

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



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

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CERTIFICATE OF BOARD

Kennedale Independent School District	Tarrant	220914
Name of School District	County	County – District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended **August 31, 2019**, at a meeting of the Board of Trustees of such school district on the **23rd** day of **January 2020**.



Signature of Board President



Signature of Board Secretary

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

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's
Richard E. Rodgers CPA • Gerald L. Rodgers CPA

January 16, 2020

Report on Financial Statements Issued in Accordance with Government Auditing Standards and a Single Audit Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

Independent Auditor's Report

**To the Board of Trustees
Kennedale Independent School District
Kennedale, Texas 76060**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kennedale Independent School District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes to the financial statements, in the prior year 2018, the District adopted new accounting guidance prescribed by GASB 75 for its other post-employment benefit plan (OPEB), a multiple-employer, cost-sharing, health insurance plan for retirees that has a special funding situation. Because GASB 75 implements new measurement criteria and reporting provisions, significant information has been included in the Government Wide Statements. Exhibit A-1 discloses the District's OPEB liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 includes adjustments to the District's OPEB Expense. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and GASB 68 and 75 schedules for pension and OPEB liabilities and contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kennedale Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-3, 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

James E. Rodgers and Company, P.C.

in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Texas Education Agency required information 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this section.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the Kennedale Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kennedale Independent School District's 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 Kennedale Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

James E. Rodgers and Company

James E. Rodgers and Company, P.C.

KENNEDALE INDEPENDENT SCHOOL DISTRICT

120 West Kennedale Parkway
Kennedale, Texas 76060



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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Kennedale Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Highlights of Current Fiscal Year Finances

District's Total Net Position at the End of the Year	\$	9,867,370
Total District Revenues for the Current Fiscal Year	\$	37,441,549
Total District Expenses for the Current Fiscal Year	\$	35,449,264
Fund Balance in the General Fund at the End of Year	\$	12,810,159

Changes in the District's Finances from the Previous Fiscal Year

	Increase (Decrease)	
	\$	%
<u>Change in Net Position:</u>		
Change in the District's Total Net Position	\$ -	0.00%
<u>Revenue Changes:</u>		
Change in the District's Total Revenues	\$ 7,010,172	23.04%
Change in the District's Property Tax Revenues	\$ 1,748,678	9.34%
Change in the District's State Aid Formula Grants	\$ (810,691)	-7.19%
Change in Operating Grants and Contributions	\$ 1,162,094	31.64%
<u>Expense Changes:</u>		
Change in the District's Total Expenses	\$ 10,557,521	42.41%
<u>Other Information:</u>		
Change in the District's General Fund Balance	\$ 1,941,491	17.86%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	\$ 174,328	0.60%

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 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 remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district. The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. 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 with the Statement of Net Position (Exhibit A-1). Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities 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 year 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 net position. The District's net position (the difference between assets, deferred outflows, 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 non-financial 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 combine the District into one kind of activity (all governmental activities).

Governmental activities—All of the District's basic services are reported here, including 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) 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—Most of the District's basic services are reported in governmental funds. These funds 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 a reconciliation schedule following each of the fund financial statements.

Proprietary funds—The District does not maintain proprietary funds at present.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

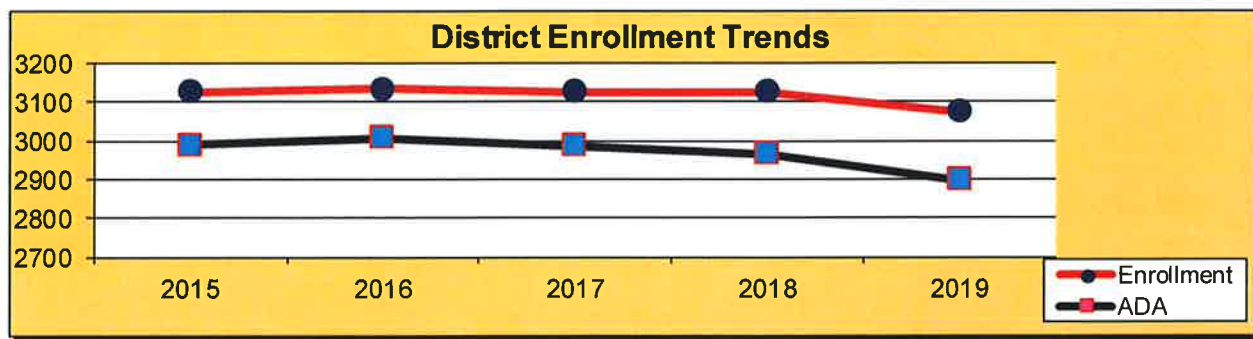
The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

State funding in Texas is based upon the District’s average daily attendance, thus the District’s revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special, bilingual, and compensatory education programs. The demographics of the District and the types of coursework students pursue are continuing to evolve in the District. The following chart details the enrollment trends of the District.

ENROLLMENT TRENDS

Year	Enrollment	ADA
2015	3127	2988.2
2016	3134	3006.5
2017	3126	2985.6
2018	3127	2964.7
2019	3074	2897.7



The following table indicates the net position of the District at the end of the previous and current years.

Table I
KENNEDALE INDEPENDENT SCHOOL DISTRICT
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 16,396,559	\$ 19,047,363	\$ -	\$ -	\$ 16,396,559	\$ 19,047,363
Capital assets	50,409,086	48,309,907	-	-	50,409,086	48,309,907
Deferred Outflows	3,614,452	7,676,059	-	-	3,614,452	7,676,059
Total assets & deferred outflows	\$ 70,420,097	\$ 75,033,329	\$ -	\$ -	\$ 70,420,097	\$ 75,033,329
Long-term liabilities	\$ 38,424,319	\$ 35,773,045	\$ -	\$ -	\$ 38,424,319	\$ 35,773,045
Other liabilities	2,426,432	2,446,192	-	-	2,426,432	2,446,192
Net pension liability	6,242,257	10,542,960	-	-	6,242,257	10,542,960
Net OPEB liability	10,177,968	11,882,401	-	-	10,177,968	11,882,401
Deferred Inflows	5,301,784	4,521,361	-	-	5,301,784	4,521,361
Total liabilities & deferred inflows	\$ 62,572,760	\$ 65,165,959	\$ -	\$ -	\$ 62,572,760	\$ 65,165,959
Net Position:						
Net Investment in capital assets	\$ 15,503,569	\$ 13,873,540	\$ -	\$ -	\$ 15,503,569	\$ 13,873,540
Restricted	2,453,944	3,250,583	-	-	2,453,944	3,250,583
Unrestricted	(10,110,176)	(7,256,753)	-	-	(10,110,176)	(7,256,753)
Total Net Position	\$ 7,847,337	\$ 9,867,370	\$ -	\$ -	\$ 7,847,337	\$ 9,867,370

The following table indicates the changes in net position of the District during the previous and current years.

Table II KENNEDALE INDEPENDENT SCHOOL DISTRICT Changes in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Program Revenues:						
Charges for Services	\$ 1,343,253	\$ 596,591	\$ -	\$ -	\$ 1,343,253	\$ 596,591
Operating grants & contributions	3,672,778	4,834,872	-	-	3,672,778	4,834,872
Effect of GASB 75 negative accrual	(5,065,135)	-	-	-	(5,065,135)	-
General Revenues:						
Maintenance & operations taxes	14,796,570	16,485,354	-	-	14,796,570	16,485,354
Debt service taxes	3,920,466	3,980,360	-	-	3,920,466	3,980,360
State aid - formula grants	11,281,297	10,470,606	-	-	11,281,297	10,470,606
Grants and contributions not restricted to specific functions	111,489	-	-	-	111,489	-
Investment earnings	191,624	355,835	-	-	191,624	355,835
Miscellaneous	179,035	717,931	-	-	179,035	717,931
Total Revenues	\$ 30,431,377	\$ 37,441,549	\$ -	\$ -	\$ 30,431,377	\$ 37,441,549
Expenses						
Instruction, curriculum & media services	\$ 13,003,635	\$ 19,991,228	\$ -	\$ -	\$ 13,003,635	\$ 19,991,228
Instructional & school leadership	1,678,644	2,675,263	-	-	1,678,644	2,675,263
Student support services	1,967,716	2,560,405	-	-	1,967,716	2,560,405
Food Services	1,208,511	1,396,312	-	-	1,208,511	1,396,312
Extracurricular activities	1,366,689	1,558,765	-	-	1,366,689	1,558,765
General administration & data processing	1,523,127	2,395,315	-	-	1,523,127	2,395,315
Plant maintenance & security	2,774,807	3,633,791	-	-	2,774,807	3,633,791
Community Services	49,130	3,656	-	-	49,130	3,656
Interest & fees on long term debt	1,181,240	1,092,140	-	-	1,181,240	1,092,140
Other business-type activities & intergovernmental	138,244	142,389	-	-	138,244	142,389
Total Expenses	\$ 24,891,743	\$ 35,449,264	\$ -	\$ -	\$ 24,891,743	\$ 35,449,264
Increase in net position before transfers and special items	\$ 5,539,634	\$ 1,992,285	\$ -	\$ -	\$ 5,539,634	\$ 1,992,285
Transfers	-	-	-	-	-	-
Extraordinary & special items	279,691	-	-	-	279,691	-
Prior period adjustment	(17,756,858)	27,748	-	-	(17,756,858)	27,748
Net position at 9/1	19,784,870	7,847,337	-	-	19,784,870	7,847,337
Total Net Position	\$ 7,847,337	\$ 9,867,370	\$ -	\$ -	\$ 7,847,337	\$ 9,867,370

An analysis of the change in the net position for governmental activities is as follows:

Excess of Revenues Over Expenditures for Governmental Funds	\$ 2,623,816
Net Gain (Loss) of Internal Service Funds	-
Current Year Purchases of Capital Assets	41,129
Current Year Debt Principal Payments	2,477,071
Depreciation	(2,140,304)
Other Modified to Full Accrual Revenue Adjustments	(24,220)
Net Adjustment to Pension Expense per GASB 68	(817,662)
Net Adjustment for OPEB plan required by GASB 75	(167,545)
Change in Net Position of Governmental Activities	\$ 1,992,285

THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Revenues	\$ 29,412,452	\$ 3,096,544	\$ 4,114,329	\$ -	\$ 36,623,325
Expenditures	(27,434,179)	(3,010,790)	(3,554,540)	-	(33,999,509)
Other Financing Sources	-	-	-	-	-
Other Financing Uses	-	-	-	-	-
Net Change in Fund Balance	\$ 1,978,273	\$ 85,754	\$ 559,789	\$ -	\$ 2,623,816
Beginning Fund Balance	10,868,668	709,892	1,796,314	-	13,374,874
Increase(Decrease) in Fund Balance	(36,782)	7,463	-	-	(29,319)
Ending Fund Balance					
All Governmental Funds	\$ 12,810,159	\$ 803,109	\$ 2,356,103	\$ -	\$ 15,969,371

The District modified its budget several times during the year resulting in a net decrease in budgeted expenditures between the original and final budget in the District's General Fund. Significant amendments were not made during the current year as detailed in Exhibit G-1.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, food services and maintenance. This year's major additions and the net change in total capital assets are as follows:

Tandem Cargo Trailer	\$	6,100
King Sousaphone Model 2350		5,783
Ramp, Steps, Platform on Building Moved		12,582
Rider Scrubber AS710R		16,664
TOTAL	\$	41,129
Total Additions	\$	41,129
Total Deletions		-
Net Change	\$	41,129

The District's next fiscal year general fund capital budget indicates no significant capital outlay.

Debt

The District's long-term debt at the end of the current year is as follows:

	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding 8/31/2019	Next Year's Total Principal and Interest Requirement
1999 Tax Refunding Bonds	4.20%-5.50%	\$ 2,780,000	\$ -	\$ 830,000	\$ -
2006 Tax Refunding Bonds	3.70%-4.50%	\$ 8,974,988	-	25	-
2011 Tax Refunding Bonds	3.00%-4.00%	\$ 8,879,996	280,725	7,075,000	345,250
2012 Tax Refunding Bonds	2.00%-3.00%	\$ 5,429,997	57,000	1,425,000	1,022,825
2013 Tax Refunding Bonds	0.35%-3.50%	\$ 8,849,999	281,000	8,560,000	315,125
2014 Tax Refunding Bonds	2.00%-4.00%	\$ 8,455,000	234,125	6,015,000	1,582,000
2015 Tax Refunding Bonds	2.00%-4.00%	\$ 7,285,000	276,100	7,005,000	330,050
2016 Dell Capital Lease	8.70%-8.70%	\$ 232,587	8,159	120,932	65,229
Totals			\$ 1,137,109	\$ 31,030,957	\$ 3,660,479

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

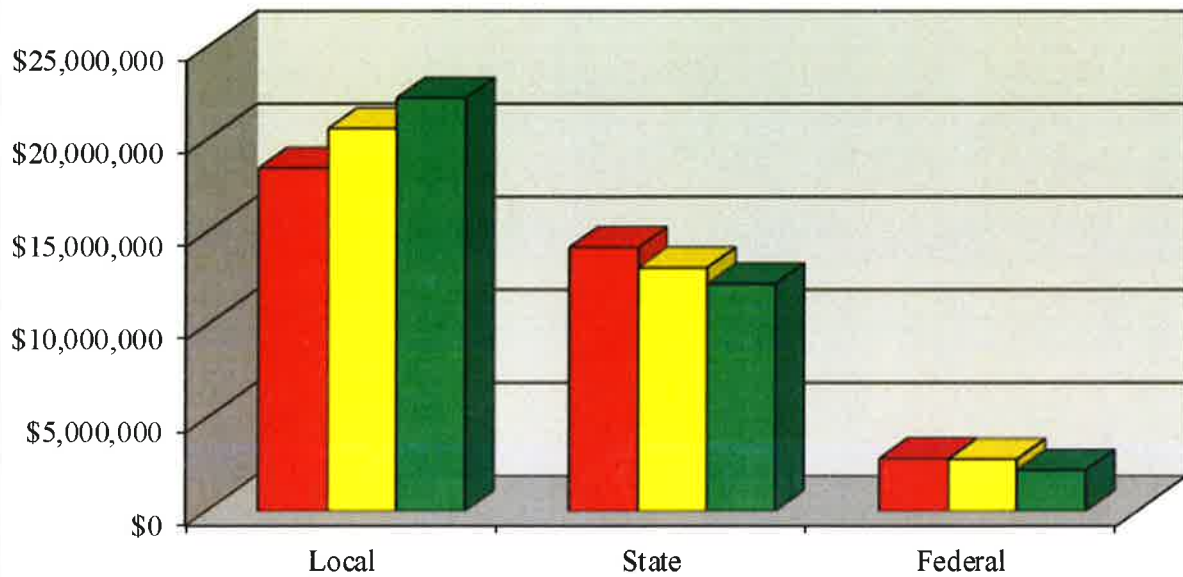
The District's elected and appointed officials considered many factors when setting the next fiscal year budget and tax rates. Significant changes to the fiscal year 2020 budget include state funding and teacher compensation increases provided for by House Bill 3 as adopted by 86th Texas Legislature by the District. Those changes along with expected student enrollment were implicit in the expected revenue and expenditures when adopting the budget for next year. A summary of the subsequent fiscal year budget for funds legally required to be budgeted is as follows:

Fiscal Year 2019 - 2020 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 29,295,344	\$ 1,600,477	\$ 4,558,630	\$ 35,454,451
Expenditures	(29,295,344)	(1,600,477)	(4,558,630)	(35,454,451)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning of Year Fund Balance	12,810,159	510,170	2,356,103	15,676,432
Projected End of Year Fund Balance	\$ 12,810,159	\$ 510,170	\$ 2,356,103	\$ 15,676,432

The following graph indicates the District's revenues by source for the last three years.

KENNEDALE INDEPENDENT SCHOOL DISTRICT			
REVENUES BY SOURCE			
	FY 2016-2017	FY 2017-2018	FY 2018-2019
ADA	2985,593	2964,731	2897,749
Local	\$18,435,986	\$20,556,329	\$22,210,850
State	14,170,289	13,069,115	12,215,301
Federal	2,826,335	2,778,164	2,197,174
Total	\$35,432,610	\$36,403,608	\$36,623,325

Revenues by Source



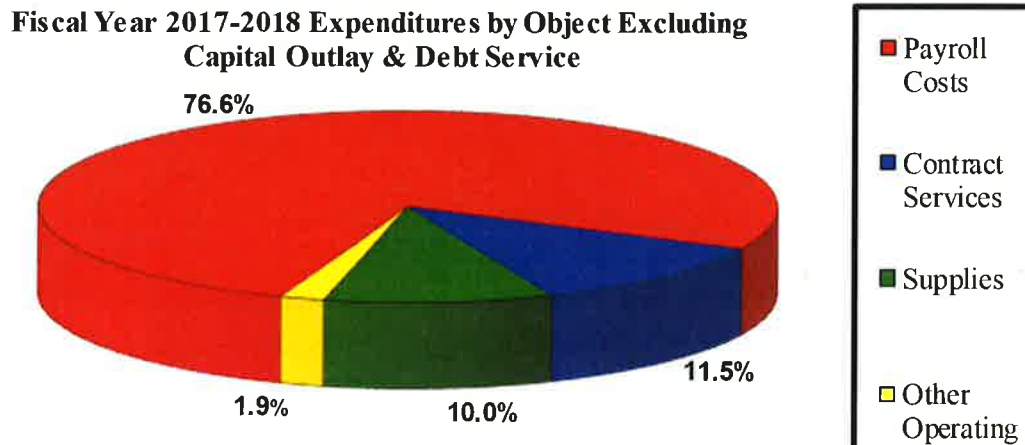
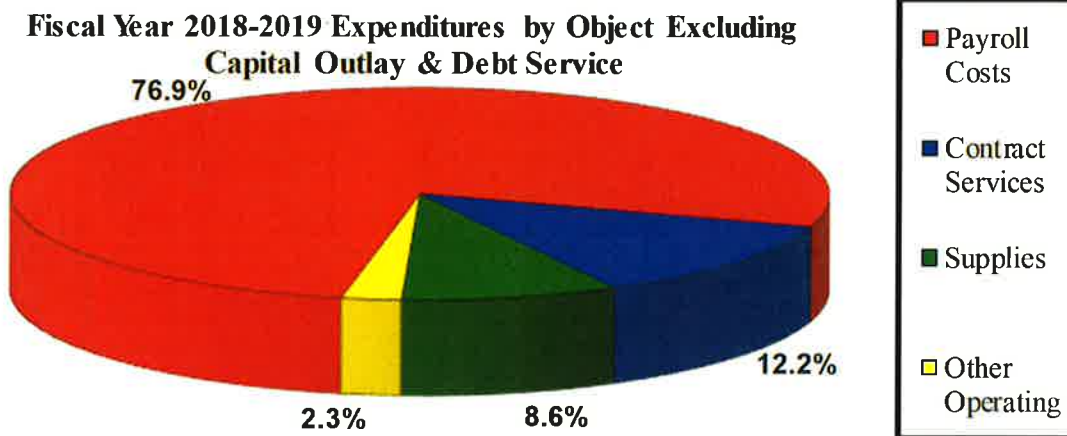
■ FY 2016-2017

■ FY 2017-2018

■ FY 2018-2019

The following graph indicates the District's operating expenditures by object for the last two years.

KENNEDALE INDEPENDENT SCHOOL DISTRICT		
EXPENDITURES BY OBJECT CODE EXCLUDING CAPITAL OUTLAY & DEBT SERVICE		
	FY 2017-2018	FY 2018-2019
Total Staff	391.28	387.97
Payroll Costs	\$23,484,424	\$23,322,446
Contract Services	3,507,903	3,692,507
Supplies	3,066,985	2,614,026
Other Operating	591,510	709,631
Total Expenditures	\$30,650,822	\$30,338,610



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at **Kennedale Independent School District, 120 West Kennedale Parkway, Kennedale, Texas 76060; (817) 563-8021.**

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,805,176
1120 Current Investments	13,247,609
1220 Property Taxes - Delinquent	692,095
1230 Allowance for Uncollectible Taxes	(62,288)
1240 Due from Other Governments	1,258,581
1290 Other Receivables, Net	1,352
1300 Inventories	99,731
1490 Other Current Assets	5,107
Capital Assets:	
1510 Land	5,870,283
1520 Buildings, Net	41,076,696
1530 Furniture and Equipment, Net	1,303,590
1550 Leased Property Under Capital Leases, Net	59,338
1000 Total Assets	67,357,270
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,278,674
1705 Deferred Outflow Related to TRS Pension	5,194,761
1706 Deferred Outflow Related to TRS OPEB	1,202,624
1700 Total Deferred Outflows of Resources	7,676,059
LIABILITIES	
2110 Accounts Payable	181,511
2150 Payroll Deductions and Withholdings	1,326
2160 Accrued Wages Payable	1,603,791
2180 Due to Other Governments	631,720
2300 Unearned Revenue	27,844
Noncurrent Liabilities:	
2501 Due Within One Year	2,657,674
2502 Due in More Than One Year	33,115,371
2540 Net Pension Liability (District's Share)	10,542,960
2545 Net OPEB Liability (District's Share)	11,882,401
2000 Total Liabilities	60,644,598
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Resource Inflow State Revenue	1,991
2605 Deferred Inflow Related to TRS Pension	761,868
2606 Deferred Inflow Related to TRS OPEB	3,757,502
2600 Total Deferred Inflows of Resources	4,521,361
NET POSITION	
3200 Net Investment in Capital Assets	13,873,540
3820 Restricted for Federal and State Programs	510,170
3850 Restricted for Debt Service	2,447,474
3870 Restricted for Campus Activities	292,939
3900 Unrestricted	(7,256,753)
3000 Total Net Position	\$ 9,867,370

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,460,074	\$ 9,690	\$ 2,811,323	\$ (16,639,061)
12 Instructional Resources and Media Services	301,278	-	20,947	(280,331)
13 Curriculum and Instructional Staff Development	229,876	-	190,232	(39,644)
21 Instructional Leadership	693,653	-	55,467	(638,186)
23 School Leadership	1,981,610	-	152,895	(1,828,715)
31 Guidance, Counseling and Evaluation Services	940,251	-	276,764	(663,487)
33 Health Services	417,596	-	28,508	(389,088)
34 Student (Pupil) Transportation	1,202,558	-	-	(1,202,558)
35 Food Services	1,396,312	453,865	925,600	(16,847)
36 Extracurricular Activities	1,558,765	56,657	59,354	(1,442,754)
41 General Administration	1,642,594	-	93,723	(1,548,871)
51 Facilities Maintenance and Operations	3,422,223	76,379	133,827	(3,212,017)
52 Security and Monitoring Services	211,568	-	13,117	(198,451)
53 Data Processing Services	752,721	-	46,959	(705,762)
61 Community Services	3,656	-	3,656	-
72 Debt Service - Interest on Long-Term Debt	1,086,550	-	-	(1,086,550)
73 Debt Service - Bond Issuance Cost and Fees	5,590	-	-	(5,590)
93 Payments Related to Shared Services Arrangements	22,500	-	22,500	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	15,996	-	-	(15,996)
99 Other Intergovernmental Charges	103,893	-	-	(103,893)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 35,449,264	\$ 596,591	\$ 4,834,872	(30,017,801)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	16,485,354
DT	Property Taxes, Levied for Debt Service	3,980,360
SF	State Aid - Formula Grants	10,470,606
IE	Investment Earnings	355,835
MI	Miscellaneous Local and Intermediate Revenue	717,931
TR	Total General Revenues	32,010,086
CN	Change in Net Position	1,992,285
NB	Net Position - Beginning	7,847,337
PA	Prior Period Adjustment	27,748
NE	Net Position--Ending	\$ 9,867,370

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,181,631	\$ 878,463	\$ 745,082	\$ 3,805,176
1120 Investments - Current	11,774,692	1,472,917	-	13,247,609
1220 Property Taxes - Delinquent	534,256	157,839	-	692,095
1230 Allowance for Uncollectible Taxes	(48,083)	(14,205)	-	(62,288)
1240 Due from Other Governments	902,850	-	355,731	1,258,581
1260 Due from Other Funds	223,904	4,722	-	228,626
1290 Other Receivables	1,352	-	-	1,352
1300 Inventories	-	-	99,731	99,731
1490 Other Current Assets	5,107	-	-	5,107
1000 Total Assets	<u>\$ 15,575,709</u>	<u>\$ 2,499,736</u>	<u>\$ 1,200,544</u>	<u>\$ 19,275,989</u>
LIABILITIES				
2110 Accounts Payable	\$ 144,476	\$ -	\$ 37,038	\$ 181,514
2150 Payroll Deductions and Withholdings Payable	1,326	-	-	1,326
2160 Accrued Wages Payable	1,497,133	-	106,658	1,603,791
2170 Due to Other Funds	4,722	-	223,904	228,626
2180 Due to Other Governments	631,720	-	-	631,720
2300 Unearned Revenue	-	-	27,844	27,844
2000 Total Liabilities	<u>2,279,377</u>	<u>-</u>	<u>395,444</u>	<u>2,674,821</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	486,173	143,633	-	629,806
2602 Unavailable Revenue State Funding	-	-	1,991	1,991
2600 Total Deferred Inflows of Resources	<u>486,173</u>	<u>143,633</u>	<u>1,991</u>	<u>631,797</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	71,888	71,888
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	438,282	438,282
3480 Retirement of Long-Term Debt	-	2,356,103	-	2,356,103
3490 Other Restricted Fund Balance	-	-	292,939	292,939
Committed Fund Balance:				
3510 Construction	2,296,154	-	-	2,296,154
Assigned Fund Balance:				
3550 Construction	1,100,000	-	-	1,100,000
3600 Unassigned Fund Balance	9,414,005	-	-	9,414,005
3000 Total Fund Balances	<u>12,810,159</u>	<u>2,356,103</u>	<u>803,109</u>	<u>15,969,371</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,575,709</u>	<u>\$ 2,499,736</u>	<u>\$ 1,200,544</u>	<u>\$ 19,275,989</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	15,969,371
1 The District does not use internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds would be included in governmental activities in the statement of net position if applicable. The net effect of this consolidation is to increase net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$81,693,070 and the accumulated depreciation was (\$31,283,984). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		13,330,017
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to decrease net position.		2,518,200
4 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. The net position related to TRS included a deferred resource outflow in the amount \$5,194,761, a deferred resource inflow in the amount of \$761,868, and a net pension liability in the amount of \$10,542,960. This resulted in a decrease in net position.		(6,110,067)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,202,624, a deferred resource inflow in the amount of \$3,757,502, and a net OPEB liability in the amount of \$11,882,401. This resulted in a decrease in net position.		(14,437,279)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,140,304)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		737,432
19 Net Position of Governmental Activities	\$	9,867,370

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 17,238,207	\$ 3,991,387	\$ 981,256	\$ 22,210,850
5800 State Program Revenues	11,836,812	122,942	255,547	12,215,301
5900 Federal Program Revenues	337,433	-	1,859,741	2,197,174
5020 Total Revenues	29,412,452	4,114,329	3,096,544	36,623,325
EXPENDITURES:				
Current:				
0011 Instruction	15,586,664	-	968,698	16,555,362
0012 Instructional Resources and Media Services	263,240	-	21,421	284,661
0013 Curriculum and Instructional Staff Development	32,773	-	185,455	218,228
0021 Instructional Leadership	644,353	-	3,591	647,944
0023 School Leadership	1,771,521	-	92,344	1,863,865
0031 Guidance, Counseling and Evaluation Services	643,517	-	234,715	878,232
0033 Health Services	391,779	-	-	391,779
0034 Student (Pupil) Transportation	1,166,198	-	-	1,166,198
0035 Food Services	52,680	-	1,211,473	1,264,153
0036 Extracurricular Activities	1,111,866	-	185,113	1,296,979
0041 General Administration	1,570,150	-	-	1,570,150
0051 Facilities Maintenance and Operations	3,152,489	-	81,824	3,234,313
0052 Security and Monitoring Services	203,644	-	-	203,644
0053 Data Processing Services	658,186	-	-	658,186
0061 Community Services	-	-	3,656	3,656
Debt Service:				
0071 Principal on Long-Term Debt	57,071	2,420,000	-	2,477,071
0072 Interest on Long-Term Debt	8,159	1,128,950	-	1,137,109
0073 Bond Issuance Cost and Fees	-	5,590	-	5,590
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	22,500	22,500
0095 Payments to Juvenile Justice Alternative Ed. Prg.	15,996	-	-	15,996
0099 Other Intergovernmental Charges	103,893	-	-	103,893
6030 Total Expenditures	27,434,179	3,554,540	3,010,790	33,999,509
1200 Net Change in Fund Balances	1,978,273	559,789	85,754	2,623,816
0100 Fund Balance - September 1 (Beginning)	10,868,668	1,796,314	709,892	13,374,874
1300 Increase (Decrease) in Fund Balance	(36,782)	-	7,463	(29,319)
3000 Fund Balance - August 31 (Ending)	\$ 12,810,159	\$ 2,356,103	\$ 803,109	\$ 15,969,371

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	2,623,816
<p>The District does not use internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds would be reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to decrease net position.</p>		
		2,518,200
<p>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.</p>		
		(2,140,304)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.</p>		
		(24,220)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$604,336. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$645,268. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$776,730. The net result is a decrease in the change in net position.</p>		
		(817,662)
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$156,692. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$164,159). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$160,078. The net result is an increase in the change in net position.</p>		
		(167,545)
Change in Net Position of Governmental Activities	\$	1,992,285

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 27,928
Total Assets	<u>\$ 27,928</u>
LIABILITIES	
Due to Student Groups	\$ 27,928
Total Liabilities	<u>\$ 27,928</u>

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

KENNEDALE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kennedale Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity as amended by GASB Statement 61. The only component unit included within the reporting entity is the Kennedale Educational Foundation which is included as a fiduciary component unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the **Kennedale Independent School District** non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as Inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and report their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Fund - The District did maintain major debt service governmental funds during the current year.

The District does not report any major enterprise funds.

Additionally, the District reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation) are accounted for in an internal service fund when applicable. The District did not maintain internal service funds during the current year.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District did not maintain a private purpose trust fund to provide scholarships for students that have graduated from the District during the current year.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds including funds used to account for student activities.

There are no balances due to the internal service funds from the general fund. When amounts do exist, they are the result of obligations made to maintain capital for the operation of each internal service fund for such activities as self-insurance; the balance is not scheduled to be collected in the subsequent year.

All remaining balances, if any, resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the current year, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

ASSETS	YEARS
Buildings	50
Buildings and Improvements	40
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The Districts that participate in self-funded workers' compensation programs execute inter-local agreements that define the responsibilities of the parties. The program, if applicable, provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

Government-wide and Proprietary Fund Net Position-

Government-wide and proprietary fund net positions are divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows-

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classifications.

10. Use of Restricted Resources:

When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

11. The District applies Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

12. Investment income reported in one fund has not been assigned directly to another fund by the District.

13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

14. Deferred Outflows of Resources:

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflow of resources reported in this year's government-wide financial statements arise from inclusion of the GASB 68 Liability for the unfunded portion of the TRS Retirement and GASB 75 Liability. No deferred outflows of resources affect the governmental funds financial statements in the current year.

15. Deferred Inflows of Resources:

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has only three types of items which occur because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes, private grants, and prepaid meals are reported in the governmental funds balance sheet. The District only reported deferred inflows of resources in its government-wide or proprietary fund financial statements for the current year for the inclusion of the GASB 68 Liability for the unfunded portion of the TRS Retirement, GASB 75 liabilities and prepaid meals.

16. Pensions:

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

17. Other Post-Employment Benefits:

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the new OPEB liability, deferred outflows of resources and deferred inflows or 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at Beginning of Year	Change in Net Position
Land	\$ 5,870,283	\$ -	\$ 5,870,283	
Buildings and Improvements	69,970,467	(27,072,548)	42,897,919	
Furniture and Equipment	5,026,743	(3,504,533)	1,522,210	
Capital Leases	825,577	(706,903)	118,674	
Change in Net Position				\$ 50,409,086
Long-term Liabilities and Deferred Outflows and Inflows at the Beginning of the Year			Payable at Beginning of Year	
Bonds Payable			\$ 33,387,093	
Accreted Interest on Bonds			2,064,222	
Add Unamortized Bond Premium / Discount			2,852,072	
Notes and Capital Leases Payable			178,002	
Accrued Interest - Bonds, Notes, and Capital Leases			52,262	
Deferred Resource of Outflows for Bond Refunding			(1,454,582)	
Deferred Resource of Inflows			-	
Change in Net Position				37,079,069
Net Adjustment to Net Position				\$13,330,017

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

	Amount	Adjustments To Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay			
Land	\$ -		
Buildings & Improvements	-		
Furniture & Equipment	<u>41,129</u>		
Total Capital Outlay	<u>41,129</u>	41,129	41,129
Debt Principal Payments			
Bond Principal	2,420,000		
Note Principal Payments	-		
Capital Lease Payments	<u>57,071</u>		
Total Principal Payments	<u>2,477,071</u>	2,477,071	2,477,071
Total Adjustment to Net Position		\$ 2,518,200	\$ 2,518,200

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Adjustments to Revenue, Deferred Inflows, Beg. Net Position:			
Beg. of Year Unearned Tax Revenue/Internal Service	\$ 761,652		\$ 761,652
Property tax adjustments to convert from the modified accrual basis to the full accrual basis of accounting	(74,779)	(74,779)	(74,779)
Other Revenue/Expense Adjustments	-	-	-
Reclassify Proceeds of Bonds, Loans & Capital Leases:			
New Bond Issue	\$ -	-	-
Discount (Premium) or Deferred Charge on Issuance of Bonds	-	-	-
New Loans / Capital Leases Issued	-	-	-
Reclassify Certain Expenditures to Full Accrual From Modified Accrual:			
Deferred Charge on Refunding Amortization	\$ (175,909)	(175,909)	(175,909)
Adjust Interest and Fees on Long-term Debt	(5,742)	(5,742)	(5,742)
Amortization of Bond Premium	309,210	309,210	309,210
Accretion of Interest on Bonds	(77,000)	(77,000)	(77,000)
Totals		\$ (24,220)	\$ 737,432

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in the J Exhibits as reported in the required TEA Exhibits.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. **These amendments included additional appropriation for various functions as detailed in Exhibit G-1.**

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2019 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 510,170
Non-appropriated Budget Funds	292,939
All Special Revenue Funds	\$ 803,109

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District **did not incur a material excess of expenditures over appropriations** in any of the legally required budgeted funds during the current year.

C. DEFICIT FUND EQUITY

The District **did not incur a deficit fund balance** in any fund during the current school year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

CASH AND CASH EQUIVALENTS BY ACCOUNT		8/31/2019
Cash Deposits in Bank	\$	3,830,048
Certificates of Deposit Maturity to 3 months		-
Cash on Hand		2,805
Cash in Arbitrator		251
Total Cash and Cash Equivalents by Account Type	\$	3,833,104
CASH AND CASH EQUIVALENTS BY FUND		8/31/2019
Cash and Cash Equivalents:		
General Fund	\$	2,181,631
Major Governmental Funds		878,463
Non-Major Governmental Funds		745,082
Enterprise Funds		-
Internal Service Funds		-
Agency Funds		27,928
Trust Funds		-
Other Funds		-
Total Cash and Cash Equivalents by Fund	\$	3,833,104

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits subject to custodial credit risk at the date of the highest cash balance and at year end were:

CUSTODIAL CREDIT RISK	Highest Cash	
	Balance	8/31/2019
Name of Depository Bank: Wells Fargo Bank, N.A.		
Total amount of FDIC Insurance (FDIC)	\$ 1,500,000	\$ 1,500,000
Amount of Bond or Securities Pledged	5,000,000	4,500,000
Total FDIC, Bond or Securities Pledged	\$ 6,500,000	\$ 6,000,000
Cash Deposits and Cash Investments in Bank	\$ 2,426,173	\$ 2,710,602
Excess or (Shortage) FDIC and Bond or Pledged Securities Pledged	\$ 4,073,827	\$ 3,289,398
The District's cash deposits were entirely covered by FDIC Insurance or by bond or pledged collateral by the Depository Bank	YES	YES

Foreign Currency Risk: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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 entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity 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.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, and mutual bond funds to the top 2 or 3 ratings issued by nationally recognized statistical rating organizations (NRSROs). As of the current fiscal year, the district's investments were rated by Standard & Poor's, Fitch Ratings, etc.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer to 20% when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding all investments denominated in a foreign currency.

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 judgment and considers factors specific to each asset or liability.

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. Texpool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission.

The *Lone Star* and *TexStar* investment pools are external investment pools measured at net asset value. Lone Star and TexStar's strategy are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Lone Star and TexStar have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. LoneStar and TexStar are subject to regulatory oversight by the State Treasurer, although the pools are not registered with the Securities and Exchange Commission.

As of the end of the current fiscal year, the District had the following investments:

Investments	August 31, 2019	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost -								
Investment pools:								
Texpool	\$	411,483	\$	-	\$	-	3.11%	- AAAm*
Investments measured at net asset value (NAV)-								
Investment pools:								
LoneStar		12,197,955	-	-	-	92.08%	-	AAAm*
TexStar		638,170	-	-	-	4.82%	-	AAAm*
Investments measured by fair value level -								
U.S. Government Agency Securities:								
Federal Home Loan Bank		-	-	-	-	0.00%	-	AA+ to Aaa
Fannie Mae		-	-	-	-	0.00%	-	AAAm*
U.S. Treasury Bonds		-	-	-	-	0.00%	-	AAAm*
Money Market Mutual Funds		-	-	-	-	0.00%	-	Not rated
Certificates of Deposit		-	-	-	-	0.00%	-	BBB+ to AA-
Commercial Paper		-	-	-	-	0.00%	-	BBB+ to AA-
Restricted Investments-		-	-	-	-	0.00%	-	BBB+ to AA-
Scholarship Funds-Certificates of Deposit		-	-	-	-	0.00%	-	BBB+ to AA-
Education Foundation-Certificates of Depos		-	-	-	-	0.00%	-	BBB+ to AA-
Total Investments	\$	13,247,609	\$	-	\$	-	100.00%	

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
General Fund		
Major Governmental Funds	\$ -	\$ 4,722
Non-major Governmental Funds	223,904	-
Total General Fund	<u>\$ 223,904</u>	<u>\$ 4,722</u>
Major Governmental Funds		
General Fund	\$ 4,722	\$ -
Total Major Governmental Funds	<u>\$ 4,722</u>	<u>\$ -</u>
Non-major Governmental Funds		
General Fund	\$ -	\$ -
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ 223,904</u>
Total Interfund Receivables / Payables	<u>\$ 228,626</u>	<u>\$ 228,626</u>

The balance of \$223,904 from non-major governmental funds to the general fund resulted from working capital amounts that will be transferred to the general fund the following year. The balance due the major debt service fund of \$4,722 arose from a previous property tax split adjustment.

Inter-fund transfers for the current year end consisted of the following individual amounts:

FUND	Transfers In	Transfers Out
General Fund		
Other Funds	\$ -	\$ -
Total General Fund	<u>\$ -</u>	<u>\$ -</u>
Other Funds		
General Fund	\$ -	\$ -
Total Other Funds	<u>\$ -</u>	<u>\$ -</u>
Total Interfund Transfers	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to cover operating deficits in funds such as the Food Service Funds. The District did not make an operating transfer to the Food Service Fund during the current year.

During the current year, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 534,256	\$ 902,850	\$ 223,904	\$ 1,352	\$ 1,662,362
Major Governmental Fund D/S	157,839	-	4,722	-	162,561
Non-major Governmental Funds	-	355,731	-	-	355,731
Total Governmental Activities	\$ 692,095	\$ 1,258,581	\$ 228,626	\$ 1,352	2,180,654
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

Payables at year end were as follows:

	Accounts Payable	Salaries Payable	Accrued Expenditures/ Expense Payable	Due To Other Funds	Due To Other Govt.	Other	Total Payables
Governmental Activities:							
General Fund	\$144,476	\$ 1,497,133	\$ 1,326	\$ 4,722	\$ 631,720	\$ -	\$ 2,279,377
Major Governmental Fund	-	-	-	-	-	-	-
Non-major Governmental Funds	37,038	106,658	-	223,904	-	-	367,600
Internal Service Funds	-	-	-	-	-	-	-
Total Governmental Type Activities	\$181,514	\$ 1,603,791	\$ 1,326	\$228,626	\$ 631,720	\$ -	\$ 2,646,977
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

Primary Government				
	Beginning Balance	Additions	Retirements/ Reclassificatio ns	Ending Balance
Governmental Activities:				
Non-Depreciable Assets-				
Land	\$ 5,870,283	\$ -	\$ -	\$ 5,870,283
Depreciable Assets-				
Buildings and Improvements	69,970,467	-	1	69,970,466
Furniture and Equipment	5,026,743	41,129	1	5,067,871
Capital Leases	825,577	-	-	825,577
Totals at Historic Cost	\$ 81,693,070	\$ 41,129	\$ 2	\$ 81,734,197
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 27,072,548	\$ 1,787,273	\$ (33,949)	\$ 28,893,770
Furniture and Equipment	3,504,533	293,694	33,946	3,764,281
Capital Leases	706,903	59,337	1	766,239
Total Accumulated Depreciation	\$ 31,283,984	\$ 2,140,304	\$ (2)	\$ 33,424,290
Governmental Activities Capital Assets-Net				
	\$ 50,409,086	\$(2,099,175)	\$ -	\$ 48,309,907

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,611,546
Instructional Leadership	1,681
School Leadership	-
Student (Pupil) Transportation	36,360
Food Services	68,368
Cocurricular/Extracurricular Activities	218,095
General Administration	-
Plant Maintenance and Operations	138,132
Data Processing Services	66,122
Total Depreciation Expense	\$ 2,140,304

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land.

G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District has no short-term debt payable.

H. BONDS AND LONG-TERM NOTES PAYABLE

The following is a summary of the District's long-term debt for the year ended August 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 33,330,025	\$ -	\$ 2,420,000	30,910,025	\$ 2,540,000
Premium on Bond Issuance	2,852,071	-	309,209	2,542,862	-
Maintenance Tax Notes	-	-	-	-	-
Capital Leases	178,003	-	57,071	120,932	59,670
Total Bonds and Notes Payable	\$ 36,360,099	\$ -	\$ 2,786,280	\$ 33,573,819	\$ 2,599,670
Other Liabilities:					
Accretion Interest	\$ 2,064,222	\$ 77,000	\$ -	2,141,222	\$ -
Accrued Interest Payable	52,262	58,004	52,262	58,004	58,004
Total Other Liabilities	\$ 2,116,484	\$ 135,004	\$ 52,262	\$ 2,199,226	\$ 58,004
Long-Term Liabilities	\$ 38,476,583	\$ 135,004	\$ 2,838,542	\$ 35,773,045	\$ 2,657,674

Debt Payable - Governmental Activities:

Description	Interest Rate	Original Issue	Interest Current Year	Beginning Balance 9/1/2018	Additions	Reductions	Ending Balance 8/31/2019
General Obligation Bonds Payable:							
1999 Series Bonds	4.20%-5.50%	\$ 2,780,000	\$ -	\$ 830,000	\$ -	\$ -	\$ 830,000
2006 Series Bonds	3.70%-4.50%	8,974,988	-	25	-	-	25
2011 Series Bonds	3.00%-4.00%	8,879,996	280,725	7,370,000	-	295,000	7,075,000
2012 Series Bonds	2.00%-3.00%	5,429,997	57,000	2,375,000	-	950,000	1,425,000
2013 Series Bonds	0.35%-3.50%	8,849,999	281,000	8,595,000	-	35,000	8,560,000
2014 Series Bonds	2.00%-4.00%	8,455,000	234,125	7,105,000	-	1,090,000	6,015,000
2015 Series Bonds	2.00%-4.00%	7,285,000	276,100	7,055,000	-	50,000	7,005,000
Total General Obligation Bonds			\$ 1,128,950	\$ 33,330,025	\$ -	\$ 2,420,000	\$ 30,910,025
Premium on Bond Issuance				\$ 2,852,071	\$ -	\$ 309,209	\$ 2,542,862
Maintenance Tax Notes Payable:							
None		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Maintenance Tax Notes			\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases Payable:							
2016 Capital Lease	8.70%	\$ 232,587	\$ 8,159	\$ 178,003	\$ -	\$ 57,071	\$ 120,932
Total Capital Leases			\$ 8,159	\$ 178,003	\$ -	\$ 57,071	\$ 120,932
Total Debt Payable - Governmental Activities			\$ 1,137,109	\$ 36,360,099	\$ -	\$ 2,786,280	\$ 33,573,819

The following table summarizes the annual debt service requirements of the District's Governmental Activities long-term debt August 31, 2019:

	General Obligation Bonds		Maintenance Tax Notes		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,540,000	\$ 1,055,250	\$ -	\$ -	\$ 59,670	\$ 5,559	\$ 2,599,670	\$ 1,060,809
2021	2,620,000	978,125	-	-	61,262	2,842	2,681,262	980,967
2022	2,610,000	1,008,563	-	-	-	-	2,610,000	1,008,563
2023	2,435,000	1,241,425	-	-	-	-	2,435,000	1,241,425
2024	2,545,000	1,159,600	-	-	-	-	2,545,000	1,159,600
2025-2029	13,760,025	6,485,313	-	-	-	-	13,760,025	6,485,313
2030-2034	4,400,000	81,063	-	-	-	-	4,400,000	81,063
2035-2039	-	-	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-	-	-
Totals	\$ 30,910,025	\$ 12,009,339	\$ -	\$ -	\$ 120,932	\$ 8,401	\$ 31,030,957	\$ 12,017,740

The District did not issue building or refunding bonds during the current year.

In prior years, the District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. After the 2015 retirement of defeased bonds, the District had \$49,380,000 in bonds considered defeased and still outstanding.

There are a number of limitations and restrictions contained in the general obligation bond indenture. District administration has indicated that the District is in compliance with all significant limitations and restrictions at year end.

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year end as follows (the imputed interest on the leases range from 5.50% to 5.50%:

Year Ending August 31	
2020	\$ 50,024
2021	50,024
2022	50,024
2023	12,512
Total Minimum Future Rentals	\$ 162,584
Rental Expenditures in Fiscal Year 2019	\$ 221,996

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in "lump sum" cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments.

K. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid premiums per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

L. DEFERRED INFLOWS - UNEARNED REVENUE -GOVERNMENTAL FUND FINANCIAL STATEMENTS

Deferred Inflows - Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Unavailable Tax Revenue	\$ 486,173	\$ -	\$ 143,633	\$ 629,806
State Grants	-	1,991	-	1,991
Total Deferred Inflows	\$ 486,173	\$ 1,991	\$ 143,633	\$ 631,797

M. 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 at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as "Due from State Agencies" except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	DUE FROM STATE- FOUNDATION ENTITLEMENTS	DUE FROM STATE-STATE & FEDERAL GRANTS	DUE FROM OTHER GOVERNMENTS	TOTAL
General	\$ 902,850	\$ -	\$ -	\$ 902,850
Special Revenue	-	355,731	-	355,731
Debt Service	-	-	-	-
Totals	\$ 902,850	\$ 355,731	\$ -	\$ 1,258,581

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$16,299,067	\$ -	\$ 3,925,062	\$20,224,129
Penalties, Interest and Other Tax- Related Income	88,784	-	18,543	107,327
Investment Income	309,567	1,776	44,492	355,835
Foundations, Gifts and Bequests	282	-	-	282
Food Sales	-	453,865	-	453,865
Co-curricular Student Activities	56,657	-	-	56,657
Insurance Recovery, SSA, & Other	483,851	525,616	3,290	1,012,757
Totals	\$17,238,207	\$981,256	\$ 3,991,387	\$22,210,850

O. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is not aware of pending exposure to claims related to these areas.

P. CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS & CONTINGENCIES

The District at year end had not incurred or made any additional commitments and/or contingencies in connection with construction or other areas of significance.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District was a member of the Arlington ISD Shared Services Arrangements ("SSA"). The SSA provides services for special education to member districts. Arlington Independent School District is the fiscal agent for the SSA. In addition to the District, other member districts participated in the special education cooperative. The fiscal agent provided SSA services. The member districts provided the funds to the fiscal agent. The Shared Services Arrangements – Special Education had been accounted for using Model 3 in the SSA section of the TEA Resource Guide. The District had accounted for the payments to the fiscal agent of the SSA in a Special Revenue Fund as intergovernmental expenditures. The District’s expenditures to the SSA for the current year were as follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Arlington ISD	Special Education	Arlington ISD	IDEA, Part B - Formula	313	224	\$ 22,500

The district does not participate in shared service arrangements with other school districts for various other educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA’s Resource Guide, the Fiscal Agent has accounted for the fiscal agent’s activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the share services arrangement.

R. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through **January 16, 2020**, the date this Annual Financial Report was issued. No material subsequent events had occurred in the period of August 31, 2019 through that date.

S. RELATED ORGANIZATIONS

The District at present does not maintain an Educational Foundation (the "Foundation"). This entity would be established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district support activities. This entity would be a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 61*. The members of the board of the Foundation are usually appointed by an outside taxpayer group; however, the support for the District must be material to the financial statements to be included as a private purpose trust fund per the Schedule E Exhibits.

T. RELATED PARTY TRANSACTIONS

The District does not incur related party transactions with businesses owned or employers for various members of the board of trustees. Therefore, the District did not incur any material reportable related party transactions or balances as of and during the current year end.

U. FUND BALANCE / NET POSITION ADJUSTMENTS

During the current fiscal year, the District did make a prior period fund balance and net position adjustment.

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Governmental Fund Balance:				
Increase (Decrease) Beginning of Year Fund Balance				
From Change in Liabilities	\$ (36,782)	\$ -	\$ 7,463	\$ (29,319)
Total Fund Balance Adjustment	\$ (36,782)	\$ -	\$ 7,463	\$ (29,319)
Government Wide Net Position:				
Increase (Decrease) Beg of Year Net Position:				
Prior Period Adjustment for Accts. Pay. & Long-term Debt				\$ 27,748
Total Net Position Adjustment				\$ 27,748

V. RISK FINANCING AND OTHER COVERAGE

Workers' Compensation Program

During the current year, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the current year, the Fund anticipates no additional liability to members beyond their contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Property / Casualty Program

During the current year ended, the District purchased commercial insurance with Texas Political with coverage for the following:

- 1) Crime,
- 2) General Liability,
- 3) Property and Band Floater,
- 4) Sexual Misconduct Endorsement, and
- 5) SP Legal Liability.

Unemployment Compensation Program

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

W. DEFINED BENEFIT PENSION PLAN

a. Plan Description

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

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

b. Pension Plan Fiduciary Net Position

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

c. Benefits Provided

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

d. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 604,336
Current fiscal year member contributions		\$ 1,502,418
2018 measurement year NECE on-behalf contributions		\$ 903,311
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2017 Medicare, Part D On-Behalf		\$ 58,576
Fiscal year 2018 Medicare, Part D On-Behalf		\$ 61,294
Fiscal year 2019 Medicare, Part D On-Behalf		\$ 76,432

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

e. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate of of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.30%
Salary Increases including inflation	3.05 % to 9.05%
Ad hoc post-employment benefit changes	None

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

f. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non- employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all benefit payments until the year 2069. As a result, 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, 2018 are summarized as follows:

Teacher Retirement System of Texas
 Asset Allocation and Long-Term Expected Real Rate of Return
 As of August 31, 2018

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00	6.90	0.90
Emerging Markets	9.00	8.95	0.80
Directional Hedge Funds	4.00	3.53	0.14
Private Equity	13.00	10.18	1.32
Stable Value			
U.S. Treasuries	11.00	1.11	0.12
Absolute Return	0.00	0.00	0.00
Stable Value Hedge Funds	4.00	3.09	0.12
Cash	1.00	(0.30)	0.00
Real Return			
Global Inflation Linked Bonds	3.00	0.70	0.02
Real Assets	14.00	5.21	0.73
Energy and Natural Resources	5.00	7.48	0.37
Commodities	0.00	0.00	0.00
Risk Parity			
Risk Parity	5.00	3.70	0.18
Inflation Expectation			2.30
Volatility Drag ²			(0.79)
Total	100.00%		7.25%

1 Target allocations are based on the FY2016 policy model.

2 The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

g. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$ 15,911,855	\$ 10,542,960	\$ 6,196,522

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

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

District's proportionate share of the collective net pension liability	\$ 10,542,960
State's proportionate share that is associated with the District	14,768,522
Total	\$ 25,311,482

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2017 thru August 31, 2018.

At August 31, 2019 the employer's proportion of the collective net pension liability and the percentage increase (decrease) from its proportion measured as of August 31, 2018 are shown in the required supplementary information in Exhibit G-2.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017
- Economic assumption including rates of salary increase for individual participant was updated based on the same experience study
- The discount rate changed from 8.0% as of August 31, 2017 to 6.097% as of August 31, 2018
- The long-term assumed rate of return changed from 8.0% to 7.25%
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability

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

For the year ended August 31, 2019, the District recognized the following:

Year Ended August 31, 2019 pension expense	\$ 2,883,688
Revenue for support provided by the State	\$ 1,461,690

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 65,716	\$ 258,683
Changes in actuarial assumptions	3,801,245	118,789
Differences between projected and actual investment earnings	-	200,045
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	723,464	184,351
Total as of August 31, 2018 measurement date	\$ 4,590,425	\$ 761,868
Contributions paid to TRS subsequent to the measurement date	604,336	
Total as of fiscal year-end	\$ 5,194,761	\$ 761,868

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

Fiscal year ended August 31,	Pension Expense Amount
2020	\$ 1,053,211
2021	632,231
2022	515,215
2023	616,829
2024	607,097
Thereafter	403,974

X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependent enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premiums for Retirees January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$135	\$200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1020	999

*or surviving spouse

Contribution

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 charge based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

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

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 156,692
Current fiscal year member contributions		\$ 126,826
2018 measurement year NECE on-behalf contributions		\$ 230,813

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following was determined using the following actuarial assumptions:

<u>Actuarial Methods and Assumptions:</u>	
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
<u>Additional Actuarial Methods and Assumptions:</u>	
Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31,2018.
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50% , including inflation
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc Post Employment Benefit Changes	None

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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 a statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability	\$ 14,144,140	\$ 11,882,401	\$ 10,093,220

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 9,868,528	\$ 11,882,401	\$ 14,534,716

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

At August 31, 2019, the District reported a liability of \$11,882,401 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	\$ 11,882,401
State's proportionate share that is associated with the District	16,729,784
Total	<u>\$ 28,612,185</u>

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

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0237976833% which was similar to the proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date: The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:
 - Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
 - Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
 - Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare
 - Allowed eligible retirees and their eligible dependent to enroll in TRS- Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
 - Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums

For the year ended August 31, 2019, the District recognized OPEB expense of \$932,766 and revenue of \$608,529 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 630,555	\$ 187,522
Changes in actuarial assumptions	198,285	3,569,980
Differences between projected and actual investment earnings	2,078	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	215,014	-
Contributions paid to TRS subsequent to the measurement date	156,692	
Total as of fiscal year-end	\$ 1,202,624	\$ 3,757,502

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

Fiscal year ended August 31,	OPEB Expense Amount
2020	\$ (440,914)
2021	(440,914)
2022	(440,914)
2023	(441,307)
2024	(441,531)
Thereafter	(505,990)

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 16,952,459	\$ 16,952,459	\$ 17,238,207	\$ 285,748
5800 State Program Revenues	11,792,265	12,042,265	11,836,812	(205,453)
5900 Federal Program Revenues	243,400	243,400	337,433	94,033
5020 Total Revenues	28,988,124	29,238,124	29,412,452	174,328
EXPENDITURES:				
Current:				
0011 Instruction	16,286,564	16,696,524	15,586,664	1,109,860
0012 Instructional Resources and Media Services	279,713	279,113	263,240	15,873
0013 Curriculum and Instructional Staff Development	56,575	54,555	32,773	21,782
0021 Instructional Leadership	745,391	713,857	644,353	69,504
0023 School Leadership	1,839,867	1,838,367	1,771,521	66,846
0031 Guidance, Counseling and Evaluation Services	727,266	722,606	643,517	79,089
0033 Health Services	421,195	414,995	391,779	23,216
0034 Student (Pupil) Transportation	1,360,494	1,338,494	1,166,198	172,296
0035 Food Services	58,749	60,349	52,680	7,669
0036 Extracurricular Activities	1,110,250	1,151,954	1,111,866	40,088
0041 General Administration	1,427,396	1,623,996	1,570,150	53,846
0051 Facilities Maintenance and Operations	3,536,158	3,680,833	3,152,489	528,344
0052 Security and Monitoring Services	198,800	203,925	203,644	281
0053 Data Processing Services	763,446	704,296	658,186	46,110
0061 Community Services	1,000	1,000	-	1,000
Debt Service:				
0071 Principal on Long-Term Debt	57,100	57,100	57,071	29
0072 Interest on Long-Term Debt	8,160	8,160	8,159	1
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,000	25,000	15,996	9,004
0099 Other Intergovernmental Charges	105,000	105,000	103,893	1,107
6030 Total Expenditures	28,988,124	29,680,124	27,434,179	2,245,945
1200 Net Change in Fund Balances	-	(442,000)	1,978,273	2,420,273
0100 Fund Balance - September 1 (Beginning)	10,831,886	10,831,886	10,868,668	36,782
1300 Increase (Decrease) in Fund Balance	-	-	(36,782)	(36,782)
3000 Fund Balance - August 31 (Ending)	\$ 10,831,886	\$ 10,389,886	\$ 12,810,159	\$ 2,420,273

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.019154243%	0.019522542%	0.019605425%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,542,960	\$ 6,242,257	\$ 7,408,599
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	14,768,522	8,960,405	11,025,525
Total	<u>\$ 25,311,482</u>	<u>\$ 15,202,662</u>	<u>\$ 18,434,124</u>
District's Covered Payroll	\$ 19,743,101	\$ 19,589,831	\$ 19,340,975
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	53.40%	31.86%	38.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.020714%		0.0142712%
\$	7,322,123	\$	3,812,035
	10,896,495		9,394,085
<u>\$</u>	<u>18,218,618</u>	<u>\$</u>	<u>13,206,120</u>
\$	19,142,403	\$	18,270,181
	38.25%		20.86%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 604,336	\$ 645,815	\$ 639,835
Contribution in Relation to the Contractually Required Contribution	(604,336)	(645,815)	(639,835)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 19,511,909	\$ 19,758,035	\$ 19,589,831
Contributions as a Percentage of Covered Payroll	3.10%	3.27%	3.27%

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

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

<u>2016</u>		<u>2015</u>	
\$	622,914	\$	613,351
	(622,914)		(613,351)
<hr/>		<hr/>	
\$	-	\$	-
<hr/>		<hr/>	
\$	19,340,975	\$	19,142,403
	3.22%		3.20%

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.023797683%	0.023405028%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 11,882,401	\$ 10,177,968
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	16,729,784	15,136,678
Total	<u>\$ 28,612,185</u>	<u>\$ 25,314,646</u>
District's Covered Payroll	\$ 19,743,101	\$ 19,589,831
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.19%	51.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018
Contractually Required Contribution	\$ 156,692	\$ 164,104
Contribution in Relation to the Contractually Required Contribution	(156,692)	(164,104)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 19,511,909	\$ 19,758,035
Contributions as a Percentage of Covered Payroll	0.80%	0.83%

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.

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

A. Notes to Schedules for the TRS Pension / OPEB Plan

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017
- Economic assumption including rates of salary increase for individual participant was updated based on the same experience study
- The discount rate changed from 8.0% as of August 31, 2017 to 6.097% as of August 31, 2018
- The long-term assumed rate of return changed from 8.0% to 7.25%
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit

Change of Benefit Terms Since the Prior Measurement Date: The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

Changes in Assumptions

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

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

- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

**OTHER SUPPLEMENTARY INFORMATION –
COMBINING AND INDIVIDUAL SCHEDULES**

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	163,407	94,894	732
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 163,407</u>	<u>\$ 94,894</u>	<u>\$ 732</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ 6,119	\$ -
2160 Accrued Wages Payable	13,430	49,847	402
2170 Due to Other Funds	149,977	38,928	330
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>163,407</u>	<u>94,894</u>	<u>732</u>
DEFERRED INFLOWS OF RESOURCES			
2602 Unavailable Revenue State Funding	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 163,407</u>	<u>\$ 94,894</u>	<u>\$ 732</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 ESEA, Title IV, Part A	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds
\$ 446,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,991	\$ -
62,029	4,134	17,177	8,627	4,731	-	-	-
99,731	-	-	-	-	-	-	-
<u>\$ 608,300</u>	<u>\$ 4,134</u>	<u>\$ 17,177</u>	<u>\$ 8,627</u>	<u>\$ 4,731</u>	<u>\$ -</u>	<u>\$ 1,991</u>	<u>\$ -</u>
\$ 27,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42,979	-	-	-	-	-	-	-
-	4,134	17,177	8,627	4,731	-	-	-
27,844	-	-	-	-	-	-	-
<u>98,130</u>	<u>4,134</u>	<u>17,177</u>	<u>8,627</u>	<u>4,731</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	1,991	-
-	-	-	-	-	-	1,991	-
71,888	-	-	-	-	-	-	-
438,282	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>510,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 608,300</u>	<u>\$ 4,134</u>	<u>\$ 17,177</u>	<u>\$ 8,627</u>	<u>\$ 4,731</u>	<u>\$ -</u>	<u>\$ 1,991</u>	<u>\$ -</u>

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

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 296,551	\$ 745,082
1240 Due from Other Governments	-	355,731
1300 Inventories	-	99,731
1000 Total Assets	<u>\$ 296,551</u>	<u>\$ 1,200,544</u>
LIABILITIES		
2110 Accounts Payable	\$ 3,612	\$ 37,038
2160 Accrued Wages Payable	-	106,658
2170 Due to Other Funds	-	223,904
2300 Unearned Revenue	-	27,844
2000 Total Liabilities	<u>3,612</u>	<u>395,444</u>
DEFERRED INFLOWS OF RESOURCES		
2602 Unavailable Revenue State Funding	-	1,991
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>1,991</u>
FUND BALANCES		
Nonspendable Fund Balance:		
3410 Inventories	-	71,888
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	438,282
3490 Other Restricted Fund Balance	292,939	292,939
3000 Total Fund Balances	<u>292,939</u>	<u>803,109</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 296,551</u>	<u>\$ 1,200,544</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	387,531	484,148	4,789
5020 Total Revenues	<u>387,531</u>	<u>484,148</u>	<u>4,789</u>
EXPENDITURES:			
Current:			
0011 Instruction	307,955	229,379	4,789
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	72,779	-	-
0021 Instructional Leadership	3,141	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	232,269	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0061 Community Services	3,656	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	22,500	-
6030 Total Expenditures	<u>387,531</u>	<u>484,148</u>	<u>4,789</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
1300 Increase (Decrease) in Fund Balance	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 ESEA, Title IV, Part A	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds
\$ 456,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,009	-	-	-	-	1,795	244,993	1,750
859,022	32,319	68,733	14,152	9,047	-	-	-
1,322,294	32,319	68,733	14,152	9,047	1,795	244,993	1,750
-	31,869	-	11,555	9,047	1,795	201,201	1,750
-	-	-	-	-	-	-	-
-	-	68,733	151	-	-	43,792	-
-	450	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,446	-	-	-	-
1,211,473	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
74,705	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,286,178	32,319	68,733	14,152	9,047	1,795	244,993	1,750
36,116	-	-	-	-	-	-	-
474,054	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 510,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 524,993	\$ 981,256
5800 State Program Revenues	-	255,547
5900 Federal Program Revenues	-	1,859,741
5020 Total Revenues	<u>524,993</u>	<u>3,096,544</u>
EXPENDITURES:		
Current:		
0011 Instruction	169,358	968,698
0012 Instructional Resources and Media Services	21,421	21,421
0013 Curriculum and Instructional Staff Development	-	185,455
0021 Instructional Leadership	-	3,591
0023 School Leadership	92,344	92,344
0031 Guidance, Counseling and Evaluation Services	-	234,715
0035 Food Services	-	1,211,473
0036 Extracurricular Activities	185,113	185,113
0051 Facilities Maintenance and Operations	7,119	81,824
0061 Community Services	-	3,656
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	22,500
6030 Total Expenditures	<u>475,355</u>	<u>3,010,790</u>
1200 Net Change in Fund Balance	49,638	85,754
0100 Fund Balance - September 1 (Beginning)	235,838	709,892
1300 Increase (Decrease) in Fund Balance	7,463	7,463
3000 Fund Balance - August 31 (Ending)	<u>\$ 292,939</u>	<u>\$ 803,109</u>

KENNEDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2019

	BALANCE SEPTEMBER 1 2018	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2019
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 18,200	\$ 67,922	\$ 58,194	\$ 27,928
Liabilities:				
Due to Student Groups	\$ 18,200	\$ 67,922	\$ 58,194	\$ 27,928
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 18,200	\$ 67,922	\$ 58,194	\$ 27,928
Liabilities:				
Due to Student Groups	\$ 18,200	\$ 67,922	\$ 58,194	\$ 27,928

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.170000	0.374800	931,311,783
2012	1.170000	0.342100	979,003,419
2013	1.170000	0.342100	974,035,229
2014	1.170000	0.320700	978,382,397
2015	1.170000	0.344700	1,061,574,142
2016	1.170000	0.316700	1,037,415,418
2017	1.170000	0.316700	1,161,663,564
2018	1.170000	0.310000	1,272,267,838
2019 (School year under audit)	1.170000	0.281694	1,375,340,194
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 334,338	\$ -	\$ 1,166	\$ 373	\$ (14,877)	\$ 317,922
15,474	-	25	8	-	15,441
18,805	-	898	263	1	17,645
36,895	-	4,905	1,434	5,308	35,864
40,452	-	6,371	1,746	5,411	37,746
34,763	-	9,840	2,899	11,721	33,745
35,043	-	9,088	2,460	9,191	32,686
32,893	-	(17,555)	(4,752)	(31,364)	23,836
112,067	-	6,729	1,783	(64,625)	38,930
-	20,334,728	15,982,055	4,214,393	-	138,280
<u>\$ 660,730</u>	<u>\$ 20,334,728</u>	<u>\$ 16,003,522</u>	<u>\$ 4,220,607</u>	<u>\$ (79,234)</u>	<u>\$ 692,095</u>

KENNEDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 691,143	\$ 691,143	\$ 456,263	\$ (234,880)
5800 State Program Revenues	7,900	7,900	7,009	(891)
5900 Federal Program Revenues	950,000	950,000	859,022	(90,978)
5020 Total Revenues	1,649,043	1,649,043	1,322,294	(326,749)
EXPENDITURES:				
Current:				
0035 Food Services	1,500,175	1,500,675	1,211,473	289,202
0051 Facilities Maintenance and Operations	148,368	148,368	74,705	73,663
6030 Total Expenditures	1,648,543	1,649,043	1,286,178	362,865
1200 Net Change in Fund Balances	500	-	36,116	36,116
0100 Fund Balance - September 1 (Beginning)	474,054	474,054	474,054	-
3000 Fund Balance - August 31 (Ending)	\$ 474,554	\$ 474,054	\$ 510,170	\$ 36,116

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,473,950	\$ 3,473,950	\$ 3,991,387	\$ 517,437
5800 State Program Revenues	119,200	119,200	122,942	3,742
5020 Total Revenues	<u>3,593,150</u>	<u>3,593,150</u>	<u>4,114,329</u>	<u>521,179</u>
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,420,000	2,420,000	2,420,000	-
0072 Interest on Long-Term Debt	1,166,150	1,166,150	1,128,950	37,200
0073 Bond Issuance Cost and Fees	7,000	7,000	5,590	1,410
6030 Total Expenditures	<u>3,593,150</u>	<u>3,593,150</u>	<u>3,554,540</u>	<u>38,610</u>
1200 Net Change in Fund Balances	-	-	559,789	559,789
0100 Fund Balance - September 1 (Beginning)	<u>1,796,314</u>	<u>1,796,314</u>	<u>1,796,314</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,796,314</u>	<u>\$ 1,796,314</u>	<u>\$ 2,356,103</u>	<u>\$ 559,789</u>

**REPORTS ON COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS**

James E. Rodgers and Company, P.C.

Certified Public Accountants

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Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

January 16, 2020

Government Auditing Standards 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
Kennedale Independent School District
Kennedale, Texas 76060**

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 Kennedale Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Kennedale Independent School District's basic financial statements, and have issued our report thereon dated January 16, 2020.

Internal Control Over Financial Reporting

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

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

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

James E. Rodgers and Company, P.C.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

James E. Rodgers and Company

James E. Rodgers and Company, P.C.

James E. Rodgers and Company, P.C.

Certified Public Accountants

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Richard E. Rodgers CPA • Gerald L. Rodgers CPA

January 16, 2020

Single Audit Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance

To the Board of Trustees
Kennedale Independent School District
Kennedale, Texas 76060

Report on Compliance for Each Major Federal Program

We have audited Kennedale 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 each of Kennedale Independent School District's major federal programs for the year ended August 31, 2019. Kennedale Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kennedale Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, 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 Kennedale Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

James E. Rodgers and Company, P.C.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and therefore, are not described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Kennedale Independent School District's response is not required since noncompliance findings were not identified in our audit and are not described in the accompanying schedule of findings and questioned costs. Kennedale Independent School District's response if required would not have been subjected to the auditing procedures applied in the audit of compliance and, accordingly, we would not have expressed an opinion on the response.

Report on Internal Control Over Compliance

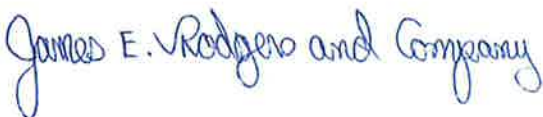
Management of Kennedale Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kennedale Independent School District's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

Respectfully submitted,



James E. Rodgers and Company, P.C.

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

I. Summary of the Auditor's Results:		
1.	Type of report issued on the financial statements:	Unmodified Opinion
2 (a).	Significant deficiencies in internal control:	None
(b).	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to the financial statements:	None
4 (a).	Significant deficiencies in internal control over major programs	None
(b).	Significant deficiencies that were material weaknesses	None
5.	Type of report issued on compliance with major programs	Unmodified Opinion
6.	Audit findings that the auditor is required to report under Section .510(a). These include the following:	
(a).	Significant deficiencies in internal control over major programs.	None
(b).	Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.	None
(c).	For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$25,000.	None
(d).	Known questioned costs greater than \$25,000 for a federal program that is not audited as a major program.	None
(e).	The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.	Not applicable
(f).	Known fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.	None
(g).	Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.	None
7.	Identification of major programs:	
	• Child Nutrition Cluster:	
	School Breakfast Program (CFDA 10.553)	
	National School Lunch Program-Cash and Non-Cash Assistance	
	(CFDA 10.555)	
8.	Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
9.	District qualified as a low-risk auditee	Yes

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

II. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.

Finding 2019-001:

- a. **Condition:** None
- b. **Criteria:** N/A
- c. **Cause:** N/A
- d. **Effect:** N/A
- e. **Recommendation:** N/A
- f. **District Response:** N/A

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in 6(a) – 6(g) above.

There were **no audit findings or questioned costs for federal awards** that are required to be reported.



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

Finding 2018-001: There were no prior year audit findings.



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

The name of the contact person responsible for corrective action:

Jimmy Adams, Finance Director

District Phone Number: 254-582-8585.

The corrective action for Finding 2019-001:

N/A. The District had no findings for the current year.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	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	19610101220914	\$ 374,100
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101220914	13,431
Total CFDA Number 84.010A			387,531
*IDEA - Part B, Formula	84.027	196600012209146000	434,301
*IDEA - Part B, Formula	84.027	106600012209146000	49,847
Total CFDA Number 84.027			484,148
*IDEA - Part B, Preschool	84.173	196610012209146000	4,387
*IDEA - Part B, Preschool	84.173	106610012209146000	402
Total CFDA Number 84.173			4,789
Total Special Education Cluster (IDEA)			488,937
Career and Technical - Basic Grant	84.048	19420006220914	32,319
Title III, Part A - English Language Acquisition	84.365A	19671001220914	14,152
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501220914	68,733
ESEA, Title IV, Part A	84.424A	19680101220914	9,047
Total Passed Through State Department of Education			1,000,719
TOTAL U.S. DEPARTMENT OF EDUCATION			1,000,719
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	167,260
*National School Lunch Program - Cash Assistance	10.555	71301901	587,592
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	104,170
Total CFDA Number 10.555			691,762
Total Child Nutrition Cluster			859,022
Total Passed Through the State Department of Agriculture			859,022
TOTAL U.S. DEPARTMENT OF AGRICULTURE			859,022
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,859,741

*Clustered Programs

Non-Grant federal program revenue for the current year included SHARS' receipts of \$337,433. The District did not make payments to sub-recipients during the current year.

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

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.
3. The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured 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.
4. Federal grant funds are recorded as earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
5. 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 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.