment | 10 |

### 6. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an expense/expenditure until that future period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that future period.

Deferred outflows/inflows of resources are amortized as follows:

Pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5 year period.

District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.

Property taxes are recognized in the period the amount becomes available.

### 7. Compensated Absences

No compensated absences are allowed under the District's personnel policies.

### 8. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of August 31, 2020.

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

### 9. 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.

### 10. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

### 11. Government-Wide Net Position

Net investment in capital assets – the component of net position that represents capital assets less capital debt plus unspent bond proceeds. As of August 31, 2020, this amount was $6,952,145.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture or Texas Education Agency ("TEA") of $523,017.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, 2019 that consist of assets with constraints placed on their use by the bond covenants of $867,250.

Unrestricted – the difference between the assets and liabilities that are not restricted for any purposes in the amount of ($2,171,197).

### 13. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.
Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.
Committed Fund Balance – amounts constrained to a specific purpose by the Board of Trustees (the highest level of authority within the District); amount cannot be used for any other purpose unless the Board of Trustees takes the same action to remove or change the constraint.
Assigned Fund Balance- general fund amounts constrained to a specific purpose by the Superintendent.
Unassigned Fund balance – residual classification applicable to the general fund only.

The District's unassigned general fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent.

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is from the least restrictive to the most restrictive, unless otherwise approved by the Board of Trustees.

### 14. Pensions

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

### 15. Other Post-Employment Benefits

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 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.

### 16. Management's review of subsequent events

Management has evaluated subsequent events through December 2, 2020, the date the financial statements were available to be issued.

## Note 2: COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

The Board of Trustees adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, Debt Service Fund, and Food Service Fund, which is included in the Special Revenue Funds. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

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

- Prior to August 20th, the District prepares a budget for the next fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board of Trustees, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but no more than thirty (30) days public notice for the meeting is required.

## Note 2: COMPLIANCE AND ACCOUNTABILITY, Continued

- Prior to August 31st, the Board of Trustees legally adopts the budget for the General Fund, Debt Service Fund and Food Service Fund through passage of a resolution.

After the budget is approved, it can only be amended at the function and fund level by approval of a majority of the Board. Amendments are presented to the Board at its regular meetings for their approval.

As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Total expenditures may not exceed total appropriations, as amended, by fund at function level. Because the District has a policy of careful budgetary control, budget amendments are necessary throughout the year.

### A. Finance-Related Legal and Contractual Provisions

1. In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," there are no violations of finance-related legal and contractual provisions to report.

2. The Capital Projects Fund had a deficit fund balances or negative fund net assets for the fiscal year ended August 31, 2020 in the amount of $45,924.

## Note 3: DEPOSITS AND INVESTMENTS

At August 31, 2020, the carrying amount of the District's demand deposits and cash on hand was $476,308. The $708,306 bank balance was covered by federal deposit insurance through the FDIC and was collateralized by securities held by the District or by the District's agent in name of the District.

All cash balances and investments are held separately in each of its funds. Funds held at the depository bank were properly secured at all times, and the following was disclosed:

a. Name of depository bank: BBVA Compass Bank

b. Amount of bond or securities pledged as of the date of the highest combined balance on deposit was $2,000,000.

c. Highest cash balance amounted to $1,829,290 and occurred during the month of January, 2020.

d. Total amount of Federal Deposit Insurance Corporation ("FDIC") coverage at the time of the highest combined balance was $250,000.

**Investments**

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

Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of 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)

## Note 3: DEPOSITS AND INVESTMENTS, Continued

investment pools,(9) guaranteed investment contracts, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District's investments in public funds investment pools and money market mutual funds include those with the Lone Star Investment Pool (LSIP).

LSIP is a public funds investment pool administered by First Public (formerly known as the Texas Association of School Board Financial Service). LSIP is a public funds investment pool created under the authorization of the Interlocal Cooperation Act of the State of Texas, Article 4413 (32c), Vernon's Texas Civil Statutes, as amended. It is designed to provide participating local governments with investment vehicles for (1) local funds that are not required to be spent immediately and are available for investment in securities with maturities and returns generally greater than those for money market instruments and (2) local funds which provide daily liquidity. The objective of the LSIP is to provide participating local governments with the highest possible rate of return for such funds, while maintaining safety of principal.

To achieve its objective, the LSIP invests primarily in obligations issued or secured by the U.S. Government, its agencies and instrumentalities, and in commercial paper. Standish Mellon Asset Management and AMR investments provide investment advisory services. Each fund within the Pool has received the highest rating, AAA, from Standard & Poor's as required by the Public Funds Investment Act

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The overall objective of the District's investment policy is to ensure that District financial assets are properly safeguarded, provide sufficient liquidity, and produce a reasonable rate of return while enabling the District to react to changes in economic conditions.

**Investments, Continued**

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

| Type | Carrying Amount | Fair Value | Maturity |
|---|---|---|---|
| Investments not subject to categorization | | | |
| LoneStar | $ 8,327,116 | $ 8,327,116 | Weighted average < 120 days |
| Total Investments | $ 8,327,116 | $ 8,327,116 | |

**Analysis of Specific Deposit and Investment Risks**

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

**Credit Risk: Credit Ratings**

District investments conform to the District's banking and investment policies and are in accordance with laws and regulations of the State of Texas and TEA. Statutes of the State of Texas and policies mandated by

## Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

the District's Board authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public funds investment pools, mutual funds and money market accounts. As stated above, Lonestar has received the highest rating, AAA, from Standard & Poor's. At year end, the District was not significantly exposed to credit risk.

**Custodial Credit Risk**

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

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

The District was not exposed to custodial credit risk during the course of the fiscal year.

**Custodial Credit Risk – Investments**

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

**Concentration of Credit Risk**

It is the policy of the District to reduce risk associated with investments by diversification of the portfolio. The District was not exposed to concentration of credit risk during the course of the fiscal year

**Foreign Currency Risk**

At year end, there are no foreign currency investments in the District's portfolio.

**Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District concentrates its investment portfolio in short and intermediate term securities to limit market risk caused by changes in interest rates. At year end, the District was not exposed to interest rate risk.

## Note 4: CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 596,685 | $ - | $ - | $ 596,685 |
| Construction in Progress | - | - | - | - |
| Total Capital Assets, Not Being Depreciated | 596,685 | - | - | 596,685 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings & Improvements | 41,171,049 | - | - | 41,171,049 |
| Equipment | 2,561,435 | 287,528 | - | 2,848,963 |
| Vehicles | 2,799,486 | 98,923 | - | 2,898,409 |
| Total Capital Assets, Being Depreciated: | 46,531,970 | 386,451 | - | 46,918,421 |
| Less Accumulated Depreciation: | | | | |
| Buildings & Improvements | (13,738,121) | (716,610) | - | (14,454,731) |
| Equipment | (2,064,284) | (97,393) | - | (2,161,677) |
| Vehicles | (2,273,403) | (85,185) | - | (2,358,588) |
| Total Accumulated Depreciation | (18,075,808) | (899,188) | - | (18,974,996) |
| Total Capital Assets, Being Depreciated, Net | 28,456,162 | (512,737) | - | 27,943,425 |
| Governmental Activities Capital Assets, Net | $ 29,052,847 | $ (512,737) | $ - | $ 28,540,110 |

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

| | |
|---|---|
| Instruction | $ 435,017 |
| Instructional resources | 14,504 |
| Cirriculum | 8,424 |
| Instructional leadership | 114 |
| School leadership | 48,556 |
| Guidance | 14,202 |
| Social Work Services | 283 |
| Health services | 8,538 |
| Student transportation | 53,218 |
| Food services | 55,760 |
| Cocurricular/Extracurricular Activities | 35,866 |
| General administration | 55,683 |
| Plant maintenance | 123,931 |
| Security | 23,201 |
| Data processing | 21,891 |
| Total Depreciation Expense | $ 899,188 |

## Note 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are short-term transactions between funds that are accounted for in the appropriate interfund receivable and payable accounts. Interfund balances at August 31, 2020 consisted of the following individual fund receivables and payables:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Special Revenue | $ 153,216 |
| Special Revenue | General | 182,805 |
| Debt Service | General | 5,054 |
| Internal Service | General | 47,470 |
| | | $ 388,545 |

The receivables in the general fund totaling $153,216, from special revenue represents amounts due for reimbursement of expenditures paid by the General Fund. The receivable in the Special Revenue Fund from the General Fund in the amount of $182,805 includes amounts that are initially deposited into Lone Star for other funds. The receivable in the Debt Service, Internal Service Fund and the Trust and Agency Fund from the General Fund represents amounts paid by those funds to be reimbursed by the General Fund.

## Note 6: SHORT-TERM DEBT ACTIVITY

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. There was no short-term debt activity during the year ended August 31, 2020.

## Note 7: CAPITAL LEASES

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. The District has no capital lease agreements as of August 31, 2020.

## Note 8: LONG-TERM DEBT

The District issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

## Note 8: LONG-TERM DEBT, Continued

General obligation bonds payable at August 31, 2020, are summarized as follows:

| Date of Issue | Original Issue | Final Maturity | Annual Installments | % Rate | Outstanding Balance |
|---|---|---|---|---|---|
| 2013 | $ 9,000,000 | 2043 | $145,000-$520,000 | 2.0%-4.375% | 7,770,000 |
| 2014 | $ 8,920,000 | 2044 | $80,000-$555,000 | 2.0%-4.000% | 8,420,000 |
| 2015 | $ 6,550,000 | 2045 | $90,000-$470,000 | 4.0%-4.50% | 4,830,000 |
| | | | | | $ 21,020,000 |

The District entered into a finance contract with Government Capital Corporation for the purpose of financing "District Wide Energy Conservation Project". Amounts outstanding as of August 31, 2020 are as follows:

| Date of Issue | Original Issue | Final Maturity | Annual Installments | % Rate | Outstanding Balance |
|---|---|---|---|---|---|
| 2009 | $ 575,670 | 2024 | $3,060-$30,645 | 5.69% | $ 198,278 |

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2020, was as follows:

| | Beginning Balance | Additions | Retirements/ Payments | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligations bonds | $ 21,690,000 | $ - | $ 670,000 | $ 21,020,000 | $ 710,000 |
| Add: Premium on bonds | 850,097 | - | 37,224 | 812,873 | - |
| Contractual Obligations | 241,357 | - | 43,079 | 198,278 | 45,532 |
| Total governmental activities | $ 22,781,454 | $ - | $ 750,303 | $ 22,031,151 | $ 755,532 |

Annual debt service requirements to maturity for the bonds and contractual obligations are as follows:

| Year Ending August 31 | Principal | Interest | Total |
|---|---|---|---|
| 2021 | 755,532 | 832,656 | 1,588,188 |
| 2022 | 793,124 | 806,114 | 1,599,238 |
| 2023 | 835,863 | 778,225 | 1,614,088 |
| 2024 | 878,759 | 747,879 | 1,626,638 |
| 2025 | 880,000 | 712,669 | 1,592,669 |
| 2026-2030 | 4,635,000 | 3,013,870 | 7,648,870 |
| 2031-2035 | 3,770,000 | 2,227,626 | 5,997,626 |
| 2036-2040 | 4,645,000 | 1,350,140 | 5,995,140 |
| 2041-2045 | 4,025,000 | 316,850 | 4,341,850 |
| Total | $ 21,218,278 | $ 10,786,029 | $ 32,004,307 |

## Note 9: RETIREMENT BENEFITS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.gov ; 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 benefits are based on statutory provisions of the plan effective for fiscal year 2018. The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3 percent. For members who are grandfathered, the three highest annual salaries are used in the benefit formula. 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 note 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 84th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 201 would remain the same. Contribution Rates can be found in the TRS 2018 CAFR, Note 1, on page 76.

## Note 9: RETIREMENT BENEFITS, Continued

**Contribution Rates**

| | 2019 | 2020 |
|---|---|---|
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.7% |

| | |
|---|---|
| Kirbyville CISD 2020 Employer Contributions | $ 253,174 |
| Kirbyville CISD 2020 Member Contributions | $ 641,103 |
| Measurement Year NECE On-Behalf Contributions | $ 914,237 |

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

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

1. 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.
2. During a new member's first 90 days of employment.
3. When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

1. 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.
2. Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge).

Actuarial Assumptions

**Roll Forward** – A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

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

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

## Note 9: RETIREMENT BENEFITS, Continued

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

| | |
|---|---|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Investment Rate of Return* | 7.25% |
| Municipal Bond Rate as of August 2018 | 2.36% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20 Year Municipal GO AA index" |
| Last year ending August 31in Projection Period | 2116 |
| Salary Increases* | 3.05% to 9.05% including inflation |
| Inflation | 2.30% |
| Ad hoc post-employment benefit changes | None |

**Includes Inflation of 2.5%*

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

Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members.

## Note 9: RETIREMENT BENEFITS, Continued

| Asset Class | Target Allocation* | Real Return Geometric Basis** | Long-Term Expected Portfolio Real Rate of Return*** |
|---|---|---|---|
| **Global Equity** | | | |
| U.S. | 18% | 18.0% | 6.4% |
| Non-U.S. Developed | 13% | 13.0% | 6.3% |
| Emerging Markets | 9% | 9.0% | 7.3% |
| Directional Hedge Funds | 4% | 0.0% | 0.0% |
| Private Equity | 13% | 14.0% | 8.4% |
| **Stable Value** | | | |
| U.S. Treasuries | 11% | 16.0% | 3.1% |
| Stable Vlaue Hedge Funds | 4% | 5.0% | 4.5% |
| **Real Return** | | | |
| Global Inflation Linked Bonds**** | 3% | 0.0% | 0.0% |
| Real Estate | 14% | 15.0% | 8.5% |
| Energy and Natural Resources | 5% | 6.0% | 7.3% |
| Commodities | 0% | 0.0% | 0.0% |
| **Risk Parity** | | | |
| Risk Parity***** | 5% | 8.0% | 5.8 - 6.5% |
| Asset Allocation Leverage Cash | 1% | 2.0% | 2.5% |
| Asset Allocation Leverage | 0% | -6.0% | 2.7% |
| **Expected Return** | | | **7.23%** |

** FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/1/18*

*** New target allocation based on the Strategic Asset Allocation dated 10/1/19*

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

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

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

Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability: | $ 5,358,674 | $ 3,486,121 | $ 1,968,991 |

## Note 9: RETIREMENT BENEFITS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At August 31, 2020, the District reported a liability of $3,486,121 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---|
| District's Proportionate share of the collective net pension liability | $ 3,486,121 |
| State's proportionate share that is associated with District | $ 5,819,978 |
| Total | $ 9,306,099 |

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0067062548 % which was an increase of 0.0003438299% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

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, 2020, the District recognized pension expense of $914,237 and revenue of $914,237 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

## Note 9: RETIREMENT BENEFITS, Continued

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference Between Expected and Actual Actuarial Experience | $ 14,645 | $ 121,044 |
| Changes in Assumptions | 1,081,566 | 446,954 |
| Difference Between Projected and Actual Investment Earnings | 35,005 | - |
| Changes in Proportion and Difference in Porportionate Share | 558,660 | 26,734 |
| Contributions paid to TRS subsequent to the Measurement Date: | 641,103 | - |
| | $ 2,330,979 | $ 594,732 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - Continued

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

| Year Ended August 31, | Pension Expense Amount |
|---|---|
| 2021 | 246,192 |
| 2022 | 253,976 |
| 2023 | 243,201 |
| 2024 | 86,176 |
| 2025 | (24,694) |

## Note 10: 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 OPEB plan that has a special funding situation. The plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care'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.gov ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

| Net OPEB Liability | Total |
|---|---|
| Total OPEB Liability | $48,583,247,239 |
| Less: plan fiduciary net position | 1,292,022,349 |
| Net OPEB liability | $47,291,224,890 |
| Net position as a % of total OPEB liab. | 2.66% |

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. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Non-Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

| | Medicare | Non-Medicare |
|---|---|---|
| Retiree or Survivng Spouse | $ 135 | $ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree or Survivng Spouse and Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

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 0.65% 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 which is 0.75% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

| | 2019 | 2020 |
|---|---|---|
| Contribution Rates: | | |
| 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% |

| | |
|---|---|
| FY 2020 District Contributions | $ 89,942 |
| FY 2020 Member Contributions | 119,506 |
| Measurement Year NECE On-behalf Contributions | 209,886 |

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

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

Actuarial Assumptions

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

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

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

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

Additional Actuarial Methods and Assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2018 Rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-pary administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs |
| Projected Salary Increases | 3.05% - 9.05% |
| Election Rates | Normal retirement: 70% participation prior to age 65 and 75% participation after age 65 |
| Ad hoc post-employment benefit changes | None |

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

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

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

Discount Rate

A discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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.

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (1.63%) | Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 7,235,638 | $ 5,993,134 | $ 5,021,138 |

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

| | 1% Decrease in Healthcare Cost Trend Rates | Current Healthcare Cost Trend Rates | 1% Increase in Healthcare Cost Trend Rates |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 4,888,990 | $ 5,993,134 | $ 7,472,184 |

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

At August 31, 2020, the District reported a liability of $5,993,134 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 net OPEB liability | $ 5,993,134 |
| State's proportionate share that is associated with the District | 7,963,537 |
| Total | $ 13,956,671 |

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

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.000126728281 which was 0.000007029573 higher than the proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

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

Changes in Benefit Terms

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

For the year ended August 31, 2020, the District recognized OPEB expense of $209,886 and revenue of $209,886 for support provided by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 294,014 | $ 980,713 |
| Changes in actuarial assumptions | 332,872 | 1,612,006 |
| Difference between projected and actual investment earnings | 647 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 630,489 | - |
| Contributions paid to TRS subsequent to the measurement date | 89,942 | - |
| Total | $ 1,347,964 | $ 2,592,719 |

## Note 10: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued

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

| Year Ended August 31, | Pension Expense Amount |
|---|---|
| 2021 | (247,947) |
| 2022 | (248,156) |
| 2023 | (248,276) |
| 2024 | (248,246) |
| 2025 | (94,127) |

## Note 11: HEALTH CARE COVERAGE

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2020–2017.

| | Member | | State | | School District | |
|---|---|---|---|---|---|---|
| Year | Rate | Amount | Rate | Amount | Rate | Amount |
| 2020 | 0.65% | $ 54,121 | 1.25% | $ 104,078 | 0.75% | $ 62,447 |
| 2019 | 0.65% | $ 48,003 | 1.25% | $ 92,314 | 0.75% | $ 55,389 |
| 2018 | 0.65% | $ 46,504 | 1.25% | $ 89,431 | 0.75% | $ 53,659 |
| 2017 | 0.65% | $ 47,713 | 1.0% | $ 72,574 | 0.55% | $ 39,915 |

## Note 11: HEALTH CARE COVERAGE, Continued

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on-behalf of the District were $38,913, $27.697, and $22.701, respectively. The information for the year ended August 31, 2020 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

## Note 12: RISK MANAGEMENT

Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of property; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year. The District retains the risk of the first $10,000 in property insurance after which insurance is purchased.

Workman's Compensation

Effective September 1, 2000, the District contracted with the East Texas Educational Insurance Association for the administration of the worker's compensation program. Claims are paid through Claims Administrative Services, Inc., the third party administrator.

The claims liability recorded in the general ledger includes an estimate for claims incurred but not recorded, based on the District's historical claims experience. The District is protected against unanticipated catastrophic loss by stop-loss coverage carried through Safety National Casualty Corporation, a commercial

Workman's Compensation, Continued

insurer licenses or eligible to do business in Texas in accordance with the Texas Insurance Code. The District's maximum loss for 2019-2020 is $88,088. Stop-loss coverage in effect was for annual individual claims exceeding $500,000.

The following is a summary of the changes in the balances of claims liabilities for worker's compensation for the year ended August 31:

| | 2020 | 2019 |
|---|---|---|
| Liability for claims September 1 | $ 71,956 | $ 88,541 |
| Current year claims and changes in estimates | 58,839 | (1,164) |
| Claim payments | (17,451) | (15,421) |
| Liability for claims August 31 | $ 113,344 | $ 71,956 |

## Note 13: COMMITMENTS AND CONTINGENCIES

During the year, the District received financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2020.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. On March 13, 2020, the Governor of Texas declared a state of disaster for all Texas counties in response to the COVID-19 outbreak. While this disruption is expected to temporary, there is uncertainty around the severity and duration. The full extent of the ongoing impact of COVID-19 on the District's 2020-21 fiscal year and possible longer term operational and financial performance will depend on future developments, many of which are outside its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

## Note 14: SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Service Arrangement ("SSA") for a federal program with the following school districts:

Member Districts
Buna Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

## Note 15: SUBSEQUENT EVENTS

Subsequent to year end, the District issued unlimited tax refunding bonds in the amount of $14,739,766. The purpose is to advance refund the District's 2013 and 2014 bonds outstanding.

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# *REQUIRED SUPPLEMENTARY INFORMATION*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|
| | | Original | Final | Actual | |
| | **Revenues** | | | | |
| 5700 | Local Sources | $ 3,371,520 | $ 3,483,020 | $ 3,272,304 | $ (210,716) |
| 5800 | State Program Revenues | 10,780,200 | 11,062,792 | 10,653,787 | (409,005) |
| 5900 | Federal Program Revenues | 65,000 | 66,000 | 31,681 | (34,319) |
| 5020 | **Total Revenues** | 14,216,720 | 14,611,812 | 13,957,772 | (654,040) |
| | **Expenditures** | | | | |
| | Current | | | | |
| 0011 | Instruction | 7,334,381 | 7,860,865 | 7,101,771 | 759,094 |
| 0012 | Instructional Resources & Media Svcs | 214,607 | 216,032 | 175,543 | 40,489 |
| 0013 | Curriculum and Instructional Development | 68,558 | 166,258 | 24,893 | 141,365 |
| 0023 | School Leadership | 817,130 | 857,635 | 767,645 | 89,990 |
| 0031 | Guidance and Counseling Services | 358,298 | 378,768 | 354,659 | 24,109 |
| 0032 | Social Work Services | 7,800 | 7,825 | 7,666 | 159 |
| 0033 | Health Services | 144,127 | 149,412 | 118,027 | 31,385 |
| 0034 | Student (Pupil) Transportation | 814,233 | 850,558 | 715,144 | 135,414 |
| 0035 | Food Services | - | 1,200 | $ - | 1,200 |
| 0036 | Cocurricular/Extracurricular Activities | 630,318 | 665,386 | 559,140 | 106,246 |
| 0041 | General Administration | 918,904 | 928,594 | 793,509 | 135,085 |
| 0051 | Plant Maintenance and Operations | 1,899,856 | 2,687,001 | 2,089,136 | 597,865 |
| 0052 | Security and Monitoring Services | 276,356 | 384,656 | 336,183 | 48,473 |
| 0053 | Data Processing Services | 314,198 | 343,648 | 250,343 | 93,305 |
| 0061 | Community Services | 800 | 800 | - | 800 |
| 0071 | Debt Service - Principal on long-term debt | 83,500 | 83,500 | 43,080 | 40,420 |
| 0072 | Debt Service - Interest on long-term debt | 18,000 | 18,000 | 13,739 | 4,261 |
| 0081 | Facilities Acquisition and Construction | | | - | - |
| 0093 | Shared Service Arrangements/Deaf Program | 465,000 | 475,000 | 438,987 | 36,013 |
| 0094 | Payments to Other Districts - Public Ed. Grant | - | - | $ - | - |
| 6030 | **Total Expenditures** | 14,366,066 | 16,075,138 | 13,789,465 | 2,285,673 |
| | Excess (Deficiency) of Revenues | | | | |
| 1200 | Net Changes in Fund Balance | (149,346) | (1,463,326) | 168,307 | 1,631,633 |
| 0100 | **Fund Balance - September 1 (Beginning)** | 6,152,204 | 6,152,204 | 6,152,204 | - |
| 3000 | **Fund Balance - August 31 (Ending)** | $ 6,002,858 | $ 4,688,878 | $ 6,320,511 | $ 1,631,633 |

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-2

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| District's Proportion of the Net Pension Liability | 0.0067063% | 0.0063624% | 0.0061166% | 0.0052782% | 0.0058742% |
| District's Proportionate Share of Net Pension Liability | $ 3,486,121 | $ 3,502,033 | 1,955,765 | 1,994,556 | 2,076,452 |
| States Proportionate Share of the Net Pension Liability associated with the District | 5,819,978 | 6,359,656 | 4,036,151 | 5,063,786 | 4,882,796 |
| Total | 9,306,099 | 9,861,689 | 5,991,916 | 7,058,342 | 6,959,248 |
| District's Covered-Employee Payroll | 8,326,270 | 7,385,143 | 7,154,502 | 7,257,360 | 7,102,602 |
| District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll | 41.87% | 47.42% | 27.34% | 27.48% | 29.24% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 83.25% | 82.17% | 78.00% | 78.43% |

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

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2020

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually Required Contribution | $ 641,103 | $ 233,808 | 305,610 | 167,702 | 176,231 |
| Contribution in Relation to the Contractually Required Contribution | (641,103) | (233,808) | (305,610) | (167,702) | (176,231) |
| Contribution Deficiency (Excess) | $ - | $ - | | | |
| District's Covered-Employee Payroll | $ 8,326,270 | $ 7,385,143 | 7,154,502 | 7,257,360 | 7,253,814.00 |
| Contributions as a Percentage of Covered-Employee Payroll | 7.70% | 3.17% | 4.27% | 2.31% | 2.43% |

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-4

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2020

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 |
| Liability (Asset) for Other Post Employment Benefits | 0.0126728% | 0.0119699% | 0.0114700% | |
| District's Proportionate Share of Net OPEB Liability (Asset) | $ 5,993,134 | $ 5,976,666 | $ 4,986,369 | |
| States Proportionate Share of the Net OPEB Liability (Asset) associated with the District | 7,963,537 | 5,597,624 | 5,597,624 | |
| Total | $ 13,956,671 | $ 11,574,290 | $ 10,583,993 | $ - |
| District's Covered-Employee Payroll | $ 8,326,270 | $ 7,385,143 | $ 7,154,502 | |
| District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll | 71.98% | 80.93% | 69.70% | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 2.66% | 1.57% | 0.91% | |

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

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-5

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2020

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 |
| Contractually Required Contributuion | $ 89,942 | $ 99,707 | 275,123 | |
| Contribution in Relation to the Contractually Required Contribution | (89,942) | (99,707) | (275,123) | |
| Contribution Deficiency (Excess) | $ - | $ - | | |
| District's Covered-Employee Payroll | $ 8,326,270 | $ 7,385,143 | 7,154,502 | |
| Contributions as a Percentage of Covered-Employee Payroll | 1.08% | 1.35% | 3.85% | |

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

# *OTHER SUPPLEMENTARY INFORMATION*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)

FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Last Ten Years Ended August 31 | Tax Rate* | | Assessed/Appraised Value For School Tax Purposes |
|---|---|---|---|
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | Various |
| 2012 | 1.04 | 0.11 | 208,543,043 |
| 2013 | 1.04 | 0.11 | 213,362,309 |
| 2014 | 1.04 | 0.345 | 219,266,064 |
| 2015 | 1.04 | 0.345 | 222,766,498 |
| 2016 | 1.04 | 0.345 | 242,441,083 |
| 2017 | 1.04 | 0.345 | 260,251,119 |
| 2018 | 1.04 | 0.335 | 280,737,780 |
| 2019 | 1.17 | 0.205 | 288,059,491 |
| 2020 | 0.97 | 0.335 | 324,340,077 |
| 1000 Totals | | | |

* - Per $100 of assessed valuation

| 10 Beginning Balance 09/01/19 | 20 Current Year's Total Levy | 30 Maintenance Total Collections | 30a Debt Service Total Collections | 40 Entire Year's Adjustments | 50 Ending Balance 08/31/20 |
|---|---|---|---|---|---|
| $ 470,187 | $ - | $ 13,324 | $ (6,250) | $ (25,375) | $ 437,738 |
| 61,526 | - | 2,123 | 224 | (1,444) | 57,735 |
| 65,733 | - | 2,243 | 237 | (1,571) | 61,682 |
| 94,337 | - | 2,180 | 723 | (2,089) | 89,345 |
| 101,130 | - | 3,083 | 1,023 | (2,109) | 94,915 |
| 135,930 | - | 8,404 | 2,788 | (2,969) | 121,769 |
| 170,391 | - | 11,543 | 3,829 | (4,694) | 150,325 |
| 218,640 | - | 16,839 | 5,424 | (7,141) | 189,236 |
| 296,397 | - | 47,435 | 8,311 | (17,199) | 223,452 |
| - | 4,232,639 | 2,892,500 | 998,956 | 0 | 341,183 |
| $ 1,614,271 | $ 4,232,639 | $ 2,999,674 | $ 1,015,265 | $ (64,591) | $ 1,767,380 |

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|
| | | Original | Final | Actual | |
| | **Revenues** | | | | |
| 5700 | Local Sources | $ 100,000 | $ 110,000 | $ 65,392 | $ (44,608) |
| 5800 | State Program Revenues | 10,000 | 170,000 | 158,059 | (11,941) |
| 5900 | Federal Program Revenues | 781,617 | 856,617 | 782,199 | (74,418) |
| 5020 | **Total Revenues** | 891,617 | 1,136,617 | 1,005,650 | (130,967) |
| | **Expenditures** | | | | |
| 0035 | Food Services | 844,772 | 1,074,577 | 968,564 | 106,013 |
| 0051 | Maintenance | 45,000 | 45,000 | 22,646 | 22,354 |
| 6030 | **Total Expenditures** | 889,772 | 1,119,577 | 991,210 | 128,367 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,845 | 17,040 | 14,440 | (2,600) |
| 1200 | Net Changes in Fund Balance | 1,845 | 17,040 | 14,440 | (2,600) |
| 0100 | **Fund Balance - September 1 (Beginning)** | 508,577 | 508,577 | 508,577 | - |
| 3000 | **Fund Balance - August 31 (Ending)** | $510,422 | $525,617 | $ 523,017 | $ (2,600) |

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|
| | | Original | Final | Actual | |
| | **Revenues** | | | | |
| 5700 | Local Sources | $ 1,101,389 | $ 1,111,389 | $ 1,062,213 | $ (49,176) |
| 5800 | State Program Revenues | 571,629 | 596,629 | 551,373 | (45,256) |
| 5020 | **Total Revenues** | 1,673,018 | 1,708,018 | 1,613,586 | (94,432) |
| | **Expenditures** | | | | |
| | Debt Service: | | | | |
| 0071 | Debt Service - Principal on Long-Term Debt | 670,000 | 670,000 | 670,000 | - |
| 0072 | Debt Service - Interest on Long Term-Debt | 844,120 | 844,119 | 844,119 | - |
| 0073 | Debt Service - Bond Issuance Cost and Fees | 1,500 | 1,500 | 1,500 | - |
| 6030 | **Total Expenditures** | 1,515,620 | 1,515,619 | 1,515,619 | - |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 157,398 | 192,399 | 97,967 | (94,432) |
| | Other Financing Sources (Uses): | | | | |
| 7901 | Refunding Bonds Issued | - | - | - | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - | |
| 8949 | Other (Uses) | - | - | - | - |
| | **Total Other Financing Sources (Uses)** | - | - | - | - |
| 1200 | Net Changes in Fund Balance | 157,398 | 192,399 | 97,967 | (94,432) |
| 0100 | **Fund Balance - September 1 (Beginning)** | 769,283 | 769,283 | 769,283 | - |
| 3000 | **Fund Balance - August 31 (Ending)** | $ 926,681 | $ 961,682 | $ 867,250 | $ (94,432) |

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# *COMPLIANCE SECTION*

J.R. Edwards & Associates, LLC
Certified Public Accountants

December 2, 2020

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

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, Texas 75956

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 Kirbyville Consolidated Independent School District (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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



1465 Cornerstone Ct., Ste. A • Beaumont, TX 77706
Phone (409) 924-9100 • Fax (409) 924-0990

Board of Trustees
Kirbyville Consolidated Independent School District
December 2, 2020

***Purpose of this Report***

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

*J.R. Edwards & Associates, LLC*

J. R. Edwards & Associates, LLC
Certified Public Accountants

December 2, 2020

## *INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE*

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, Texas 75956

**Report on Compliance for Each Major Federal Program**

We have audited Kirbyville Consolidated Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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, Cost 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 the 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 the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2020.



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**Report on Internal Control over Compliance**

Management of the 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 the 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 the 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.

*J.R. Edwards & Associates, LLC*

# KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1 Financial Statements

| | | | |
|---|---|---|---|
| Type of auditors' report issued: | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | ____ Yes | X No | |
| Significant deficiencies identified? | ____ Yes | X None Reported | |
| Noncompliance material to financial statements noted? | ____ Yes | X No | |

2 Federal Awards

| | | | |
|---|---|---|---|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | ____ Yes | X No | |
| Significant deficiencies identified? | ____ Yes | X None Reported | |
| Type of auditor's report issued on compliance for major programs: | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ____ Yes | X No | |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.553 | National School Breakfast |
| 10.555 | National School Lunch |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | X Yes | ____ No |

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

# KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Finding/Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|---|---|
| None | | |

None

# KIRBYVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed Through State Department of Education: | | | |
| ESEA Title I Part A Improving Basic Programs* | 84.010A | 20610101121905 | $ 421,126 |
| Total Title I, Part A Cluster | | | 421,126 |
| Career and Technical - Basic Grant | 84.048 | 20420006121905 | 21,815 |
| ESEA, Title VI, Part B, Rural & Low Income Program | 84.358B | 19696001121905 | 40,922 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 20694501121905 | 39,345 |
| Title IV Part A, Subpart I | 84.424A | 20680101121905 | 23,118 |
| Elementary & Secondary School Emergency Relief | 84.425D | 20521001121905 | 130,406 |
| Total Passed Through State Department of Education | | | $ 676,732 |
| TOTAL DEPARTMENT OF EDUCATION | | | $ 676,732 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed Through State Department of Agriculture | | | |
| National School Breakfast* | 10.553 | 71402001 | $ 183,889 |
| National School Lunch Program* - Cash Assistance | 10.555 | 71302001 | 528,368 |
| Total Nutrition Cluster | | | 712,257 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | 00643 | 69,942 |
| Total Passed Through the State Department of Agriculture | | | $ 782,199 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | $ 782,199 |
| TOTAL FEDERAL AWARDS | | | $ 1,458,931 |

* Clustered Programs

Basis of Presentation

1. The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the 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 awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

2. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

   The modified accrual basis of accounting is used for these 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in *OMB Compliance Supplement,* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards.*

4. 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2020, may be impaired.

5. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | |
|---|---|---|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No |
| SF4 | Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance? | No |
| SF7 | Did the District make timely payments to Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS) and other government agencies? | Yes |
| SF8 | Did the Distrct not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of FSP funds as a result of financial hardship? | Yes |
| SF10 | Total Accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end. | $ - |
| SF11 | District's proportionate share of Net Pension Assets | $ - |
| SF12 | District's proportionate share of Net Pension Liabilities | $ 3,486,121 |
| SF13 | District's proportionate share of TRS Pension Expenses | $ 914,237 |
| SF 14 | Net OPEB Liablities | $ 5,993,134 |