

KRUM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2021

KRUM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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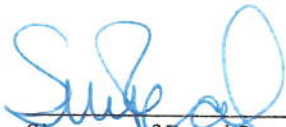
CERTIFICATE OF BOARD

Krum Independent School District
Name of School District

Denton
County

061-905
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2021, at a meeting of the Board of Trustees of such school district on the 13 day of October, 2021.



Signature of Board Secretary



Signature of Board President

Independent Auditor's Report

Board of Trustees
Krum Independent School District
1200 Bobcat Blvd.
Krum, Texas 76249

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Krum Independent School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Krum Independent School District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

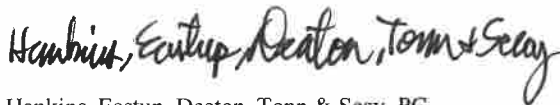
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 12 and the Teacher Retirement System schedules on pages 50 through 55 be presented to supplement the basic financial statements. Such information, although 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 Krum Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021 in our consideration of Krum Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Krum Independent School District's internal control over financial reporting and compliance.



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

September 10, 2021

**KRUM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

As management of Krum Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2021. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Krum Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by \$9,460,417 (net position). There was no unrestricted net position at June 30, 2021.
- The District's total net position decreased by \$465,755 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$12,599,883. \$11,501,342 of this total amount or 91.3% is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the fund balance for the general fund was \$11,576,436, a decrease of \$589,381 below the previous year balance of \$12,165,817. General fund unassigned fund balance of \$11,501,342 represents 50.4% of current year general fund non-capital expenditures.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The District had no proprietary funds at June 30, 2021. The remaining statements, custodial statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the current fiscal period's activities. The Statement of Net Position includes all the District's assets, deferred inflows and liabilities at the end of the period while the Statement of Activities includes all revenues and expenses generated by the District's operations during the fiscal year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

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

Reporting the District's Most Significant Funds

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 objectives.

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

- Proprietary funds—The District reports the activities for which it charges users (outside customers) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. Enterprise funds (one category of proprietary funds) are business-type activities reported in government-wide statements but containing more detail and additional information, such as cash flows. During the year ended June 30, 2021, the District had no proprietary funds.

The District as Trustee

Reporting the District's Custodial Responsibilities

The District is the trustee, or custodian, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Custodial Net Position on page 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with GASB Statement #34, the following analysis presents both the current year and prior year data and discusses significant changes in the accounts. The analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

By far the largest portion of the District's assets (\$46,753,571 or 76.4 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment). The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District's governmental activities decreased from \$9,926,172 to \$9,460,417 during the fiscal year from the result of current year operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$1,670,192 at June 30, 2021.

Table I
NET POSITION

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2021	Difference
Current and other assets	\$ 17,162,778	\$ 14,424,392	\$ (2,738,386)
Capital assets	48,748,920	46,753,571	(1,995,349)
Total assets	65,911,698	61,177,963	(4,733,735)
Deferred outflows of resources	5,605,154	6,099,422	494,268
Total assets and deferred outflows of resources	71,516,852	67,277,385	(4,239,467)
Long-term liabilities	55,387,151	46,465,371	(8,921,780)
Other liabilities	1,602,649	3,877,156	2,274,507
Total liabilities	56,989,800	50,342,527	(6,647,273)
Deferred inflows of resources	4,600,880	7,474,441	2,873,561
Total liabilities and deferred inflows of resources	61,590,680	57,816,968	(3,773,712)
Net Position:			
Net investments in capital assets	7,356,431	10,184,027	2,827,596
Restricted	3,319,170	946,582	(2,372,588)
Unrestricted	(749,429)	(1,670,192)	(920,763)
Total Net Position	\$ 9,926,172	\$ 9,460,417	\$ (465,755)

Governmental activities. Revenues from governmental activities were \$27,041,132. The cost of all governmental programs and services were \$27,506,887. *Governmental activities* decreased net position \$465,755 from the result of current year operations.

Property taxes and state foundation aid are the District's chief sources of operating revenues. Adjusted property values at year-end were \$23.5 million (2.51%) higher than year-end values last year.

Table II
CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2020	Governmental Activities Year Ended June 30, 2021	Difference
Revenues:			
Program Revenues:			
Charges for services	\$ 833,908	\$ 606,445	\$ (227,463)
Operating grants and contributions	3,329,768	2,975,457	(354,311)
General Revenues:			
Maintenance and operations taxes	10,197,346	10,077,312	(120,034)
Debt service taxes	3,085,048	2,870,302	(214,746)
State aid	9,525,133	10,318,570	793,437
Investment earnings	242,251	62,844	(179,407)
Miscellaneous	84,491	130,202	45,711
Total Revenue	<u>27,297,945</u>	<u>27,041,132</u>	<u>(256,813)</u>
Expenses:			
Instruction, curriculum and media services	14,447,933	14,101,892	(346,041)
Instructional and school leadership	2,055,687	1,969,541	(86,146)
Student support services	1,940,078	1,858,419	(81,659)
Child nutrition	1,094,767	1,072,667	(22,100)
Cocurricular activities	1,557,562	1,511,844	(45,718)
General administration	951,978	1,119,605	167,627
Plant maintenance, security, data processing, community services	4,196,120	4,340,104	143,984
Debt services	1,267,372	669,993	(597,379)
Intergovernmental charges	741,524	862,822	121,298
Total Expenses	<u>28,253,021</u>	<u>27,506,887</u>	<u>(746,134)</u>
Increase in Net Position	(955,076)	(465,755)	489,321
Net Position - beginning of period	10,924,938	9,926,172	(998,766)
Prior period adjustment	(43,690)	-	43,690
Net Position - end of period	<u>\$ 9,926,172</u>	<u>\$ 9,460,417</u>	<u>\$ (465,755)</u>

The cost of all governmental activities for the current fiscal period was \$27,506,887. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was \$12,947,614, as some of the costs were paid by those who directly benefited from the programs (\$606,445) or State equalization funding (\$10,318,570).

THE DISTRICT'S FUNDS

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *committed, assigned and unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal period.

As the District completed the period, its governmental funds (as presented in the Balance Sheet on page 16) reported combined fund balance of \$12,599,883, which is \$2,938,006 lower than last year's total of \$15,537,889. Ninety-two percent of the total amount (\$11,578,207) is *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted for debt service (\$896,417) or already spent on prepaid items (\$75,094) or restricted for food service (\$50,165).

The general fund is the chief operating fund of the District. At the end of the current fiscal period, *unassigned fund balance* of the general fund was \$11,501,342, while the total fund balance was \$11,576,436. The fund balance of the general fund decreased by \$589,381 during the current fiscal year compared to a \$1,741,784 decrease in the prior year.

Factors affecting the decrease in the general fund fund balance are as follows:

- revenues increased \$330,472 or 1.51% compared to the prior year, primarily due to \$156,718 less property tax revenue offset by a \$793,437 increase in State funding.
- expenditures decreased \$827,126 or 3.50% compared to the prior year, primarily due to \$1,334,636 less expenditures on construction projects compared to the prior year.

The fund balance in the debt service fund decreased \$2,372,588 or 72.57%, from \$3,269,005 to \$896,417, during the current fiscal year, primarily due to \$2,500,000 of fund balance being used toward a bond refunding.

The child nutrition fund showed a \$65,091 loss from current year operations compared to a \$58,148 loss in the prior year, the result of both years impacted by the COVID-19 pandemic.

Over the course of the fiscal year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the period and reflect the actual beginning balances (versus the amounts we estimated in June, 2020). The second category includes changes that the Board made during the period to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's general fund balance of \$11,576,436 reported on page 16 differs from the general fund's budgetary fund balance of \$10,729,729 reported in the budgetary comparison schedule on page 20. This is principally due to additional state funding revenue and cost savings in several functional categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$46,753,571 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,995,349, or 4.10 percent, below last year.

This fiscal period's major additions consisted of the following:

Wash bay for transportation	\$ 23,240
Ag truck	38,120
1 school bus	<u>99,755</u>
Total	<u>\$161,115</u>

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

Debt Administration

At year-end, the District had \$35,903,434 in bonds and maintenance tax notes outstanding (including accreted interest on bonds) versus \$39,493,751 last year—a decrease of approximately 9.1 percent. The only new debt was issued during the current fiscal period was the issuance of refunding bonds. The District's general obligation bond rating is A+ according to national rating agencies but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Krum Independent School District will begin the school year with a healthy fund balance of \$11.5 million dollars, which is a little over six months of expenditures.
- The main goal for the 2021-2022 school year was to have a balanced budget. In the previous two school years there was a deficit budget adopted of \$707,258 and \$1.4 million dollars, respectively.
- Student enrollment has been difficult to estimate because of the increase in housing developments. The budget was developed using an estimated increase of 100 students or 4.6%. Even though the District is seeing an increase in new houses, it won't necessarily see the benefits until the following school year and thereafter. There are 11,000 new homes projected over the next 7 to 8 years. The District will work with a demographer in the following years to continue to plan for the growth and the increase in enrollment.
- House Bill 3 required a compression on Maintenance and Operations tax rates. As property values increase the tax rate will decrease. In 2019-2020 the rate was compressed to \$1.06835, in 2020-2021 the rate decreased even more to \$1.04675 and in 2021-2022 decreased to \$.96030. This is all due to the increase in property values.
- The District is planning on a bond proposal and election in May 2022. In order to increase bond capacity, the I&S rate increased from \$.32480 in 2020-2021 to \$.38463. This will generate an additional \$1.2 million dollars to decrease debt. The total tax rate stayed the same at \$1.34.
- COVID 19 still impacts the District with absenteeism which affects ADA and decreases funding. However, the increase in ESSER funds from the federal and state government is helping the District. The additional funds will be used toward learning loss, salaries, supplies and services. The District will see an increase in funding from ESSER II, ESSER III, and ESSER Supplemental of \$2.2 million dollars.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Krum Independent School District, 1200 Bobcat Blvd., Krum, Texas 76249, (940) 482-6000.

BASIC FINANCIAL STATEMENTS

KRUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 11,606,669
1220 Property Taxes - Delinquent	549,576
1230 Allowance for Uncollectible Taxes	(38,471)
1240 Due from Other Governments	2,231,524
1410 Prepayments	75,094
Capital Assets:	
1510 Land	3,406,351
1520 Buildings, Net	41,534,663
1530 Furniture and Equipment, Net	1,812,557
1000 Total Assets	61,177,963
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,895,093
1705 Deferred Outflow Related to TRS Pension	2,356,628
1706 Deferred Outflow Related to TRS OPEB	1,847,701
1700 Total Deferred Outflows of Resources	6,099,422
LIABILITIES	
2110 Accounts Payable	96,659
2150 Payroll Deductions and Withholdings	156,143
2160 Accrued Wages Payable	706,005
2200 Accrued Expenses	744,039
2300 Unearned Revenue	14,934
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	2,159,376
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	36,305,261
2540 Net Pension Liability (District's Share)	5,535,943
2545 Net OPEB Liability (District's Share)	4,624,167
2000 Total Liabilities	50,342,527
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,159,660
2606 Deferred Inflow Related to TRS OPEB	6,314,781
2600 Total Deferred Inflows of Resources	7,474,441
NET POSITION	
3200 Net Investment in Capital Assets	10,184,027
Restricted:	
3820 Restricted for Federal and State Programs	50,165
3850 Restricted for Debt Service	896,417
3900 Unrestricted	(1,670,192)
3000 Total Net Position	\$ 9,460,417

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

KRUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,730,081	\$ 17,904	\$ 1,311,607	\$ (12,400,570)
12 Instructional Resources and Media Services	263,321	-	12,372	(250,949)
13 Curriculum and Instructional Staff Development	108,490	-	26,005	(82,485)
21 Instructional Leadership	309,229	-	34,214	(275,015)
23 School Leadership	1,660,312	-	133,205	(1,527,107)
31 Guidance, Counseling, and Evaluation Services	574,803	-	41,379	(533,424)
33 Health Services	225,291	173,828	19,876	(31,587)
34 Student (Pupil) Transportation	1,058,325	-	188,155	(870,170)
35 Food Services	1,072,667	109,327	842,860	(120,480)
36 Extracurricular Activities	1,511,844	60,684	128,522	(1,322,638)
41 General Administration	1,119,605	-	108,785	(1,010,820)
51 Facilities Maintenance and Operations	2,796,294	7,557	71,861	(2,716,876)
52 Security and Monitoring Services	204,953	-	8,990	(195,963)
53 Data Processing Services	1,043,246	-	24,238	(1,019,008)
61 Community Services	295,611	237,145	23,388	(35,078)
72 Debt Service - Interest on Long-Term Debt	514,246	-	-	(514,246)
73 Debt Service - Bond Issuance Cost and Fees	155,747	-	-	(155,747)
93 Payments Related to Shared Services Arrangements	769,687	-	-	(769,687)
95 Payments to Juvenile Justice Alternative Ed. Prg.	16,335	-	-	(16,335)
99 Other Intergovernmental Charges	76,800	-	-	(76,800)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 27,506,887</u>	<u>\$ 606,445</u>	<u>\$ 2,975,457</u>	<u>(23,924,985)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			10,077,312
DT	Property Taxes, Levied for Debt Service			2,870,302
SF	State Aid - Formula Grants			10,318,570
IE	Investment Earnings			62,844
MI	Miscellaneous Local and Intermediate Revenue			130,202
TR	Total General Revenues			<u>23,459,230</u>
CN	Change in Net Position			(465,755)
NB	Net Position - Beginning			<u>9,926,172</u>
NE	Net Position - Ending			<u>\$ 9,460,417</u>

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

KRUM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 10,569,431	\$ 892,015	\$ 145,223	\$ 11,606,669
1220 Property Taxes - Delinquent	428,942	120,634	-	549,576
1230 Allowance for Uncollectible Taxes	(30,026)	(8,445)	-	(38,471)
1240 Due from Other Governments	2,210,438	4,402	16,684	2,231,524
1410 Prepayments	75,094	-	-	75,094
1000 Total Assets	<u>\$ 13,253,879</u>	<u>\$ 1,008,606</u>	<u>\$ 161,907</u>	<u>\$ 14,424,392</u>
LIABILITIES				
2110 Accounts Payable	\$ 96,659	\$ -	\$ -	\$ 96,659
2150 Payroll Deductions and Withholdings Payable	156,143	-	-	156,143
2160 Accrued Wages Payable	689,596	-	16,409	706,005
2200 Accrued Expenditures	336,129	-	3,534	339,663
2300 Unearned Revenue	-	-	14,934	14,934
2000 Total Liabilities	<u>1,278,527</u>	<u>-</u>	<u>34,877</u>	<u>1,313,404</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	398,916	112,189	-	511,105
2600 Total Deferred Inflows of Resources	<u>398,916</u>	<u>112,189</u>	<u>-</u>	<u>511,105</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	75,094	-	-	75,094
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	50,165	50,165
3480 Retirement of Long-Term Debt	-	896,417	-	896,417
Committed Fund Balance:				
3545 Campus Activity	-	-	76,865	76,865
3600 Unassigned Fund Balance	11,501,342	-	-	11,501,342
3000 Total Fund Balances	<u>11,576,436</u>	<u>896,417</u>	<u>127,030</u>	<u>12,599,883</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,253,879</u>	<u>\$ 1,008,606</u>	<u>\$ 161,907</u>	<u>\$ 14,424,392</u>

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

KRUM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 12,599,883
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	79,561,400
2 Accumulated depreciation is not reported in the fund financial statements.	(32,807,829)
3 Bonds payable are not reported in the fund financial statements.	(32,483,031)
4 Bond premiums and discounts are not recognized in the fund financial statements.	(2,561,203)
5 Maintenance tax notes payable are not reported in the fund financial statements.	(2,372,000)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(404,376)
7 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	511,105
8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$5,535,943, a Deferred Resource Inflow related to TRS Pension in the amount of \$1,159,660, and a Deferred Resource Outflow related to TRS Pension in the amount of \$2,356,628. This amounted to a decrease in Net Position in the amount of \$4,338,975.	(4,338,975)
9 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$6,314,781, a Deferred Resource Inflow related to TRS OPEB in the amount of \$4,624,167, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$1,847,701. This amounted to a net decrease in Net Position in the amount of \$9,091,247.	(9,091,247)
10 Deferred loss on bond refunding has not been recorded in the fund financial statements.	1,895,093
11 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.	(1,048,403)
19 Net Position of Governmental Activities	\$ 9,460,417

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

KRUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 10,580,927	\$ 2,882,410	\$ 190,714	\$ 13,654,051
5800 State Program Revenues	11,504,978	55,105	31,884	11,591,967
5900 Federal Program Revenues	176,809	-	1,146,258	1,323,067
5020 Total Revenues	22,262,714	2,937,515	1,368,856	26,569,085
EXPENDITURES:				
Current:				
0011 Instruction	11,945,825	-	386,226	12,332,051
0012 Instructional Resources and Media Services	246,546	-	-	246,546
0013 Curriculum and Instructional Staff Development	85,315	-	19,204	104,519
0021 Instructional Leadership	286,684	-	6,179	292,863
0023 School Leadership	1,557,102	-	-	1,557,102
0031 Guidance, Counseling, and Evaluation Services	550,648	-	-	550,648
0033 Health Services	213,688	-	-	213,688
0034 Student (Pupil) Transportation	1,026,516	-	-	1,026,516
0035 Food Services	6,506	-	936,627	943,133
0036 Extracurricular Activities	758,529	-	57,424	815,953
0041 General Administration	1,002,021	-	-	1,002,021
0051 Facilities Maintenance and Operations	2,807,633	-	-	2,807,633
0052 Security and Monitoring Services	196,781	-	-	196,781
0053 Data Processing Services	700,534	-	-	700,534
0061 Community Services	280,158	-	4,324	284,482
Debt Service:				
0071 Principal on Long-Term Debt	207,000	1,228,835	-	1,435,835
0072 Interest on Long-Term Debt	60,897	1,599,665	-	1,660,562
0073 Bond Issuance Cost and Fees	-	155,747	-	155,747
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	769,687	-	-	769,687
0095 Payments to Juvenile Justice Alternative Ed. Prg.	16,335	-	-	16,335
0099 Other Intergovernmental Charges	76,800	-	-	76,800
6030 Total Expenditures	22,795,205	2,984,247	1,409,984	27,189,436
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(532,491)	(46,732)	(41,128)	(620,351)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	7,470,000	-	7,470,000
7912 Sale of Real and Personal Property	8,201	-	-	8,201
7915 Transfers In	-	-	65,091	65,091
8911 Transfers Out (Use)	(65,091)	-	-	(65,091)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,795,856)	-	(9,795,856)
7080 Total Other Financing Sources (Uses)	(56,890)	(2,325,856)	65,091	(2,317,655)
1200 Net Change in Fund Balances	(589,381)	(2,372,588)	23,963	(2,938,006)
0100 Fund Balance - July 1 (Beginning)	12,165,817	3,269,005	103,067	15,537,889
3000 Fund Balance - June 30 (Ending)	\$ 11,576,436	\$ 896,417	\$ 127,030	\$ 12,599,883

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

KRUM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (2,938,006)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	265,041
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(2,253,375)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	85,062
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(573)
Current year long-term debt principal payments on contractual obligations are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	1,435,835
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	944,482
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2020 caused the change in the ending net position to increase in the amount of \$370,713. These contributions were replaced with the District's pension expense for the year of \$885,051, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$514,338.	(514,338)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2020 but during the current fiscal year caused the ending net position to increase in the amount of \$105,651. These contributions were replaced with the District's OPEB expense for the year, which was \$31,147 and caused a decrease in net position. The impact of both of these is to increase net position by \$74,504.	74,504
Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(7,470,000)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	9,795,856
Basis of capital assets sold is shown as a reduction in capital assets in the government-wide financial statements, but not reflected in the fund financial statements.	(7,015)
Current year amortization of the deferred loss on bond refunding is not recognized in the fund financial statements, but is shown as a reduction to the deferred charge for refunding in the government-wide financial statements.	(65,834)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	182,606
Change in Net Position of Governmental Activities	\$ (465,755)

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

KRUM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 10,680,796	\$ 10,900,000	\$ 10,580,927	\$ (319,073)
5800	State Program Revenues	11,221,427	11,334,965	11,504,978	170,013
5900	Federal Program Revenues	195,000	199,000	176,809	(22,191)
5020	Total Revenues	22,097,223	22,433,965	22,262,714	(171,251)
EXPENDITURES:					
Current:					
0011	Instruction	12,053,412	12,101,878	11,945,825	156,053
0012	Instructional Resources and Media Services	277,521	277,521	246,546	30,975
0013	Curriculum and Instructional Staff Development	115,381	128,019	85,315	42,704
0021	Instructional Leadership	250,761	295,761	286,684	9,077
0023	School Leadership	1,699,738	1,674,738	1,557,102	117,636
0031	Guidance, Counseling, and Evaluation Services	626,308	631,308	550,648	80,660
0033	Health Services	282,991	296,307	213,688	82,619
0034	Student (Pupil) Transportation	971,975	1,078,975	1,026,516	52,459
0035	Food Services	-	10,000	6,506	3,494
0036	Extracurricular Activities	885,904	887,754	758,529	129,225
0041	General Administration	906,040	1,002,540	1,002,021	519
0051	Facilities Maintenance and Operations	2,625,848	2,922,753	2,807,633	115,120
0052	Security and Monitoring Services	201,069	201,069	196,781	4,288
0053	Data Processing Services	759,308	759,458	700,534	58,924
0061	Community Services	355,600	375,622	280,158	95,464
Debt Service:					
0071	Principal on Long-Term Debt	207,000	207,000	207,000	-
0072	Interest on Long-Term Debt	61,000	61,000	60,897	103
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	800,000	800,000	769,687	30,313
0095	Payments to Juvenile Justice Alternative Ed. Prg.	14,000	17,500	16,335	1,165
0099	Other Intergovernmental Charges	85,000	96,000	76,800	19,200
6030	Total Expenditures	23,178,856	23,825,203	22,795,205	1,029,998
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,081,633)	(1,391,238)	(532,491)	858,747
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	25,000	25,000	8,201	(16,799)
7915	Transfers In	-	29,500	-	(29,500)
8911	Transfers Out (Use)	-	(99,350)	(65,091)	34,259
7080	Total Other Financing Sources (Uses)	25,000	(44,850)	(56,890)	(12,040)
1200	Net Change in Fund Balances	(1,056,633)	(1,436,088)	(589,381)	846,707
0100	Fund Balance - July 1 (Beginning)	12,165,817	12,165,817	12,165,817	-
3000	Fund Balance - June 30 (Ending)	\$ 11,109,184	\$ 10,729,729	\$ 11,576,436	\$ 846,707

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

KRUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CUSTODIAL NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 122,082
Due from Other Funds	1,822
Total Assets	<u>123,904</u>
LIABILITIES	
Accrued Wages Payable	<u>1,822</u>
Total Liabilities	<u>1,822</u>
NET POSITION	
Unrestricted Net Position	<u>122,082</u>
Total Net Position	<u>\$ 122,082</u>

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

KRUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN CUSTODIAL FUND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
ADDITIONS:	
Received from Student Groups	\$ 209,358
Total Additions	<u>209,358</u>
DEDUCTIONS:	
Studen Groups	<u>190,726</u>
Total Deductions	<u>190,726</u>
Change in Fiduciary Net Position	18,632
Total Net Position - July 1 (Beginning)	<u>103,450</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 122,082</u></u>

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2021.

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Fund Financial Statements:

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

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

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Child Nutrition Fund** - This fund is established to account for the proceeds received from and costs associated with food service operations. Funds are legally restricted to expenditures for specified purposes.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Custodial Funds** - These funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

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

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

In accordance with the Texas Education Agency's Financial Accountability System Resource Guide (FASRG), the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the Resource Guide.

D. BUDGETARY CONTROL

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

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

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

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

June 30, 2021	
<u>Fund Balance</u>	
Appropriated Budget Funds	\$ 50,165
Nonappropriated Budget Funds	<u>76,865</u>
All Special Revenue Funds	<u>\$127,030</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2021.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

F. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current fiscal period to provide services occurring in the subsequent fiscal year, and the amount of prepaid items has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

I. CAPITAL ASSETS

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

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

Buildings and Improvements	20-40 Years
Furniture and Equipment	5-10 Years

J. COMPENSATED ABSENCES

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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K. NET POSITION

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

L. LONG-TERM OBLIGATIONS

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

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

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal period, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCE

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

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Food service resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2021 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Board of Trustees has no assigned fund balance as of June 30, 2021.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

The Board of Trustees has adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has unassigned fund balance of \$11,501,342 at June 30, 2021. Prepaid items of \$75,034 are considered nonspendable fund balance.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Other Major Funds

The Debt Service Fund has restricted funds of \$896,417 at June 30, 2021 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of \$76,865 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. Child nutrition funds of \$50,165 are restricted for that purpose.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At June 30, 2021, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$11,728,751 and the bank balance was \$11,807,727. The District's cash deposits at June 30, 2021 and during all of fiscal year 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, the District's cash balances totaled \$11,807,727. This entire amount was either collateralized with securities or a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2021, the District held investments in two public funds investment pools (TexPool and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for both TexPool and TexStar at year-end was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both TexPool and TexStar is less than 60 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2021, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District had no investments at June 30, 2021.

Fair Value Measurements

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

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

The District's investments in the TexPool and TexStar investment pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	<u>Retirements</u>	Balance <u>June 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 3,406,351	\$ -	\$ -	\$ 3,406,351
Total capital assets not being depreciated	<u>3,406,351</u>	<u>-</u>	<u>-</u>	<u>3,406,351</u>
Capital assets, being depreciated				
Buildings and Improvements	69,708,507	-	-	69,708,507
Furniture and Equipment	<u>6,267,735</u>	<u>265,041</u>	<u>(86,234)</u>	<u>6,446,542</u>
Total capital assets being depreciated	<u>75,976,242</u>	<u>265,041</u>	<u>(86,234)</u>	<u>76,155,049</u>
Less accumulated depreciation for:				
Buildings and Improvements	(26,225,788)	(1,948,056)	-	(28,173,844)
Furniture and Equipment	<u>(4,407,885)</u>	<u>(305,319)</u>	<u>79,219</u>	<u>(4,633,985)</u>
Total accumulated depreciation	<u>(30,633,673)</u>	<u>(2,253,375)</u>	<u>79,219</u>	<u>(32,807,829)</u>
Total capital assets, being depreciated, net	<u>45,342,569</u>	<u>(1,988,334)</u>	<u>(7,015)</u>	<u>43,347,220</u>
Governmental activities capital assets, net	<u>\$ 48,748,920</u>	<u>\$ (1,988,334)</u>	<u>\$ (7,015)</u>	<u>\$ 46,753,571</u>

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

Governmental activities:	
Instruction	\$ 930,633
Instructional Resources & Media Services	9,552
School Leadership	25,449
Student (Pupil) Transportation	139,862
Food Services	84,192
Cocurricular/Extracurricular Activities	668,375
General Administration	54,079
Security & Monitoring	1,865
Data Processing Services	2,924
Plant Maintenance and Operations	<u>336,444</u>
Total depreciation expense-Governmental activities	<u>\$2,253,375</u>

NOTE 5. LONG-TERM DEBT

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

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2021:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Amounts Outstanding 7/1/20</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 6/30/21</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
1998 Refunding	4.00-5.30%	\$ 45,000	\$ 30,000	\$ -	\$ 10,000	\$ 20,000	\$ 5,000
2003 School Bldg/Ref	2.41-5.40%	8,370,303	281,866	-	43,835	238,031	67,663
2012 Refunding	1.00-3.50%	9,375,000	8,855,000	-	8,735,000	120,000	60,000
2015-A Refunding	2.00-4.00%	8,025,000	6,545,000	-	410,000	6,135,000	485,000
2015-B Refunding	4.00%	5,500,000	5,500,000	-	-	5,500,000	-
2016 Refunding	2.00-4.00%	8,865,000	7,725,000	-	535,000	7,190,000	560,000
2017 Refunding	3.00-4.00%	6,315,000	5,985,000	-	175,000	5,810,000	185,000
2021 Refunding	0.22-1.80%	7,470,000	-	7,470,000	-	7,470,000	90,000
Total Bonded Indebtedness			34,921,866	7,470,000	9,908,835	32,483,031	1,452,663
Maintenance Tax Notes	2.46%	3,335,000	2,579,000	-	207,000	2,372,000	212,000
Bond Discounts/Premiums			2,743,809	-	182,606	2,561,203	212,376
Accreted Interest			1,992,885	-	944,482	1,048,403	282,337
Total Obligations of District			\$42,237,560	\$7,470,000	\$11,242,923	\$38,464,637	\$2,159,376

The 2003 and 2012 bond series include outstanding capital appreciation bonds in the principal amount of \$533,031. The bonds mature variously beginning in 2021 through 2027. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2021.

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

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

<u>Year Ended June 30,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$ 1,452,663	\$ 1,395,948	\$ 2,848,611
2023	1,498,179	1,272,281	2,770,460
2024	1,533,875	1,232,500	2,766,375
2025	1,573,314	1,198,426	2,771,740
2026	1,695,000	847,834	2,542,834
2027-2031	9,475,000	3,261,834	12,736,834
2032-2036	11,360,000	1,623,414	12,983,414
2037-2039	3,895,000	233,520	4,128,520
	<u>\$32,483,031</u>	<u>\$11,065,757</u>	<u>\$43,548,788</u>

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Presented below is a summary of maintenance tax note requirements to maturity:

Year Ended June 30,	Principal	Interest	Total Requirements
2022	\$ 212,000	\$ 58,381	\$ 270,351
2023	217,000	53,136	270,136
2024	223,000	47,798	270,798
2025	228,000	42,312	270,312
2026	234,000	36,703	270,703
2027-2031	<u>1,258,000</u>	<u>94,341</u>	<u>1,352,341</u>
	<u>\$2,372,000</u>	<u>\$ 332,461</u>	<u>\$2,704,641</u>

NOTE 7. DEFEASED BONDS

On February 1, 2021, the District issued \$7,470,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 0.22% to 1.80% and to advance refund \$8,680,000 of unlimited building bonds. The unlimited tax refunding bonds were issued at par. After paying issuance costs of \$170,307 and contributing \$2,500,000 from fund balance, the net proceeds were \$9,795,856. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the tax bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$4,155,356 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,049,418.

In prior years, the District has defeased various bond issues in a similar manner to that described above.

Accordingly, the trust account assets and liabilities are not included in the District's financial statements. On June 30, 2021 \$15,070,000 of bonds considered defeased are still outstanding.

NOTE 8. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD \$76,800 in fiscal year 2021 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2020-21 fiscal year was based was \$960,343,533. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04675 and \$0.298332 per \$100 valuation, respectively, for a total of \$1.345082 per \$ 100 valuation.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Current tax collections for the year ended June 30, 2021 were 97.52% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$398,916 and \$112,189 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Krum ISD FY2021 Employer Contributions		\$ 435,726
Krum ISD FY2021 Member Contributions		\$ 1,167,956
Krum ISD FY2021 NECE On-Behalf Contributions		\$ 919,175

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 the 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, 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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

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

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Actuarial Assumptions. The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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 2020	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

KRUM INDEPENDENT SCHOOL DISTRICT
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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	- .7%	-0.05%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources	6%	6%	0.42%
Risk Parity			
Risk Parity	8%	3%	0.30%
Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation	-		2.00%
Volatility Drag ³	-		-0.67%
Total	100%		7.33%

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Krum ISD's proportionate share of the net pension liability:	\$8,537,960	\$5,535,943	\$3,098,305

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, Krum Independent School District reported a liability of \$5,535,943 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Krum Independent School District. The amount recognized by Krum Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Krum Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 5,535,943
State's proportionate share that is associated with the District	<u>11,931,391</u>
Total	<u>\$17,467,334</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

¹ Target allocations are based on the FY20 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

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

**KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0103363591%, a decrease of 5.08% from its proportionate share of 0.0108895679% at August 31, 2019.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the measurement period.

For the year ended June 30, 2021, Krum Independent School District recognized pension expense of \$1,435,081 and revenue of \$1,435,081 for support provided by the State.

At June 30, 2021, Krum Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,108	\$ 154,493
Changes in actuarial assumptions	1,284,536	546,176
Difference between projected and actual investment earnings	246,612	134,542
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	444,659	324,449
Contributions paid to TRS subsequent to the measurement date	370,713	-
Total	\$2,356,628	\$1,159,660

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

Year ended June 30:	Pension Expense Amount
2022	\$ 295,321
2023	294,992
2024	261,742
2025	65,677
2026	(78,829)
Thereafter	(12,648)

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 defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>	
	<u>2020</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/private Funding remitted by Employers	1.25%
 Krum ISD FY21 Employer Contributions	 \$125,311
Krum ISD FY21 Member Contributions	\$ 98,596
Krum ISD FY21 NECE On-behalf Contributions	\$169,659

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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 hiring a TRS retiree, employers 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

KRUM INDEPENDENT SCHOOL DISTRICT
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Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability:	\$7,782,445	\$6,314,781	\$5,317,238

Healthcare Cost Trend Rates Sensitivity Analysis - The following shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$5,158,366	\$6,314,781	\$7,854,961

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$6,314,781 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

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

District’s Proportionate share of the collective Net OPEB Liability	\$ 6,314,781
State’s proportionate share that is associated with the District	<u>\$ 8,485,552</u>
Total	<u>\$14,800,333</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

**KRUM INDEPENDENT SCHOOL DISTRICT
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At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0166114992%, an increase of 4.90% compared to the August 31, 2019 proportionate share of 0.0158356105%.

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 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2021, the amount of OPEB expense recognized by the District in the reporting period was \$(58,920).

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 330,639	\$2,889,967
Changes in actuarial assumptions	389,491	1,734,071
Difference between projected and actual investment earnings	2,181	129
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,019,739	-
Contributions paid to TRS subsequent to the measurement date	105,651	-
Total	\$1,847,701	\$4,624,167

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

Year ended June 30:	OPEB Expense Amount
2022	\$ (508,496)
2023	(508,770)
2024	(508,927)
2025	(508,889)
2026	(340,216)
Thereafter	(506,819)

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2021, the contribution made on behalf of the District was \$74,311.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at June 30, 2021 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2021.

Interfund balances transfers during the year ended June 30, 2021, were as follows:

<u>Fund</u>	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund:		
Special Revenue Fund	\$ -	\$65,091
Special Revenue Fund:		
General Fund	<u>65,091</u>	<u>-</u>
	<u>\$65,091</u>	<u>\$65,091</u>

There were no interfund balances at June 30, 2021.

NOTE 13. HEALTH CARE

During the year ended June 30, 2021, employees of Krum Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$200 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan (TRS Active-Care).

NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2021, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$428,942	\$2,210,438	\$ -	\$ -	\$2,639,380
Debt Service Fund	120,634	4,402	-	-	125,036
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	<u>-</u>	<u>16,684</u>	<u>-</u>	<u>-</u>	<u>16,684</u>
Total - Governmental Activities	<u>\$549,576</u>	<u>\$2,231,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,781,100</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 38,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,471</u>

**KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Payables at June 30, 2021, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$96,659	\$845,739	\$ -	\$336,129	\$1,278,527
Debt Service Fund	-	-	-	-	-
Special Revenue Fund	-	16,409	-	3,534	19,943
Total - Governmental Activities	<u>\$96,659</u>	<u>\$862,148</u>	<u>\$ -</u>	<u>\$339,663</u>	<u>\$1,298,470</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 15. SELF-INSURED WORKERS' COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$137,614 for the 20-21 fiscal period. Additionally, the District incurred fixed costs of \$45,756 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$204,416 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal periods 2020 and 2021 are represented below:

<u>Fiscal Period</u>	<u>Beginning Claims Liability</u>	<u>Claim and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Claims Liability</u>
2020	\$187,075	\$19,805	\$34,934	\$171,946
2021	171,946	68,817	36,347	204,416

NOTE 16. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 15,443	\$2,194,995	\$ -	\$2,210,438
Debt Service	4,402	-	-	4,402
Special Revenue	-	-	16,684	16,684
Total	<u>\$ 19,845</u>	<u>\$2,194,995</u>	<u>\$ 16,684</u>	<u>\$2,231,524</u>

**KRUM INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 17. LITIGATION AND CONTINGENCIES

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 9,978,956	\$ -	\$2,847,220	\$12,826,176
Food Sales	-	109,327	-	109,327
Investment Income	53,955	-	8,889	62,844
Penalties, interest and other tax related income	95,710	-	26,301	122,011
Tuition and fees	255,049	-	-	255,049
Gas royalties	28,527	-	-	28,527
Facilities rentals	7,557	-	-	7,557
Gifts and bequests	73,531	-	-	73,531
Co-curricular student activities	60,684	81,387	-	142,071
Other	26,958	-	-	26,958
Total	<u>\$10,580,927</u>	<u>\$190,714</u>	<u>\$2,882,410</u>	<u>\$13,654,051</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	Special Revenue	Total
National Breakfast/Lunch	\$14,621	\$14,621
Advanced Placement Incentives	108	108
AP/IB Campus Awards	205	205
	<u>\$14,934</u>	<u>\$14,934</u>

**KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 20. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education with five other school districts. Although a portion of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Sanger ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Krum ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2021, the District contributed \$769,687 to the fiscal agent as its share of the costs of the joint venture.

In a manner similar to that described above, the District also:

- is a member in a shared services arrangement for juvenile justice alternative education services with ten other school districts. The program is administered by Denton County. The District had no students in the program during the current fiscal period.
- participated in a shared services arrangement for disciplinary alternative education services with six other school districts, contributing \$16,335 as its share of the costs of the joint venture during the current fiscal period. Sanger ISD is the fiscal agent.
- is a member in a shared services arrangement for deaf education services with 25 other school districts. The District had no students in the deaf education program during the current fiscal period.

NOTE 21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories in the general fund and one functional category in the child nutrition fund for the year ended June 30, 2021.

NOTE 22. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2021, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

The TEA advised districts that for the 2020-2021 school year district funding would return to being based on “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on-campus instruction and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six weeks of the 2020-2021 school year. If a district’s first two six-weeks average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 were excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless the projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE were used as the hold harmless projections.

The ADA hold harmless projection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology was identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period was examined independent of the first two six-week attendance reporting periods.

The ADA hold harmless projection was extended for the remainder of the 2020-2021 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus.

The full extent of the ongoing impact of COVID-19 on the District’s longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District’s bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

REQUIRED SUPPLEMENTARY INFORMATION

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.010336359%	0.010889567%	0.010278688%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,535,943	\$ 5,660,738	\$ 5,657,939
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	11,931,391	10,762,139	11,779,654
Total	<u>\$ 17,467,334</u>	<u>\$ 16,422,877</u>	<u>\$ 17,437,593</u>
District's Covered Payroll	\$ 15,190,952	\$ 13,875,627	\$ 13,432,627
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	36.44%	40.80%	42.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.010907799%		0.010327285%		0.0105887%		0.0057009%	
\$	3,487,727	\$	3,902,528	\$	3,742,965	\$	1,522,790
6,995,634		8,947,253		8,187,471		6,860,607	
\$	10,483,361	\$	12,849,781	\$	11,930,436	\$	8,383,397
\$	13,372,765	\$	12,980,406	\$	12,228,922	\$	11,359,496
26.08%		30.06%		30.61%		13.41%	
82.17%		78.00%		78.43%		83.25%	

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 435,726	\$ 418,161	\$ 374,743
Contribution in Relation to the Contractually Required Contribution	(435,726)	(418,161)	(374,743)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 15,168,288	\$ 15,114,624	\$ 13,700,384
Contributions as a Percentage of Covered Payroll	2.87%	2.77%	2.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

2018		2017		2016		2015	
\$	347,373	\$	356,882	\$	326,134	\$	292,488
	(347,373)		(356,882)		(326,134)		(292,488)
\$	-	\$	-	\$	-	\$	-
\$	13,379,102	\$	13,433,583	\$	13,164,892	\$	12,228,922
	2.60%		2.66%		2.48%		2.39%

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.01661149%	0.01583561%	0.01506167%	\$ 0.014548728%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 6,314,781	\$ 7,488,853	\$ 7,520,430	\$ 6,326,696
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,485,552	9,951,012	11,930,644	\$ 10,955,979
Total	<u>\$ 14,800,333</u>	<u>\$ 17,439,865</u>	<u>\$ 19,451,074</u>	<u>\$ 17,282,675</u>
District's Covered Payroll	\$ 15,190,952	\$ 13,875,627	\$ 13,432,627	\$ 13,372,765
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	41.57%	53.97%	55.99%	\$ 47.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 125,311	\$ 112,969	\$ 105,233	\$ 98,599
Contribution in Relation to the Contractually Required Contribution	(125,311)	(112,969)	(105,233)	(98,599)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 15,168,288	\$ 15,114,624	\$ 13,700,384	\$ 13,379,102
Contributions as a Percentage of Covered Payroll	0.83%	0.75%	0.77%	0.74%

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

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

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

COMBINING SCHEDULES

KRUM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
ASSETS					
1110	Cash and Cash Equivalents	\$ 9,074	\$ 63,667	\$ -	\$ (2,601)
1240	Due from Other Governments	568	10,070	-	2,601
1000	Total Assets	<u>\$ 9,642</u>	<u>\$ 73,737</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 8,102	\$ 7,167	\$ -	\$ -
2200	Accrued Expenditures	1,540	1,784	-	-
2300	Unearned Revenue	-	14,621	-	-
2000	Total Liabilities	<u>9,642</u>	<u>23,572</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	50,165	-	-
Committed Fund Balance:					
3545	Campus Activity	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>50,165</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,642</u>	<u>\$ 73,737</u>	<u>\$ -</u>	<u>\$ -</u>

266 ESSER -School Emergency Relief	289 ESEA Title IV, A	397 Advanced Placement Incentives	427 AP/IB Campus Awards	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ (3,445)	\$ 1,350	\$ 108	\$ 205	\$ 76,865	\$ 145,223
3,445	-	-	-	-	16,684
<u>\$ -</u>	<u>\$ 1,350</u>	<u>\$ 108</u>	<u>\$ 205</u>	<u>\$ 76,865</u>	<u>\$ 161,907</u>
\$ -	\$ 1,140	\$ -	\$ -	\$ -	\$ 16,409
-	210	-	-	-	3,534
-	-	108	205	-	14,934
<u>-</u>	<u>1,350</u>	<u>108</u>	<u>205</u>	<u>-</u>	<u>34,877</u>
-	-	-	-	-	50,165
-	-	-	-	76,865	76,865
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,865</u>	<u>127,030</u>
<u>\$ -</u>	<u>\$ 1,350</u>	<u>\$ 108</u>	<u>\$ 205</u>	<u>\$ 76,865</u>	<u>\$ 161,907</u>

KRUM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 109,327	\$ -	\$ -
5800 State Program Revenues	-	31,884	-	-
5900 Federal Program Revenues	244,454	730,325	30,414	20,340
5020 Total Revenues	244,454	871,536	30,414	20,340
EXPENDITURES:				
Current:				
0011 Instruction	236,692	-	16,212	12,814
0013 Curriculum and Instructional Staff Development	2,394	-	13,512	3,298
0021 Instructional Leadership	4,827	-	690	445
0035 Food Services	-	936,627	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	541	-	-	3,783
6030 Total Expenditures	244,454	936,627	30,414	20,340
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(65,091)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	65,091	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	50,165	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 50,165	\$ -	\$ -

266 ESSER -School Emergency Relief	289 ESEA Title IV, A	397 Advanced Placement Incentives	427 AP/IB Campus Awards	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 81,387	\$ 190,714
-	-	-	-	-	31,884
109,896	10,829	-	-	-	1,146,258
109,896	10,829	-	-	81,387	1,368,856
109,896	10,612	-	-	-	386,226
-	-	-	-	-	19,204
-	217	-	-	-	6,179
-	-	-	-	-	936,627
-	-	-	-	57,424	57,424
-	-	-	-	-	4,324
109,896	10,829	-	-	57,424	1,409,984
-	-	-	-	23,963	(41,128)
-	-	-	-	-	65,091
-	-	-	-	23,963	23,963
-	-	-	-	52,902	103,067
\$ -	\$ -	\$ -	\$ -	\$ 76,865	\$ 127,030

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REQUIRED T.E.A. SCHEDULES

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.480000	657,629,934
2014	1.040000	0.500000	705,527,400
2015	1.170000	0.370000	785,794,415
2016	1.170000	0.370000	749,258,182
2017	1.170000	0.370000	663,877,662
2018	1.170000	0.370000	759,394,610
2019	1.170000	0.370000	832,332,662
2020	1.068350	0.323480	936,810,889
2021 (School year under audit)	1.046750	0.298332	960,343,533
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 178,691	\$ -	\$ 30,454	\$ 8,057	\$ (18,460)	\$ 121,720
10,669	-	2,834	1,308	-	6,527
10,182	-	2,164	1,040	-	6,978
19,911	-	3,485	1,102	(1,896)	13,428
13,918	-	3,458	1,094	(2,273)	7,093
19,855	-	3,778	1,195	(2,728)	12,154
67,104	-	5,287	1,672	(42,388)	17,757
32,114	-	9,087	2,874	(1,177)	18,976
197,748	-	115,493	34,969	(22,926)	24,360
-	12,917,408	9,802,916	2,793,909	-	320,583
<u>\$ 550,192</u>	<u>\$ 12,917,408</u>	<u>\$ 9,978,956</u>	<u>\$ 2,847,220</u>	<u>\$ (91,848)</u>	<u>\$ 549,576</u>

KRUM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE-CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 478,258	\$ 408,723	\$ 109,327	\$ (299,396)
5800 State Program Revenues	34,898	34,898	31,884	(3,014)
5900 Federal Program Revenues	555,728	555,728	730,325	174,597
5020 Total Revenues	1,068,884	999,349	871,536	(127,813)
EXPENDITURES:				
Current:				
0035 Food Services	1,069,199	1,069,199	936,627	132,572
6030 Total Expenditures	1,069,199	1,069,199	936,627	132,572
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(315)	(69,850)	(65,091)	4,759
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	69,850	65,091	(4,759)
1200 Net Change in Fund Balances	(315)	-	-	-
0100 Fund Balance - July 1 (Beginning)	50,165	50,165	50,165	-
3000 Fund Balance - June 30 (Ending)	\$ 49,850	\$ 50,165	\$ 50,165	\$ -

KRUM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE-DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,833,835	\$ 2,833,835	\$ 2,882,410	\$ 48,575
5800 State Program Revenues	-	-	55,105	55,105
5020 Total Revenues	2,833,835	2,833,835	2,937,515	103,680
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,228,835	1,228,835	1,228,835	-
0072 Interest on Long-Term Debt	1,600,000	1,600,000	1,599,665	335
0073 Bond Issuance Cost and Fees	5,000	(169,144)	155,747	(324,891)
6030 Total Expenditures	2,833,835	2,659,691	2,984,247	(324,556)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	174,144	(46,732)	(220,876)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	(7,470,000)	7,470,000	14,940,000
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(9,795,856)	(9,795,856)
8949 Other (Uses)	-	7,295,856	-	(7,295,856)
7080 Total Other Financing Sources (Uses)	-	(174,144)	(2,325,856)	(2,151,712)
1200 Net Change in Fund Balances	-	-	(2,372,588)	(2,372,588)
0100 Fund Balance - July 1 (Beginning)	3,269,005	3,269,005	3,269,005	-
3000 Fund Balance - June 30 (Ending)	\$ 3,269,005	\$ 3,269,005	\$ 896,417	\$ (2,372,588)

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Krum Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Krum Independent School District's basic financial statements, and have issued our report dated September 10, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

September 10, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Krum Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Krum Independent School District's major federal programs for the year ended June 30, 2021. Krum Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Krum Independent School District's major federal program 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 Krum Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Krum Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Krum Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Krum Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Krum Independent School District's internal control over compliance.

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

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

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



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

September 10, 2021

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
Child Nutrition Cluster:
10.553 School Breakfast Program
10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: No

II. Findings Related to the Financial Statements

None

III. Other Findings

None

KRUM INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

None

KRUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101061905	\$ 3,472
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101061905	141,333
ESEA, Title I School Improvement	84.010A	21610141061905	99,649
Total CFDA Number 84.010A			244,454
Title III, Part A - English Language Acquisition	84.365A	21671001061905	20,340
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501061905	30,414
ESEA Title IV, A	84.424A	21680101061905	10,829
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001061905	3,445
ESSER Prior Purchase Reimbursement Program	84.425D	S425D200042	106,451
Total CFDA Number 84.425D			109,896
Total Passed Through State Department of Education			415,933
TOTAL U.S. DEPARTMENT OF EDUCATION			415,933
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	107,395
*National School Lunch Program - Cash Assistance	10.555	71302101	542,760
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302101	80,170
Total CFDA Number 10.555			622,930
Total Child Nutrition Cluster			730,325
Child & Adult Care Food Program - Cash Assistance	10.558	061905	2,981
Total Passed Through the State Department of Agriculture			733,306
TOTAL U.S. DEPARTMENT OF AGRICULTURE			733,306
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,149,239

*Clustered Programs

KRUM INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
- **General Fund** - is used to account for among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
- **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

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

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$1,149,239
SHARS Revenue reported in the General Fund	173,828
Tax Credit Revenue reported in the Debt Service Fund	-
Plus Revenue Received for Coronavirus Relief Fund for FY20 Expenditures	<u>-</u>
Total Federal Program Revenue	<u>\$1,323,067</u>