



Financial Statements
August 31, 2023

**Kerrville Independent School
District**

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Certificate of the Board

Kerrville Independent School District
Name of School District

Kerr
County

133-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the Board of Trustees of such school district on the 18th day of December 2023.



Signature of Board Secretary



Signature of Board President

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



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kerrville Independent School District (the District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the District as of August 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended August 31, 2023. As a result of implementing the standard there was no effect on governmental activities' beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, pension plan schedules, OPEB plan schedules, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining nonmajor fund financial statements, TEA required schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, TEA required schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 5, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
December 5, 2023

The management of Kerrville Independent School District (“the District”) offer readers of the annual financial report this narrative discussion and analysis of the District’s financial performance for the year ended August 31, 2023. Readers are encouraged to consider the information presented here in conjunction with the District’s financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- At the close of the year ended August 31, 2023, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$51,638,532. Net investments in capital assets was \$44,808,794.
- The government-wide statements reported total revenues of \$69,089,672, which exceeded total expenses of \$61,867,168 and resulted in a net increase of net position of \$7,222,504 over beginning net position of \$44,416,028.
- The governmental funds financial statements reported combined ending fund balance of \$37,723,321 for the year ending August 31, 2023. This balance includes \$24,221,919 in the General Fund which is unassigned and available for spending at the District’s discretion. Restricted fund balance for grants and debt service totals \$1,156,599 and \$4,124,747 and is included in the Non-Major Funds and Debt Service Fund, respectively. Restricted fund balance for capital acquisitions totals \$2,285,297 and is included in the Capital Projects Fund. Committed fund balance is \$5,508,882 and is included in the General Fund for future construction projects, other future identified needs and other nonmajor funds for campus activity funds. Non-spendable fund balance is \$425,877.
- The General Fund had \$47,928,112 in revenues, which primarily consisted of state aid and property taxes, and \$44,477,555 in expenditures and \$(803,879) in other financing sources (issuance of leases and SBITA offset by transfers out), which resulted in an increase in fund balance by \$2,646,678 for the year ended August 31, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District’s operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Major features of the District’s [government-wide](#) and [fund financial statements](#) are summarized below:

Type of Statement	Government-Wide	Fund Financials		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District’s government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Activities the District operates similar to private business-health insurance	Instances in which the District is the trustee or agent for someone else’s resources
Required Financial Statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of change in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during the year, regardless of when cash is received or paid.	All revenue and expenses during the year, regardless of when cash is received or paid.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector company. These statements include:

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District are as follows:

- **Governmental activities**—Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out of those funds and (2) the balances left at year-end that are available for spending in future periods. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explain the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, ESSER II Fund, the Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as nonmajor funds.

Proprietary Funds. Services for which the District charges users (other units of the District) a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District uses internal service funds to report activities that provide supplies and services for the District's transportation fund.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$7,222,504 from the previous year as can be seen on the following table.

	Governmental Activities				
	2023		2022		Increase (Decrease)
	Amount	%	Amount	%	Amount
Current and other assets	\$43,305,816	24	\$39,240,806	23	\$ 4,065,010
Capital assets, net of accumulated depreciation	134,505,097	76	134,331,578	77	173,519
Total assets	177,810,913	100	173,572,384	100	4,238,529
Total deferred outflows of resources	8,260,943	100	5,841,630	100	2,419,313
Other liabilities	3,968,396	3	3,167,344	3	801,052
Long-term liabilities outstanding	114,146,352	97	113,258,413	97	887,939
Total liabilities	118,114,748	100	116,425,757	100	1,688,991
Total deferred inflows of resources	16,318,576	100	18,572,229	100	(2,253,653)
Net position:					
Net investment in capital assets	44,808,794	87	44,189,888	99	618,906
Restricted	5,601,583	11	3,454,841	8	2,146,742
Unrestricted	1,228,155	2	(3,228,701)	(7)	4,456,856
Total net position	\$51,638,532	100	\$44,416,028	100	\$ 7,222,504

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 76 percent of total assets. The remaining assets consist mainly of investments, cash, grants received, property taxes receivable, inventories and prepaid assets.

The District's long-term liabilities include general obligation bonds, premium on bonds and lease and SBITA liability (78%) and net pension and OPEB liability (19%). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (3%).

The District's net position includes its investment in capital assets (e.g., land, buildings, equipment, leased assets) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to the following:

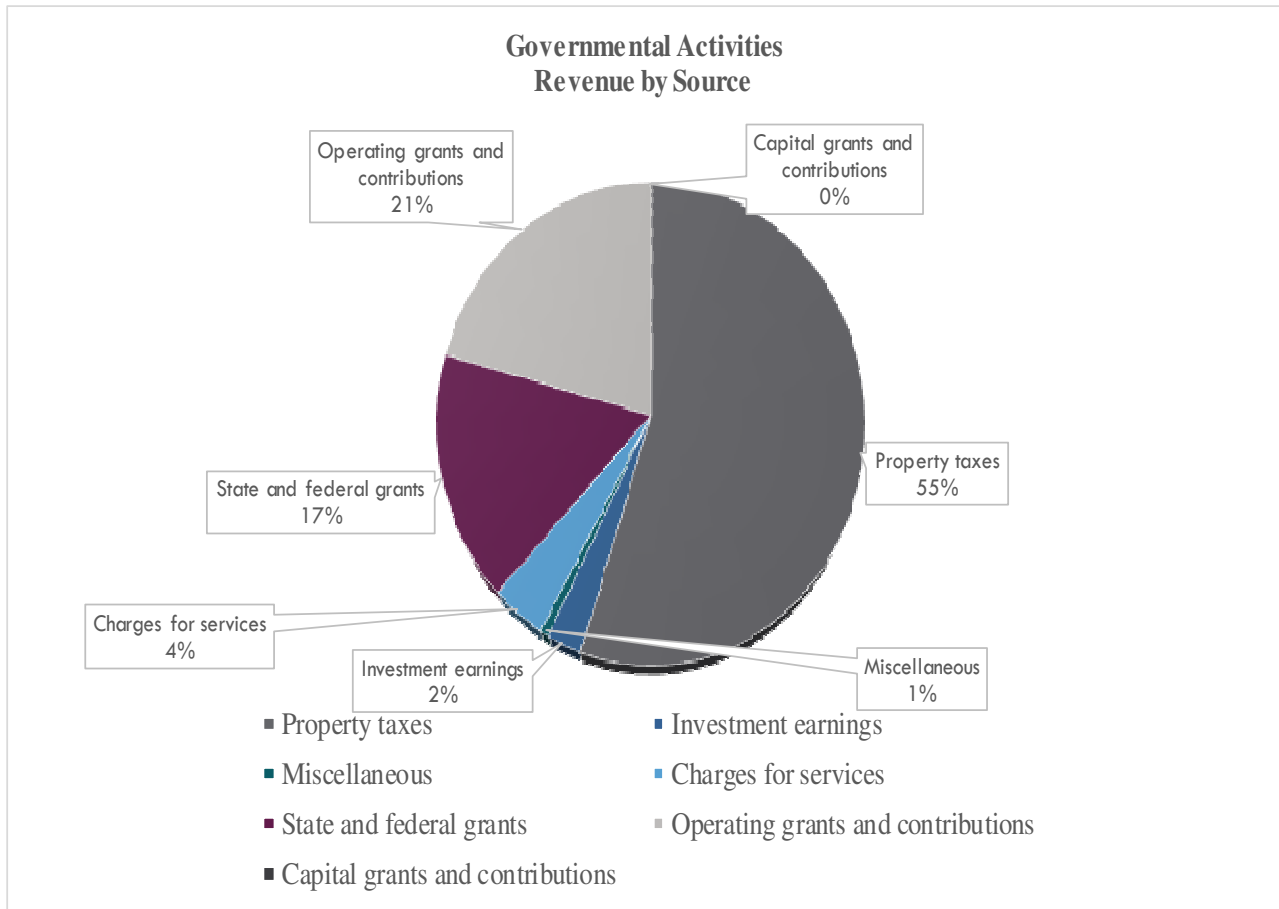
- There was an increase in the property tax base which resulted in additional property tax revenues of approximately \$2,988,707 during the current fiscal period.
- There was a significant increase in operating grants and contributions (mostly due to ESSER funding) of \$2,104,080.

Governmental Activities

Funding for government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earnings. Revenues for the District's governmental activities increased \$5,744,162 while total expenses increased \$6,064,443 which resulted in a net decrease of net position of \$320,281.

Revenues

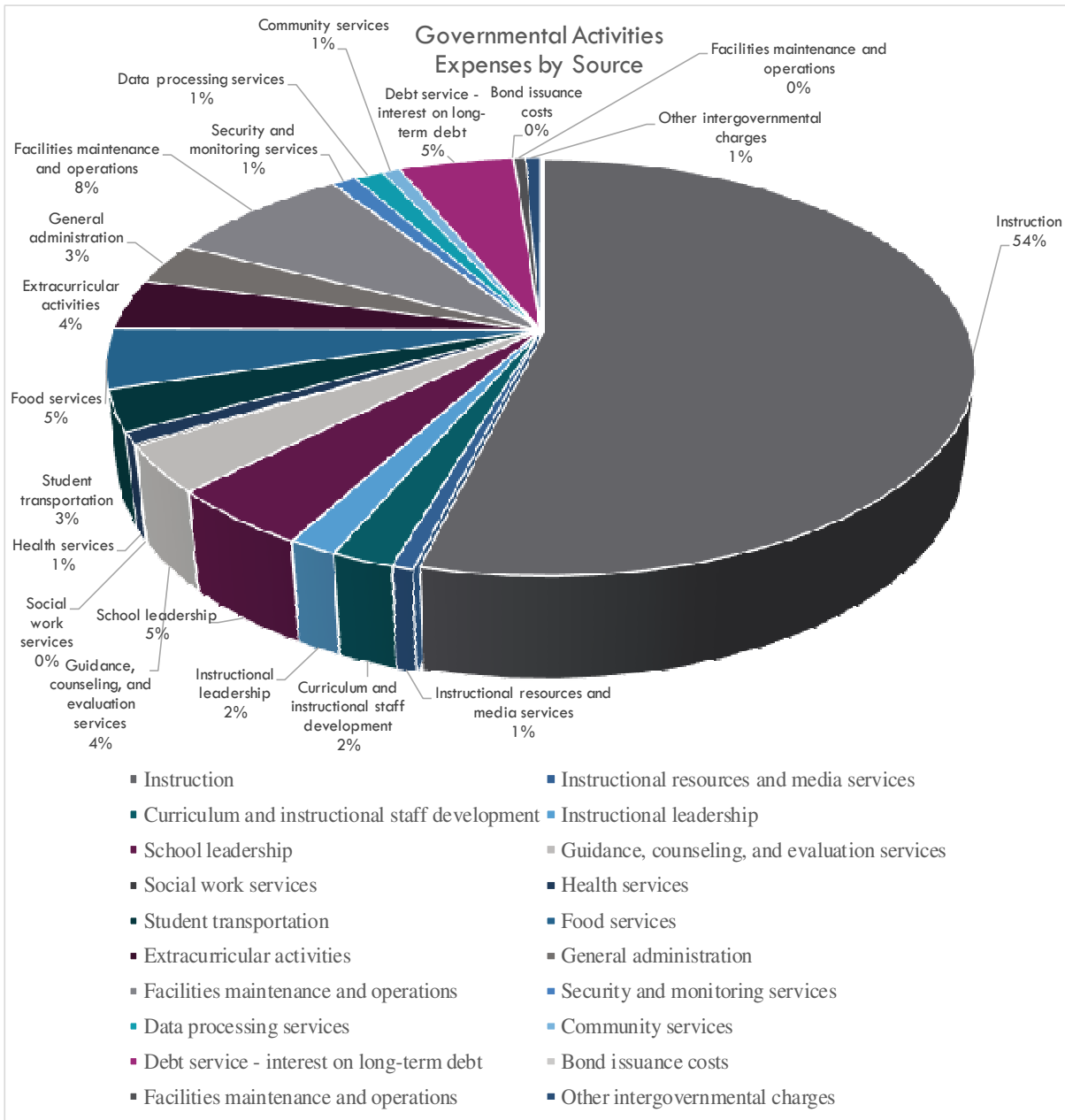
The District's total revenues were \$69,089,672, representing an increase of \$5,744,162 from the previous year. The majority of this increase is due to a \$2,988,707 increase in property tax revenue, \$2,104,080 increase in grants and contributions, and a \$1,608,549 increase in investment earnings. As seen below, approximately 55% of the District's revenue comes from taxes while the remaining 38% comes primarily from program revenue and state and federal sources.



Expenses

The District's total expenses were \$61,867,168, representing an increase of \$6,064,443 from the previous year. The District's primary functional expenses are

- Instruction - \$33,372,750 or 54 percent of total expenses
- Facilities maintenance and operations - \$5,136,925, or 8 percent of total expenses



In total, governmental activities increased the District's net position by \$7,222,504. Key elements of this change are as noted on the following page:

Kerrville Independent School District
Management's Discussion and Analysis
August 31, 2023

Kerrville Independent School District's Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 2,764,227	4	\$ 2,544,580	4	\$ 219,647	9
Operating grants and contributions	14,470,279	21	12,366,199	20	2,104,080	17
Capital grants and contributions	-		-		-	
General revenues:						
Property taxes, levied for general purpose	31,462,625	46	29,082,139	46	2,380,486	8
Property taxes, levied for debt service	6,623,233	10	6,015,012	9	608,221	10
State Aid - Formula Grants	11,141,374	16	12,201,413	19	(1,060,039)	-9
Grants and contributions not restricted to specific programs	427,403	1	493,471	1	(66,068)	-13
Investment earnings	1,773,362	3	164,813	0	1,608,549	976
Miscellaneous	427,169	1	477,883	1	(50,714)	-11
Total revenues	69,089,672	100	63,345,510	100	5,744,162	9
Expenses:						
Instruction	33,372,750	54	29,946,829	54	3,425,921	11
Instructional resources and media services	419,813	1	412,345	1	7,468	2
Curriculum and instructional staff development	1,223,332	2	1,426,261	3	(202,929)	-14
Instructional leadership	945,903	2	782,977	1	162,926	21
School leadership	2,867,039	5	2,637,552	5	229,487	9
Guidance, counseling, and evaluation services	2,223,316	4	1,842,323	3	380,993	21
Social work services	82,899	0	64,969	0	17,930	28
Health services	567,727	1	519,928	1	47,799	9
Student transportation	1,941,611	3	1,673,588	3	268,023	16
Food service	2,829,685	5	2,649,840	5	179,845	7
Extracurricular activities	2,439,347	4	2,154,803	4	284,544	13
General administration	1,979,542	3	1,593,826	3	385,716	24
Facilities maintenance and operations	5,136,925	8	4,883,111	9	253,814	5
Security and monitoring services	663,198	1	196,937	0	466,261	237
Data processing services	806,525	1	781,060	1	25,465	3
Community services	479,718	1	449,750	1	29,968	7
Debt service -interest on long-term debt	3,159,854	5	3,230,810	6	(70,956)	-2
Bond issuance costs	1,500	0	5,203	0	(3,703)	0
Facilities acquisition and construction	307,616	0	138,251	0	169,365	0
Other intergovernmental charges	418,868	1	412,362	1	6,506	2
Total expenses	61,867,168	100	55,802,725	100	6,064,443	11
Change in net position	7,222,504		7,542,785		(320,281)	
Net position, beginning	44,416,028		36,873,243		7,551,485	
Net position - ending	\$ 51,638,532		\$ 44,416,028		\$ 7,231,204	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$37,723,321, an increase of \$2,685,307 in comparison with the prior year. Approximately 64 percent of this total amount (\$24,221,919) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase inventories (\$59,436), 2) to purchase services for the next fiscal period (\$366,441), 3) committed for construction (\$785,250), 4) committed for various future purposes, such as various capital projects, Instructional Materials Allotment and other items (\$4,062,898), 5) restricted to pay for capital acquisitions (\$2,285,297), 6) restricted to pay debt service (\$4,124,747), 7) for a variety of other restricted purposes (\$1,156,599). The District's committed fund balance includes \$660,734 for campus activity funds. Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$24,221,919, while total fund balance reached \$29,495,944. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 54.4 percent of total General Fund expenditures, while total fund balance represents 66.3 percent of that same amount.

The fund balance of the District's General Fund increased by \$2,646,678 during the current fiscal year. A key factor in this growth is as follows:

- Revenues totaled \$47,928,112 which is a 5 percent increase from previous year.

ESSER II Fund 281. The ESSER II Special Revenue Fund has an ending fund balance of \$0. The fund received \$3,660,626 in revenue during the year, all of which was expended according to grant requirements.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$4,124,747, all of which is restricted for the payment of debt service. The net increase in fund balance was \$1,537,832.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$2,285,297, all of which is restricted for the payment of ongoing capital projects with the issuance of the 2019/2020 Bond Program.

National School Breakfast/Lunch Program Fund. The National School Breakfast/Lunch Program fund has a total fund balance of \$1,156,599. The net increase in fund balance during the current year in the Child Nutrition Fund was \$311,480.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
The amended expenditure budget increased in the General Fund \$4,951,890 from the original budget.
- ***Variances of amended budget to actual expenditures.***
Expenditures were \$5,407,374 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***
Revenues were more than the final budget by \$2,406,888, largely attributed to State revenue and property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$134,505,097 in a broad range of capital assets, including land, buildings, equipment, and right of use assets. This amount represents a net increase of \$173,519 or 0.1 percent over last year. Additional information on the District's capital assets can be found in Note 5 of this report.

**Kerrville Independent School District's
Capital Assets / Right to Use Assets**

	Governmental Activities	
	2023	2022
Land	\$ 5,922,426	\$ 5,922,426
Construction in progress	20,275	15,350
Buildings and improvements	166,101,581	161,466,646
Furniture and equipment	7,980,965	7,854,541
Intangible asset - right to use asset	584,633	500,949
Total at historical cost	180,609,880	175,759,912
Less accumulated depreciation/amortization	(46,104,783)	(41,428,334)
Net capital assets	\$ 134,505,097	\$ 134,331,578

Long-Term Debt

At the end of 2023 the District had \$114,146,352 million in long-term liabilities which include general obligation bonds, net pension liability, OPEB liability and lease liability. The District's long-term liabilities increased by \$888 thousand.

Additional information on the District's long-term debt can be found in Note 6 and 7 of this report.

**Kerrville Independent School District's
Long-Term Debt**

	Governmental Activities	
	2023	2022
Bonds Payable		
General obligation bonds	\$ 84,510,000	\$ 86,660,000
Unamortized bond premium	7,097,247	7,385,809
Net pension liability	14,087,152	5,608,541
OPEB liability	8,361,882	13,412,754
Lease liability	90,071	191,309
Totals	\$ 114,146,352	\$ 113,258,413

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2023-24 appraised property values decreased by approximately 8.04% due to the increase of the Homestead Exemption from \$40,000 to \$100,000. The State funding formulas currently provide that as property tax revenues decrease, state funding increases by a comparable amount.

The Maintenance and Operations (M&O) tax rate decreased to \$0.669 per \$100 valuation for the 2023-24 year. The Interest and Sinking (I&S) tax rate remained at \$.18 per \$100 valuation for an overall rate of \$0.849 for the 2023-24 year.

General Fund expenditures are budgeted to increase \$2,935,521 over the prior year budgeted expenditures, due to the increase in the guaranteed yield and interest rates.

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 demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Department at 1009 Barnett Street, Kerrville, TX 78028.

<u>Data Control Codes</u>		<u>Governmental Activities</u>
Assets		
1110	Cash and cash equivalents	\$ 3,377,334
1120	Current investments	32,840,873
1220	Property taxes receivable (delinquent)	2,238,648
1230	Allowance for uncollectible taxes	(885,249)
1240	Due from other governments	5,267,933
1290	Other receivables	40,400
1300	Inventories at cost	59,436
1410	Prepayments	366,441
Capital assets		
1510	Land	5,922,426
1520	Buildings and improvements, net	125,071,034
1530	Furniture and equipment, net	3,320,916
1550	Right-to-use assets, net of accumulated amortization	170,446
1580	Construction in progress	<u>20,275</u>
1000	Total assets	<u>177,810,913</u>
Deferred outflows of resources		
1705	Deferred outflows - pension	6,114,812
1706	Deferred outflows - OPEB	<u>2,146,131</u>
1700	Total deferred outflows of resources	<u>8,260,943</u>
Liabilities		
2110	Accounts payable	977,710
2120	Other liabilities	1,177
2140	Interest payable	149,969
2160	Accrued wages payable	2,752,354
2180	Due to other governments	775
2300	Unearned revenues	86,411
Noncurrent liabilities		
2501	Due within one year	2,292,858
2502	Due in more than one year	89,404,460
2540	Net pension liability	14,087,152
2545	Net OPEB liability	<u>8,361,882</u>
2000	Total liabilities	<u>118,114,748</u>
Deferred inflows of resources		
2605	Deferred inflows - pension	2,031,916
2606	Deferred inflows - OPEB	<u>14,286,660</u>
2600	Total deferred inflows of resources	<u>16,318,576</u>

See Notes to Financial Statements

Kerrville Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2023

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Net position	
3200	Net investment in capital assets	44,808,794
3820	Restricted for grants	1,156,599
3850	Restricted for debt service	4,160,702
3870	Restricted for capital acquisition	284,282
3900	Unrestricted net position	<u>1,228,155</u>
3000	Total net position	<u>\$ 51,638,532</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 33,372,750	\$ 678,889	\$ 7,187,884
12	Instructional resources and media services	419,813	-	56,120
13	Curriculum and instructional staff development	1,223,332	-	868,934
21	Instructional leadership	945,903	-	138,039
23	School leadership	2,867,039	-	451,352
31	Guidance, counseling, and evaluation services	2,223,316	-	920,902
32	Social work services	82,899	-	67,724
33	Health services	567,727	-	108,905
34	Student transportation	1,941,611	-	265,753
35	Food services	2,829,685	850,356	2,310,304
36	Extracurricular activities	2,439,347	1,191,949	101,032
41	General administration	1,979,542	-	418,203
51	Facilities maintenance and operations	5,136,925	20,413	776,649
52	Security and monitoring services	663,198	-	299,171
53	Data processing services	806,525	-	160,967
61	Community services	479,718	-	109,154
72	Debt service - interest on long-term debt	3,159,854	-	221,978
73	Bond issuance costs	1,500	-	-
81	Facilities acquisition and construction	307,616	-	7,208
99	Other intergovernmental charges	418,868	22,620	-
TG	Total governmental activities	<u>61,867,168</u>	<u>2,764,227</u>	<u>14,470,279</u>
TP	Total primary government	<u>\$ 61,867,168</u>	<u>\$ 2,764,227</u>	<u>\$ 14,470,279</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - Formula grants			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning of year			
NE	Net position, ending			

See Notes to Financial Statements

Kerrville Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2023

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
5	6	8
Capital Grants and Contributions	Governmental Activities	Total
\$ -	\$ (25,505,977)	\$ (25,505,977)
-	(363,693)	(363,693)
-	(354,398)	(354,398)
-	(807,864)	(807,864)
-	(2,415,687)	(2,415,687)
-	(1,302,414)	(1,302,414)
-	(15,175)	(15,175)
-	(458,822)	(458,822)
-	(1,675,858)	(1,675,858)
-	330,975	330,975
-	(1,146,366)	(1,146,366)
-	(1,561,339)	(1,561,339)
-	(4,339,863)	(4,339,863)
-	(364,027)	(364,027)
-	(645,558)	(645,558)
-	(370,564)	(370,564)
-	(2,937,876)	(2,937,876)
-	(1,500)	(1,500)
-	(300,408)	(300,408)
-	(396,248)	(396,248)
-	(44,632,662)	(44,632,662)
\$ -	(44,632,662)	(44,632,662)
	31,462,625	31,462,625
	6,623,233	6,623,233
	11,141,374	11,141,374
	427,403	427,403
	1,773,362	1,773,362
	427,169	427,169
	51,855,166	51,855,166
	7,222,504	7,222,504
	44,416,028	44,416,028
\$	51,638,532	\$ 51,638,532

Data Control Codes		10 General Fund	OMF Other Major Fund ESSER II	50 Debt Service Fund
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 173,029
1120	Current investments	27,734,268	-	3,937,908
1220	Property taxes - delinquent	1,880,318	-	358,330
1230	Allowance for uncollectible taxes (credit)	(731,233)	-	(154,016)
1240	Due from other governments	1,505,594	2,027,331	-
1260	Due from other funds	2,267,274	-	3,250
1290	Other receivables	38,364	-	-
1300	Inventories	59,436	-	-
1410	Prepayments	366,441	-	-
1000	Total assets	<u>33,120,462</u>	<u>2,027,331</u>	<u>4,318,501</u>
1000a	Total assets and deferred outflows of resources	<u>\$33,120,462</u>	<u>\$ 2,027,331</u>	<u>\$ 4,318,501</u>
Liabilities				
2110	Accounts payable	\$ 613,712	\$ 6,440	\$ -
2120	Other liabilities - current	1,177	-	-
2160	Accrued wages payable	1,850,952	727,310	-
2170	Due to other funds	37,435	1,293,581	-
2180	Due to other governments	-	-	-
2300	Unearned revenues	72,200	-	7,830
2000	Total liabilities	<u>2,575,476</u>	<u>2,027,331</u>	<u>7,830</u>
Deferred inflows of resources				
	Unavailable revenue - property taxes	1,049,042	-	185,924
2600	Total deferred inflows of resources	<u>1,049,042</u>	<u>-</u>	<u>185,924</u>
Fund balance				
3410	Nonspendable - inventories	59,436	-	-
3430	Nonspendable - prepaid items	366,441	-	-
3450	Restricted - grants	-	-	-
3470	Restricted - capital acquisition	-	-	-
3480	Restricted - debt service	-	-	4,124,747
3510	Committed - construction	785,250	-	-
3545	Committed - other	4,062,898	-	-
3600	Unassigned fund balance	24,221,919	-	-
3000	Total fund balances	<u>29,495,944</u>	<u>-</u>	<u>4,124,747</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$33,120,462</u>	<u>\$ 2,027,331</u>	<u>\$ 4,318,501</u>

See Notes to Financial Statements

Kerrville Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2023

60 Capital Projects Fund	ONMF Other Non-Major Governmental Funds	98 Total Governmental Funds
\$ 1,034,061	\$ 1,579,621	\$ 2,786,711
1,168,697	-	32,840,873
-	-	2,238,648
-	-	(885,249)
-	1,735,008	5,267,933
284,425	192,073	2,747,022
-	2,036	40,400
-	-	59,436
-	-	366,441
<u>2,487,183</u>	<u>3,508,738</u>	<u>45,462,215</u>
<u>\$ 2,487,183</u>	<u>\$ 3,508,738</u>	<u>\$ 45,462,215</u>
\$ 201,743	\$ 95,721	\$ 917,616
-	-	1,177
-	174,092	2,752,354
143	1,414,436	2,745,595
-	775	775
-	6,381	86,411
<u>201,886</u>	<u>1,691,405</u>	<u>6,503,928</u>
-	-	1,234,966
-	-	1,234,966
-	-	59,436
-	-	366,441
-	1,156,599	1,156,599
2,285,297	-	2,285,297
-	-	4,124,747
-	-	785,250
-	660,734	4,723,632
-	-	24,221,919
<u>2,285,297</u>	<u>1,817,333</u>	<u>37,723,321</u>
<u>\$ 2,487,183</u>	<u>\$ 3,508,738</u>	<u>\$ 45,462,215</u>

Kerrville Independent School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)

August 31, 2023

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$37,723,321
1 The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,156,499
2 Capital assets, net of accumulated depreciation, less assets held in internal service funds, are not financial resources and therefore are not reported as assets in governmental funds.		133,345,208
3 Some liabilities, including bonds payable and leases, are not due and payable in the current period and therefore not reported in the funds:		
Lease liability	(90,071)	
Bonds payable	(84,510,000)	
Unamortized premiums on bonds payable	<u>(7,097,247)</u>	(91,697,318)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(149,969)
5 Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred resource inflow for property taxes		1,234,966
6 The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources, less amounts held in internal service funds:		
Net pension liability	\$ (13,841,261)	
Deferred outflow of resources - TRS pension	6,008,078	
Deferred inflow of resources - TRS pension	(1,996,449)	
Net OPEB liability	(8,215,926)	
Deferred outflow of resources - TRS-Care OPEB	2,108,670	
Deferred inflow of resources - TRS-Care OPEB	(14,037,287)	<u>(29,974,175)</u>
19 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		<u><u>\$51,638,532</u></u>

Data Control Codes		10 General Fund	OMF Other Major Fund ESSER II	50 Debt Service Fund
	Revenues			
5700	Local and intermediate sources	\$ 33,796,738	\$ -	\$ 6,916,860
5800	State program revenues	13,330,765	-	221,978
5900	Federal program revenues	800,609	3,660,626	-
5020	Total revenues	47,928,112	3,660,626	7,138,838
	Expenditures			
	Current			
0011	Instruction	24,073,471	2,278,386	-
0012	Instructional resources and media services	341,358	14,203	-
0013	Curriculum and instructional staff development	368,804	349,454	-
0021	Instructional leadership	884,438	23,324	-
0023	School leadership	2,663,097	90,369	-
0031	Guidance, counseling, and evaluation services	1,425,179	61,574	-
0032	Social work services	14,936	1,978	-
0033	Health services	513,151	19,302	-
0034	Student (pupil) transportation	2,076,514	100,185	-
0035	Food services	-	72,029	-
0036	Extracurricular activities	1,663,411	4,930	-
0041	General administration	1,670,483	83,257	-
0051	Facilities maintenance and operations	4,912,326	512,735	-
0052	Security and monitoring services	328,144	4,058	-
0053	Data processing services	692,337	22,086	-
0061	Community services	359,312	20,727	-
	Debt service			
0071	Principal on long-term debt	212,775	-	2,150,000
0072	Interest on long-term debt	2,252	-	3,449,506
0073	Bond issuance costs and fees	-	-	1,500
	Capital outlay			
0081	Facilities acquisition and construction	1,856,699	2,029	-
	Intergovernmental			
0099	Other intergovernmental charges	418,868	-	-
6030	Total expenditures	44,477,555	3,660,626	5,601,006
	Excess (deficiency) of revenues over (under) expenditures	3,450,557	-	1,537,832
	Other financing sources (uses)			
7913	Proceeds from lease and SBITAs	111,537	-	-
7915	Transfers in	-	-	-
8911	Transfers out	(915,416)	-	-
7080	Total other financing sources (uses)	(803,879)	-	-
1200	Net change in fund balances	2,646,678	-	1,537,832
0100	Fund balances, beginning of year	26,849,266	-	2,586,915
3000	Fund balances, end of year	\$ 29,495,944	\$ -	\$ 4,124,747

See Notes to Financial Statements

Kerrville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)
Year Ended August 31, 2023

60 Capital Projects Fund	ONMF Other Non-Major Governmental Funds	98 Total Governmental Funds
\$ 86,457	\$ 1,745,709	\$ 42,545,764
8,810	347,418	13,908,971
-	6,555,289	11,016,524
<u>95,267</u>	<u>8,648,416</u>	<u>67,471,259</u>
-	3,166,400	29,518,257
-	28,234	383,795
-	493,562	1,211,820
-	40,538	948,300
-	97,448	2,850,914
-	719,879	2,206,632
-	64,901	81,815
-	37,374	569,827
-	-	2,176,699
-	2,636,773	2,708,802
-	357,668	2,026,009
-	211,723	1,965,463
-	30,181	5,455,242
-	295,040	627,242
-	87,962	802,385
-	54,268	434,307
-	-	2,362,775
-	-	3,451,758
-	-	1,500
2,836,351	-	4,695,079
<u>-</u>	<u>-</u>	<u>418,868</u>
<u>2,836,351</u>	<u>8,321,951</u>	<u>64,897,489</u>
<u>(2,741,084)</u>	<u>326,465</u>	<u>2,573,770</u>
-	-	111,537
915,416	-	915,416
-	-	(915,416)
<u>915,416</u>	<u>-</u>	<u>111,537</u>
(1,825,668)	326,465	2,685,307
4,110,965	1,490,868	35,038,014
<u>\$ 2,285,297</u>	<u>\$ 1,817,333</u>	<u>\$ 37,723,321</u>

Kerrville Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit C-2r) Year Ended August 31, 2023

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 2,685,307
The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The change in net position of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	316,837
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 2023 capital outlays of \$4,927,066, bond principal payments of \$2,150,000, lease principal payments of \$130,327 and subscription principal payments of \$82,448, and lease issuance proceeds of \$29,089 and subscription proceeds of \$82,448 is to increase net position.	7,178,304
2023 depreciation expense of \$4,560,812, less depreciation on assets held in internal service funds, increases accumulated depreciation. 2023 amortization of right of use lease assets and subscription assets of \$126,338 increases accumulated amortization. The net effect of the current year's activity is to decrease net position.	(4,687,150)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$1,234,966 as revenue and removing the prior year's tax collection of \$1,079,495.	155,471
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$3,342. The net effect is to increase net position.	3,342
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financials. This is the current year amortization.	288,562
Changes in the deferred outflow of resources, deferred inflows of resources and net pension liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to decrease in the amount of \$79,901. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$433,171. The net effect is a decrease in net position.	(513,072)
Changes in the deferred outflow of resources, deferred inflows of resources and net OPEB liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$15,711. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$1,779,192. The net effect is an increase in net position.	1,794,903
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	\$ 7,222,504

Kerrville Independent School District
Statement of Net Position – Proprietary Fund (Exhibit D-1)
August 31, 2023

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 590,623
	Noncurrent assets	
1520	Buildings and improvements	223,746
1571	Depreciation on buildings	(112,611)
1530	Furniture and equipment	3,960,535
1573	Depreciation on furniture and equipment	(2,911,781)
1000	Total assets	<u>1,750,512</u>
1705	Deferred outflows - pension	106,734
1706	Deferred outflows - OPEB	37,461
1700	Total deferred outflows of resources	<u>144,195</u>
	Liabilities	
2110	Accounts payable	60,094
2170	Due to other funds	1,427
	Noncurrent liabilities	
2540	Net pension liability	245,891
2545	Net OPEB liability	145,956
2000	Total liabilities	<u>453,368</u>
2605	Deferred inflows - pension	35,467
2606	Deferred inflows - OPEB	249,373
2600	Total deferred inflows of resources	<u>284,840</u>
	Net position	
3200	Net investment in capital assets	1,159,889
3900	Unrestricted	(3,390)
3000	Total net position	<u>\$ 1,156,499</u>

Kerrville Independent School District

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit D-2)

Year Ended August 31, 2023

Data Control Codes		Governmental Activities <u>Internal Service Fund</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 2,417,642
5020	Total revenues	<u>2,417,642</u>
	Operating expenses	
6100	Payroll costs	1,517,862
6200	Professional and contracted services	35,245
6300	Supplies and materials	431,301
6400	Other operating costs	43,720
6440	Depreciation expense	194,570
6030	Total expenses	<u>2,222,698</u>
	Operating income	194,944
	Nonoperating revenues	
5800	State program revenue	<u>121,893</u>
1300	Change in net position	316,837
0100	Net position, beginning	<u>839,662</u>
3300	Net position, ending	<u>\$ 1,156,499</u>

Kerrville Independent School District
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)
Year Ended August 31, 2023

	Governmental Activities
	Internal Service Fund
Operating activities	
Cash received from user charges	\$ 2,417,642
Cash payments for employees for services	(1,481,258)
Cash payments for other operating expenses	(481,214)
	455,170
Non-capital financing activities	
State grants received	121,893
	121,893
Capital and related financing activities	
Acquisition of capital assets	(128,173)
	(128,173)
Net change in cash and cash equivalents	448,890
Cash and cash equivalents at beginning of year	141,733
Cash and cash equivalents at end of year	\$ 590,623
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 194,944
Depreciation expense	194,570
Changes in assets and liabilities	
Increase in accounts payable	28,800
Increase in due to other funds	252
Increase in net pension liability	158,299
Decrease in OPEB liability	(63,519)
Increase in deferred outflows for pension	(52,430)
Increase in deferred outflows for OPEB	(533)
Decrease in deferred inflows for pension	(80,208)
Increase in deferred inflows for OPEB	74,995
	455,170
Net cash from operating activities	\$ 455,170

Kerrville Independent School District
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)
August 31, 2023

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 20,902</u>
Total assets	<u>20,902</u>
Liabilities	
Current liabilities	
Due to other governments	<u>1,629</u>
Total liabilities	<u>1,629</u>
Net Position	
Restricted for student activities	<u>19,273</u>
Total net position	<u><u>\$ 19,273</u></u>

Kerrville Independent School District
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit E-2)
Year Ended August 31, 2023

	<u>Custodial Fund</u>
Additions	
Contributions	<u>\$ 26,800</u>
Total additions	<u>26,800</u>
Deductions	
Instruction	1,790
Extracurricular activities	<u>22,599</u>
Total deductions	<u>24,389</u>
Change in net position	2,411
Net position, beginning	<u>16,862</u>
Net position, ending	<u><u>\$ 19,273</u></u>

Note 1 - Summary of Significant Accounting Policies**Reporting Entity**

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Kerrville Independent School District (the District). The public elects the members of the Board of Trustees. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the TEA or to the State Board of Education are reserved for the trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recognized 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. 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 net investment in capital assets, restricted net position, and unrestricted net position.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *ESSER II Grant* accounts for resources restricted by the grantor agency for this federal program.

The *Debt Service Fund*, a governmental fund type, accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund*, a governmental fund type, is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

The *special revenue funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *internal service fund* is a proprietary fund type. Revenues and expenses are related to services provided to organizations inside the District on a cost reimbursement basis. Internal service funds inherently create redundancy because their expenses are recorded a second time in the fund that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the internal service funds are consolidated and interfund transactions are eliminated. The District has an internal service fund for its transportation fund.

The *fiduciary funds*, the District has the following:

Custodial funds – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the student activity fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the transportation internal service fund are District contributions for the transportation fund. Operating expenses include depreciation and other operating expense and administrative expense for administering the transportation fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments in investment pools are reported at amortized cost.

Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements and in the proprietary fund financial statements. The District defines capital assets 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. 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.

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

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50 years
Furniture and equipment	5 years

Right-to-use lease assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful live of the underlying asset using the straight-line method. The amortization period varies from 2 to 3 years.

Inventories

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the District.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

The District has deferred outflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has two types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code.

Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2023 fiscal year was based, was \$3,662,911,787. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2023 were 97.02% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,353,399.

The tax rate to finance general governmental services was \$0.8546 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.18 per \$100 for the year ended August 31, 2023.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets is the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets. The net investment in capital assets is made up of the following:

Net carrying value of capital assets	\$ 134,505,097
Less:	
Outstanding principal of capital debt and other capital borrowings	(84,600,071)
Unamortized balance of original issue premiums	(7,097,247)
Outstanding balance of capital related liabilities, including accounts payable	
Plus:	
Unspent bond proceeds	2,001,015
Net investment in capital assets	<u>\$ 44,808,794</u>

Restricted for Grants is the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Health and Human Services, Defense, Agriculture or TEA.

Restricted for Debt Service is the component of net position that reports the difference between assets and liabilities of the Debt Service Fund, net of accrued interest, at August 31, 2023, that consists of assets with constraints placed on their use by the bond covenants.

Unrestricted is the difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for federal and state programs, net position restricted for capital projects, and net position restricted for other purposes.

Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. As of August 31, 2023, the District had \$59,436 of nonspendable fund balance for inventories and \$366,441 for prepaid items, respectively.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2023, \$2,285,297 was restricted for capital acquisition and \$1,156,599 was restricted for Federal grants. Fund balance restricted for the retirement of funded indebtedness totaled \$4,124,747 as of August 31, 2023.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2023, the District had fund balance committed for the following purposes:

Future turf replacement	\$ 455,000
Future track resurfacing	330,250
Committed - construction	<u>\$ 785,250</u>
Future band uniforms	\$ 76,250
Future E-rate match	144,500
IDEA-B Special Ed set aside	215,000
IMA-Future Use	497,818
Instrument Replacement	39,600
STEM/FFE	85,000
Vehicle Replacement	130,000
Technology Replacement	1,370,000
Capital Projects	1,389,530
Campus Activities	660,734
Instructional Technology	115,200
Committed - other	<u>\$ 4,723,632</u>

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At August 31, 2023, the District had no assigned funds.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in other classifications.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. The District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Pensions

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

OPEB

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

Use of Estimates

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

Implementation of GASB Statement No. 96

As of September 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset -an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of implementation there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 5 and 8.

New Accounting Pronouncements

GASB Statement No. 91: Conduit Debt Obligations. Statement 91 was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District in fiscal year 2023. The District has no conduit debt obligations.

GASB Statement No. 99: Omnibus 2022. Statement 99 was issued in April 2022. The objective of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement include the classification and reporting of derivative instruments within the scope of *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument. Clarification of provisions in *Statement No. 87, Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in *Statement No. 94, Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Clarification of provisions in *Statement No. 96, Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP). Disclosures related to nonmonetary transactions. Pledges of future revenues when resources are not received by the pledging government. Clarification of provisions in *Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. Terminology updates related to certain provisions of *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Terminology used in Statement 53 to refer to resource flows statements.

The requirements of Statement 99 that are related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The District has implemented this statement.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. Statement 100 was issued in June 2022 and is an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District has implemented this statement.

GASB issued Statement No. 101, *Compensated Absences*. Statement 101 was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

Note 3 - Fair Value Measurements

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

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

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

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 4 - Detailed Notes on All Funds

Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent, bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) coverage. In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

At August 31, 2023, the bank balance of \$3,938,855 was on deposit with the contracted depository bank. District funds are insured up to \$250,000 for the combined amount of all time and savings accounts, and up to an additional \$250,000 for the combined total of all Demand Deposit Accounts (DDA's). Interest-bearing accounts were collateralized by pledged United States government securities with a fair value of \$8,111,908 at August 31, 2023, held by Security State Bank & Trust. Because Security State Bank & Trust holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. All campus activity funds were centralized and were on deposit with the contracted depository.

Investments

The Texas legislature passed the Public Funds Investment Act of 1995 ("Public Funds Investment Act") which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies, and instrumentalities,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less,
- Fully collateralized repurchase agreements,
- 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”, or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 365 days or fewer 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,
- 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,
- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above,
- Bonds issued, assumed or guaranteed by the State of Israel, and Secured corporate bonds rated not lower than “AA—” or the equivalent.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are more restrictive than state statutes.

As of August 31, 2023, the following are cash equivalents and investments held by the District, with respective maturities and credit rating:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity in Less Than 1 Year	Maturity in 1-10 years	Credit Rating
Cash	\$ 3,398,236	9.4%	\$ 3,398,236	9.4%	\$ -	\$ -	N/A
Investment pools:							
TexPool	2,788,111	8%	2,788,111	8%	2,788,111	-	AAAm
Lone Star/First Public	30,052,762	83%	30,052,762	83%	30,052,762	-	AAA
Total investment pools	<u>32,840,873</u>	<u>90.6%</u>	<u>32,840,873</u>	<u>90.6%</u>	<u>32,840,873</u>	<u>-</u>	
Total cash and investments	<u>\$36,239,109</u>	<u>100%</u>	<u>\$36,239,109</u>	<u>100%</u>	<u>\$ 32,840,873</u>	<u>\$ -</u>	

Investment Pools are measured at amortized cost or net asset value, i.e. fair value. As such, these investments are not required to be reported in the fair value hierarchy.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act. Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star is the same as the value of Lone Star Shares. Lone Star is administered by First Public LLC, who also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares.

Interest Rate Risk

In accordance with the District's investment policy, investments are made in a manner that ensures the safety of the principal, to maintain liquidity and to maximize financial returns within current market conditions. Investments shall be made in a manner to ensure the preservation of capital in the overall portfolio, and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Credit Risk

The District's investments in Local Government Investment Pools (LGIP's) includes: TexPool and Lone Star/First Public. This is a public fund investment pool operating in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard and Poor's. Lone Star/First Public is rated AAA by Standard and Poor's.

Concentration of Credit Risk

The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits not covered by FDIC insurance but held in the depository bank, Security State Bank & Trust, were fully collateralized.

Foreign Currency Risk

As of August 31, 2023, there are no foreign currency investments in the District's portfolio.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023, are summarized below:

Governmental Activities	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 1,505,594	\$ -	\$ 1,505,594
Fund 281 - ESSER II	-	2,027,331	2,027,331
Nonmajor governmental funds	316,045	1,418,963	1,735,008
	\$ 1,821,639	\$ 3,446,294	\$ 5,267,933

Interfund Receivables / Payables and Transfers

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balances at August 31, 2023, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

Due from/to other funds	Interfund Receivables	Interfund Payables
General fund	\$ 2,267,274	\$ 37,435
Fund 281 - ESSER II	-	1,293,581
Debt service fund	3,250	-
Capital projects fund	284,425	143
Nonmajor governmental funds	192,073	1,414,436
Internal service fund	-	1,427
	\$ 2,747,022	\$ 2,747,022

Interfund transfers between capital projects fund and the general fund is to provide additional resources for capital projects.

Transfers in/out	Transfers In	Transfers Out
General fund	\$ -	\$ 915,416
Capital projects fund	915,416	-
	\$ 915,416	\$ 915,416

Note 5 - Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2023, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 5,922,426	\$ -	\$ -	\$ 5,922,426
Construction in progress	15,350	4,925	-	20,275
Total capital assets not	<u>5,937,776</u>	<u>4,925</u>	<u>-</u>	<u>5,942,701</u>
Capital assets, being depreciated				
Building and improvements	161,466,646	4,634,935	-	166,101,581
Furniture and equipment	7,854,541	303,842	(177,418)	7,980,965
Total capital assets being depreciated	<u>169,321,187</u>	<u>4,938,777</u>	<u>(177,418)</u>	<u>174,082,546</u>
Less accumulated depreciation for				
Building and improvements	(37,185,325)	(3,845,222)	-	(41,030,547)
Furniture and equipment	(3,927,307)	(910,160)	177,418	(4,660,049)
Total accumulated depreciation	<u>(41,112,632)</u>	<u>(4,755,382)</u>	<u>177,418</u>	<u>(45,690,596)</u>
Total capital assets, being	<u>128,208,555</u>	<u>183,395</u>	<u>-</u>	<u>128,391,950</u>
Right-to-use lease assets being amortized				
Equipment	500,949	29,089	(27,853)	502,185
Total right-to-use lease assets being amortized	<u>500,949</u>	<u>29,089</u>	<u>(27,853)</u>	<u>502,185</u>
Less accumulated amortization for				
Equipment	(315,702)	(123,510)	27,853	(411,359)
Total accumulated amortization, lease asset	<u>(315,702)</u>	<u>(123,510)</u>	<u>27,853</u>	<u>(411,359)</u>
Net right-to-use lease assets	<u>185,247</u>	<u>(94,421)</u>	<u>-</u>	<u>90,826</u>
Right-to-use subscription IT assets being amortized	-	82,448	-	82,448
Less accumulated amortization, IT assets	-	(2,828)	-	(2,828)
Net right-to-use subscription IT assets	<u>-</u>	<u>79,620</u>	<u>-</u>	<u>79,620</u>
Total right-to-use assets, net	<u>185,247</u>	<u>(14,801)</u>	<u>-</u>	<u>170,446</u>
Governmental activities capital assets, net	<u>\$ 134,331,578</u>	<u>\$ 173,519</u>	<u>\$ -</u>	<u>\$ 134,505,097</u>

Depreciation expense was charged to the District's functions as follows:

11 Instruction	\$ 3,721,846
12 Instructional resources and media services	38,295
13 Curriculum and staff development	6,424
23 School leadership	25,328
31 Guidance, counseling and evaluation services	11,551
34 Student transportation	194,570
35 Food service	111,550
36 Extracurricular activities	445,925
41 General administration	14,999
51 Facilities maintenance and operations	116,195
53 Data processing services	16,953
61 Community services	51,746
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 4,755,382</u>

Amortization expense was charged to the District's functions as follows:

11 Instruction	<u>\$ 126,338</u>
Total amortization expense - governmental activities	<u>\$ 126,338</u>

Construction Commitments

The construction in progress noted above is for a storage shed for an upcoming project. Budget details on the upcoming project are still being planned out.

Note 6 - Long-Term Debt

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the long-term debt are accounted for in the General Fund and Debt Service Fund.

A summary of bond issuances and other general long-term debt original amounts issued, interest rates, and maturity dates as of August 31, 2023 is as follows:

Bond Issuances	Amounts Original Issued	Interest Rate Payable	Maturity Date
Unlimited Tax School Building Bonds Series 2013	\$ 5,970,000	2% to 4%	August 15, 2033
Unlimited Tax School Building Bond Series 2019	49,070,000	2% to 5%	August 15, 2048
Unlimited Tax School Building Bond Series 2020	34,055,000	2% to 5%	August 15, 2049
<u>Leases</u>			
Xerox Quadient	\$ 472,465 27,452	1.66% 5.09%	February 11, 2024 June 30, 2028
<u>Subscription IT</u>			
Mc-Graw Hill	\$ 38,735	5.92%	July 31, 2025
Mc-Graw Hill	43,713	5.57%	July 31, 2026

Kerrville Independent School District
Notes to Financial Statements
August 31, 2023

A summary of changes in general long-term debt for the year ended August 31, 2023 is as follows:

Bond Issuances	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax School Building Bonds Series 2013	\$ 5,245,000	\$ -	\$ (390,000)	\$ 4,855,000	\$ 405,000
Unlimited Tax School Building Bond Series 2019	48,010,000	-	(1,080,000)	46,930,000	1,110,000
Unlimited Tax School Building Bond Series 2020	33,405,000	-	(680,000)	32,725,000	710,000
Total bonds payable	86,660,000	-	(2,150,000)	84,510,000	2,225,000
Leases payable	191,309	29,089	(130,327)	90,071	67,858
Subscription IT liabilities	-	82,448	(82,448)	-	-
Total general long-term debt	<u>\$ 86,851,309</u>	<u>\$ 111,537</u>	<u>\$ (2,362,775)</u>	<u>\$ 84,600,071</u>	<u>\$ 2,292,858</u>

Debt service requirements for the District's bonds are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2024	\$ 2,225,000	\$ 3,374,306	\$ 5,599,306
2025	2,275,000	3,318,931	5,543,931
2026	2,395,000	3,209,381	5,484,381
2027	2,490,000	3,105,981	5,500,981
2028	2,615,000	2,986,031	5,476,031
2029-2033	14,960,000	13,021,549	27,981,549
2034-2038	15,030,000	9,972,675	25,002,675
2039-2043	18,305,000	6,698,875	25,003,875
2044-2048	22,315,000	2,687,988	25,002,988
2049	1,900,000	52,250	1,952,250
	<u>\$ 84,510,000</u>	<u>\$ 48,427,967</u>	<u>\$ 132,547,967</u>

Payment requirements for the District's leases are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 67,858	\$ 1,531	\$ 69,389
2025	5,516	1,004	6,520
2026	5,803	715	6,518
2027	6,106	411	6,517
2028	4,788	100	4,888
Total	<u>\$ 90,071</u>	<u>\$ 3,761</u>	<u>\$ 93,832</u>

A summary of changes of total bonds payable and other long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$86,660,000	\$ -	\$(2,150,000)	\$84,510,000	\$ 2,225,000
Premium on bond payable	7,385,809	-	(288,562)	7,097,247	-
Total bonds payable, net	94,045,809	-	(2,438,562)	91,607,247	2,225,000
Lease liabilities	191,309	29,089	(130,327)	90,071	67,858
Subscription liabilities	-	82,448	(82,448)	-	-
Governmental activities long-term liabilities	<u>\$94,237,118</u>	<u>\$ 111,537</u>	<u>\$(2,651,337)</u>	<u>\$91,697,318</u>	<u>\$ 2,292,858</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2023.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

Note 7 - Leases

The District entered an agreement to lease copiers for District-wide use beginning January 2020. Under the terms of the lease, the District pays a monthly fee of \$10,487. The lease terminates on February 11, 2024.

The District entered an agreement to lease postage meter for District-wide use beginning July 2018. Under the terms of the lease, the District pays a monthly fee of \$508. The lease terminated on June 30, 2023. The District entered an agreement to lease postage meter for District-wide use beginning July 2023. Under the terms of the lease, the District pays a monthly fee of \$1,637. The lease terminates on June 30, 2028.

At August 31, 2023, the District has recognized a right to use asset, net of accumulated amortization, of \$90,826 and a lease liability of \$90,071 related to these agreements. During the fiscal year, the District recorded \$123,510 in amortization expense and \$2,252 in interest expense for the right to use the copier and postage meter. The District used a discount rate of 1.66% on the copier lease and 5.09% for the postage meter lease. The discount rates were based on the estimated incremental borrowing rate of the District.

Remaining obligations associated with these leases are as follows:

Year Ending August 31,	Principal	Interest
2024	\$ 67,858	\$ 1,531
2025	5,516	1,004
2026	5,803	715
2027	6,106	411
2028	<u>4,788</u>	<u>100</u>
Total	<u>\$ 90,071</u>	<u>\$ 3,761</u>

Note 8 - Subscription-Based Information Technology Arrangement (SBITAs)

The District has entered into two SBITA contracts for educational and productivity software. The District is required to make principal and interest payments through June 2026. The subscription liability was valued using discount rates between 5.57% and 5.92%. The discount rates were based on the estimated incremental borrowing rate of the District.

There are no remaining obligations associated with the SBITA arrangements as of August 31, 2023.

Note 9 - Contingencies

The District is a party to legal proceedings that allege violations of Title IX of the Education Amendments of 1971. Management intends to vigorously defend the case and believes that there will be no material effect on the financial condition of the District. Legal advice obtained as of the date of the financial statements indicated that should the plaintiff prevail, the plaintiff may be entitled to actual damages, compensatory damages and attorney fees; however, no range of loss can be estimated. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 10 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a State contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	Contribution Rates	
	2022	2023
Member	8.00%	8.00%
Non-employer contributing entity (State)	7.75%	8.00%
Employers/District	7.75%	8.00%

The contribution amounts for the District are as follows:

	2022	2023
Member contributions	\$ 2,467,923	\$ 2,529,572
NECE on-behalf contributions (State)	1,748,802	1,807,875
District contributions	1,320,059	1,240,158

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:

- All public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation rolled forward to August 31, 2022 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Fair value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and State contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. 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 System’s target allocation as of August 31, 2022 (see page 54 of the TRS ACFR) are summarized on the following page.

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2022**

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return ⁴	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy and Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity			
Risk Parity	8.0%	4.6%	0.43%
Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	-6.0%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ³			-0.91%
Total	100%		8.19%

¹ Target Allocation based on the FY 2022 policy manual.

² Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).

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

⁴ Absolute Return includes Credit Sensitive instruments.

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease Discount Rate (6.00%)	Discount Rate (7.00%)	1% Decrease in Discount Rate (8.00%)
Total TRS net pension liability	\$ 92,353,208,735	\$ 59,367,428,259	\$ 32,630,904,839
District's proportionate share of the net pension liability	\$ 21,914,267	\$ 14,087,152	\$ 7,742,908

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

At August 31, 2023, the District reported a liability of \$14,087,152 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	\$ 14,087,152
State's proportionate share that is associated with the District	<u>21,745,811</u>
Total	<u><u>\$ 35,832,963</u></u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was .0237287554% which was an increase of .0017056% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the fiscal year ended August 31, 2023, the District recognized pension expense of \$2,078,653 and revenue of \$1,709,226 for support provided by the State.

At August 31, 2023, 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 experience	\$ 204,263	\$ 307,127
Changes in actuarial assumptions	2,624,895	654,197
Difference between projected and actual investment earnings	1,391,766	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	653,730	1,070,592
Contributions paid to TRS subsequent to the measurement date	1,240,158	-
Total	\$ 6,114,812	\$ 2,031,916

\$1,240,158 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2024.

The other 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:

Year Ended August 31,	Pension Expense Amount
2024	\$ 640,655
2025	237,553
2026	(11,996)
2027	1,667,644
2028	308,882
Thereafter	-
Total	\$ 2,842,738

Note 11 - Postemployment Health Benefits**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 TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

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

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

TRS-Care Premium Monthly Rates

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. 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:

Contribution Rates		
	2022	2023
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
	2022	2023
Employer contributions	\$ 286,832	\$ 302,543
Member contributions	200,520	205,529
NECE on-behalf contributions	340,318	353,392

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 \$ 83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for the TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension plan actuarial valuation that was rolled forward to August 31, 2022:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Rates of disability

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Rates. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.91% as of August 31, 2022
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 claim costs.
Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.25% to 8.5% The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability. There was a decrease of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Decrease in Discount Rate (4.91%)
Total TRS Net OPEB Liability	\$ 28,231,881,036	\$ 23,944,005,302	\$ 20,470,275,606
District's proportionate share of the Net OPEB Liability	\$ 9,859,322	\$ 8,361,882	\$ 7,148,763

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates used:

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total TRS net OPEB liability	\$ 19,729,968,204	\$ 23,944,005,302	\$ 29,406,962,102
District's proportionate share of the OPEB liability	\$ 6,890,228	\$ 8,361,882	\$ 10,269,691

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

At August 31, 2023, the District reported a liability of \$8,361,882 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 was as follows:

District's proportionate share of the collective net pension liability	\$ 8,361,882
State's proportionate share that is associated with the District	10,200,182
	<hr/>
Total	\$ 18,562,064
	<hr/> <hr/>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’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, 2021 through August 31, 2022.

At August 31, 2023, the District’s proportion of the collective Net OPEB Liability was 0.0349226522% compared to 0.0347711% as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the Total OPEB liability.

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

For the year ended August 31, 2023, the District recognized OPEB benefit of \$1,447,488 and revenue of \$349,892 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 464,891	\$ 6,966,198
Changes in actuarial assumptions	1,273,680	5,809,338
Difference between projected and actual investment earnings	24,908	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	80,109	1,511,124
Contributions paid to TRS subsequent to the measurement date	302,543	-
Total	\$ 2,146,131	\$ 14,286,660

\$302,543 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2024.

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

Year Ended August 31,	OPEB Expense Amount
2024	\$ (2,361,381)
2025	(2,361,291)
2026	(2,006,695)
2027	(1,526,630)
2028	(1,500,849)
Thereafter	(2,686,226)
Total	<u>\$ (12,443,072)</u>

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from federal governments to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenue and expenditures by the District in the amount of \$160,184, \$131,583, and \$131,724, for the years ended August 31, 2023, 2022 and 2021, respectively.

Note 12 - Unavailable Revenue and Unearned Revenue

Unavailable revenue at year-end in the fund financial statements consisted of the following:

	General Fund	Debt Service	Total
Unavailable tax collections	\$ 1,049,042	\$ 185,924	\$ 1,234,966
Total	<u>\$ 1,049,042</u>	<u>\$ 185,924</u>	<u>\$ 1,234,966</u>

Unearned revenue at year-end in the fund financial statements consisted of the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Unearned state revenue	\$ -	\$ 7,830	\$ -	\$ 7,830
Unearned local revenue	72,200	-	6,381	78,581
Total	<u>\$ 72,200</u>	<u>\$ 7,830</u>	<u>\$ 6,381</u>	<u>\$ 86,411</u>

Note 13 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2023, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	ESSER II	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 31,332,497	\$ -	\$ 6,597,890	\$ -	\$ -	\$ 37,930,387
Penalties, interest, and other tax related income	382,469	-	68,525	-	-	450,994
Food service sales	-	-	-	-	680,705	680,705
Investment income	1,395,450	-	250,445	86,457	41,010	1,773,362
Campus activity related income	-	-	-	-	1,020,923	1,020,923
Tuition	283,063	-	-	-	-	283,063
Cocurricular student activities	159,716	-	-	-	-	159,716
Other	243,543	-	-	-	3,071	246,614
Total	\$ 33,796,738	\$ -	\$ 6,916,860	\$ 86,457	\$ 1,745,709	\$ 42,545,764

Note 14 - General Fund Federal Source Revenues

Revenues from federal sources, which are reported in the General Fund, consist of:

	CFDA	Amount
Medicaid Administrative Claiming	93.778	\$ 24,876
School of Health and Related Services	N/A	373,206
Indirect costs:		
Title I, Part A	84.010A	46,385
Career and Technical Education	84.048	1,577
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	343,941
COVID-19 Elementary and Secondary School Emergency Relief Fund III	84.425U	10,624
		<u>\$ 800,609</u>

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

During the year ended August 31, 2023, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the TRS, with Aetna as the health plan administrator and Caremark as the pharmacy benefits manager. The District contributes \$360 per month per active employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

Workers' Compensation Insurance

During the year ended August 31, 2023, 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 districts 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 District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

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 fund those reserves. As of August 31, 2022, the Fund carries a discounted reserve of \$50,647,775 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2023, the Fund anticipates no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustee in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Tax Abatements

In compliance with GASB Statement No. 77, the District did not have any outstanding tax abatements for the year ended August 31, 2023.



Required Supplementary Information
August 31, 2023

Kerrville Independent School District

Kerrville Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 31,683,000	\$ 31,683,000	\$ 33,796,738	\$ 2,113,738
5800	State program revenues	11,420,560	12,008,745	13,330,765	1,322,020
5900	Federal program revenues	1,829,479	1,829,479	800,609	(1,028,870)
5020	Total revenues	44,933,039	45,521,224	47,928,112	2,406,888
Expenditures					
Current					
0011	Instruction	25,317,139	24,688,729	24,073,471	615,258
0012	Instructional resources and media services	359,809	386,442	341,358	45,084
0013	Curriculum and instructional staff development	384,439	450,345	368,804	81,541
0021	Instructional leadership	951,615	932,392	884,438	47,954
0023	School leadership	2,666,213	2,704,229	2,663,097	41,132
0031	Guidance, counseling, and evaluation services	1,612,797	1,636,528	1,425,179	211,349
0032	Social work services	14,246	39,246	14,936	24,310
0033	Health services	530,357	559,199	513,151	46,048
0034	Student (pupil) transportation	1,722,660	2,741,618	2,076,514	665,104
0036	Extracurricular activities	1,554,186	1,846,527	1,663,411	183,116
0041	General administration	1,828,592	1,833,970	1,670,483	163,487
0051	Facilities maintenance and operations	5,720,065	5,779,879	4,912,326	867,553
0052	Security and monitoring services	431,885	446,280	328,144	118,136
0053	Data processing services	711,774	750,774	692,337	58,437
0061	Community services	372,356	382,661	359,312	23,349
0071	Debt service	325,906	727,406	215,027	512,379
0081	Facilities acquisition and construction	-	3,529,704	1,856,699	1,673,005
0099	Intergovernmental Other intergovernmental charges	429,000	449,000	418,868	30,132
6030	Total expenditures	44,933,039	49,884,929	44,477,555	5,407,374
1100	Excess (deficiency) of revenues over (under) expenditures	-	(4,363,705)	3,450,557	(913,148)
Other financing sources (uses)					
7912	Proceeds from leases and SBITAs	-	-	111,537	111,537
8911	Transfers out	-	-	(915,416)	915,416
7080	Total other financing sources	-	-	(803,879)	915,416
1200	Net change in fund balances	-	(4,363,705)	2,646,678	2,268
0100	Fund balances, beginning	26,849,266	26,849,266	26,849,266	-
3000	Fund balances, ending	\$ 26,849,266	\$ 22,485,561	\$ 29,495,944	\$ 7,010,383

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0237288%	0.0220232%	0.0218984%	0.0254771%	0.0266207%	0.0276432%	0.0277138%	0.0260441%	0.0157814%
District's proportionate share of net pension liability	\$ 14,087,152	\$ 5,608,541	\$ 11,728,311	\$ 13,243,790	\$ 14,652,695	\$ 8,838,799	\$ 10,472,626	\$ 9,206,243	\$ 4,215,430
State's proportionate share of the net pension liability associated with the District	21,745,811	10,241,303	22,304,510	19,947,028	22,459,861	13,569,437	16,482,561	17,624,966	15,513,339
Totals	<u>\$ 35,832,963</u>	<u>\$ 15,849,844</u>	<u>\$ 34,032,821</u>	<u>\$ 33,190,818</u>	<u>\$ 37,112,556</u>	<u>\$ 22,408,236</u>	<u>\$ 26,955,187</u>	<u>\$ 26,831,209</u>	<u>\$ 19,728,769</u>
District's covered payroll	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,211,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412	\$ 27,440,718	\$ 27,178,328
District's proportionate share of net pension liability as a percentage of its covered payroll	45.66%	18.89%	39.42%	46.94%	50.02%	31.25%	37.61%	33.55%	15.51%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.23%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2015.

Kerrville Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,240,158	\$ 1,320,059	\$ 1,320,059	\$ 903,506	\$ 891,537	\$ 896,965	\$ 893,662	\$ 771,178	\$ 400,103
Contribution in relation to the contractually required contribution	<u>(1,240,158)</u>	<u>(1,320,059)</u>	<u>(1,320,059)</u>	<u>(903,506)</u>	<u>(891,537)</u>	<u>(896,965)</u>	<u>(893,662)</u>	<u>(771,178)</u>	<u>(387,627)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,476</u>
District's covered payroll	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412	\$ 27,440,718
Contributions as a percentage of covered pay	3.92%	4.28%	4.45%	3.04%	3.16%	3.06%	3.16%	2.77%	1.46%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2015.

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0349227%	0.0347711%	0.0348297%	0.0354635%	0.0368514%	0.0395156%
District's proportionate share of net OPEB liability	\$ 8,361,882	\$ 13,412,754	\$ 13,240,339	\$ 16,771,145	\$ 18,400,242	\$ 17,183,848
State's proportionate share of the net OPEB liability associated with the District	<u>10,200,182</u>	<u>17,970,101</u>	<u>17,791,842</u>	<u>22,285,100</u>	<u>23,382,095</u>	<u>21,039,605</u>
Totals	<u>\$ 18,562,064</u>	<u>\$ 31,382,855</u>	<u>\$ 31,032,181</u>	<u>\$ 39,056,245</u>	<u>\$ 41,782,337</u>	<u>\$ 38,223,453</u>
District's covered employee payroll	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768
District's proportionate share of net OPEB liability as a percentage of its covered payroll	27.11%	45.19%	44.50%	59.43%	62.81%	60.75%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Note 2: Plan information was unavailable prior to 2018.

Kerrville Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 302,543	\$ 286,832	\$ 271,641	\$ 263,482	\$ 251,693	\$ 251,693
Contribution in relation to the contractually required contribution	<u>(302,543)</u>	<u>(286,832)</u>	<u>(271,641)</u>	<u>(263,482)</u>	<u>(251,693)</u>	<u>(251,693)</u>
Contributions deficiency/excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037
Contributions as a percentage of covered payroll	0.96%	0.93%	0.92%	0.89%	0.89%	0.86%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, 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 after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

Note 2 - Pension

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Note 3 - OPEB

Changes of Benefit Terms

There were minor benefit revisions that have been adopted since the prior remeasurement date. These changes are not expected to have a significant impact on plan costs.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

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

- The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB Liability.



Other Supplementary Information
August 31, 2023

Kerrville Independent School District

Data Control Codes		205 Head Start	211 ESEA Title I Improving Basic Programs	224 IDEA - B Formula
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	453,021	283,792	217,824
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>\$ 453,021</u>	<u>\$ 283,792</u>	<u>\$ 217,824</u>
Liabilities				
2110	Accounts payable	\$ 7,923	\$ 549	\$ 168
2160	Accrued wages payable	46,371	66,717	55,572
2170	Due to other funds	398,727	216,526	162,084
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>453,021</u>	<u>283,792</u>	<u>217,824</u>
Fund balances				
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 453,021</u>	<u>\$ 283,792</u>	<u>\$ 217,824</u>

Kerrville Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
 August 31, 2023

225	240	244	255
IDEA - B Preschool Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant	ESEA Title II Training & Recruiting
\$ -	\$ 897,995	\$ -	\$ -
9,265	138,990	37,261	72,323
-	192,073	-	-
-	-	-	-
<u>\$ 9,265</u>	<u>\$ 1,229,058</u>	<u>\$ 37,261</u>	<u>\$ 72,323</u>
\$ -	\$ 71,183	\$ -	\$ 126
2,347	-	2,182	203
6,918	1,276	35,079	71,994
-	-	-	-
-	-	-	-
<u>9,265</u>	<u>72,459</u>	<u>37,261</u>	<u>72,323</u>
-	1,156,599	-	-
-	-	-	-
-	<u>1,156,599</u>	-	-
<u>\$ 9,265</u>	<u>\$ 1,229,058</u>	<u>\$ 37,261</u>	<u>\$ 72,323</u>

Data Control Codes		263 English Language Acquisition and Enhancement	270 ESEA VI, Pt B Rural & Low Income	279 ESSER III TCLAS
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	2,848	84,932	27,726
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	\$ 2,848	\$ 84,932	\$ 27,726
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	2,848	84,932	27,726
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	2,848	84,932	27,726
	Fund balances			
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 2,848	\$ 84,932	\$ 27,726

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2023

282	284	285	288	289
ESSER III	IDEA - B Formula ARP	IDEA - B Preschool ARP	Air Force ROTC	Title IV Part A Subpart 1
\$ -	\$ -	\$ -	\$ -	\$ -
7,967	28,097	11,013	6,813	37,091
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,967</u>	<u>\$ 28,097</u>	<u>\$ 11,013</u>	<u>\$ 6,813</u>	<u>\$ 37,091</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
7,967	28,097	11,013	6,813	37,091
-	-	-	-	-
-	-	-	-	-
<u>7,967</u>	<u>28,097</u>	<u>11,013</u>	<u>6,813</u>	<u>37,091</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,967</u>	<u>\$ 28,097</u>	<u>\$ 11,013</u>	<u>\$ 6,813</u>	<u>\$ 37,091</u>

Data Control Codes		385	397	410
		Supplemental Visually Impaired	Advanced Placement Initiatives	State Textbook Fund
Assets				
1110	Cash and cash equivalents	\$ -	\$ 3,782	\$ -
1240	Due from other governments	-	-	30,920
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 3,782</u>	<u>\$ 30,920</u>
Liabilities				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	30,920
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	3,782	-
2000	Total liabilities	<u>-</u>	<u>3,782</u>	<u>30,920</u>
Fund balances				
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,782</u>	<u>\$ 30,920</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2023

429	461	499	Total Nonmajor Governmental Funds (See Exhibit C-1)
State Special Revenue	Campus Activity Funds	Other Local Special Revenue Funds	
\$ -	\$ 675,245	\$ 2,599	\$ 1,579,621
285,125	-	-	1,735,008
-	-	-	192,073
-	2,036	-	2,036
<u>\$ 285,125</u>	<u>\$ 677,281</u>	<u>\$ 2,599</u>	<u>\$ 3,508,738</u>
\$ -	\$ 15,772	\$ -	\$ 95,721
700	-	-	174,092
284,425	-	-	1,414,436
-	775	-	775
-	-	2,599	6,381
<u>285,125</u>	<u>16,547</u>	<u>2,599</u>	<u>1,691,405</u>
-	-	-	1,156,599
-	660,734	-	660,734
-	660,734	-	1,817,333
<u>\$ 285,125</u>	<u>\$ 677,281</u>	<u>\$ 2,599</u>	<u>\$ 3,508,738</u>

		205	211	224
Data Control Codes		Head Start	ESEA Title I Improving Basic Programs	IDEA - B Formula
Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	924,749	1,375,789	1,035,251
5020	Total revenues	924,749	1,375,789	1,035,251
Expenditures				
Current				
0011	Instruction	542,213	729,750	848,890
0012	Instruction resources and media services	6,223	-	-
0013	Curriculum and instructional staff development	6,121	211,490	-
0021	Instructional leadership	-	-	-
0023	School leadership	87,955	-	-
0031	Guidance, counseling and evaluation services	130,460	341,638	186,361
0032	Social work services	64,901	-	-
0033	Health services	36,231	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	25,000	-	-
0052	Security and monitoring services	425	-	-
0053	Data processing services	-	70,241	-
0061	Community services	25,220	22,670	-
6030	Total expenditures	924,749	1,375,789	1,035,251
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2023

225	240	244	255
IDEA - B Preschool Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant	ESEA Title II Training & Recruiting
\$ -	\$ 724,786	\$ -	\$ -
-	25,185	-	-
<u>27,374</u>	<u>2,198,282</u>	<u>58,919</u>	<u>212,349</u>
<u>27,374</u>	<u>2,948,253</u>	<u>58,919</u>	<u>212,349</u>
27,374	-	58,919	-
-	-	-	-
-	-	-	205,057
-	-	-	532
-	-	-	2,560
-	-	-	-
-	-	-	-
-	2,636,773	-	-
-	-	-	-
-	-	-	400
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	3,800
<u>27,374</u>	<u>2,636,773</u>	<u>58,919</u>	<u>212,349</u>
-	311,480	-	-
-	311,480	-	-
-	845,119	-	-
<u>\$ -</u>	<u>\$ 1,156,599</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		263 English Language Acquisition and Enhancement	270 ESEA VI, Pt B Rural & Low Income	279 ESSER III TCLAS
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	32,623	165,636	118,367
5020	Total revenues	32,623	165,636	118,367
	Expenditures			
	Current			
0011	Instruction	10,427	66,566	-
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	21,675	7,736	8,439
0021	Instructional leadership	375	-	-
0023	School leadership	-	3,283	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	88,051	109,928
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	146	-	-
6030	Total expenditures	32,623	165,636	118,367
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2023

282	284	285	288	289
ESSER III	IDEA - B Formula ARP	IDEA - B Preschool ARP	Air Force ROTC	Title IV Part A Subpart 1
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>108,214</u>	<u>129,593</u>	<u>11,013</u>	<u>66,560</u>	<u>90,570</u>
<u>108,214</u>	<u>129,593</u>	<u>11,013</u>	<u>66,560</u>	<u>90,570</u>
16,456	112,624	11,013	66,560	19,237
-	-	-	-	-
25,444	-	-	-	7,600
39,631	-	-	-	-
-	-	-	-	-
-	16,969	-	-	44,374
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,737
8,962	-	-	-	-
-	-	-	-	-
-	-	-	-	10,190
17,721	-	-	-	-
-	-	-	-	2,432
<u>108,214</u>	<u>129,593</u>	<u>11,013</u>	<u>66,560</u>	<u>90,570</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		385	397	410
		Supplemental Visually Impaired	Advanced Placement Initiatives	State Textbook Fund
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	6,120	-	30,920
5900	Federal program revenues	-	-	-
5020	Total revenues	6,120	-	30,920
	Expenditures			
	Current			
0011	Instruction	6,120	-	30,920
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	Total expenditures	6,120	-	30,920
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2023

429	461	499	Nonmajor Governmental Funds (See Exhibit C-2)
Special Revenue Fund	Campus Activity Funds	Other Local Special Revenue Funds	
\$ -	\$ 1,020,923	\$ -	\$ 1,745,709
285,193	-	-	347,418
-	-	-	6,555,289
<u>285,193</u>	<u>1,020,923</u>	<u>-</u>	<u>8,648,416</u>
768	618,563	-	3,166,400
-	22,011	-	28,234
-	-	-	493,562
-	-	-	40,538
-	3,650	-	97,448
-	77	-	719,879
-	-	-	64,901
-	1,143	-	37,374
-	-	-	2,636,773
-	350,931	-	357,668
-	4,382	-	211,723
-	5,181	-	30,181
284,425	-	-	295,040
-	-	-	87,962
-	-	-	54,268
<u>285,193</u>	<u>1,005,938</u>	<u>-</u>	<u>8,321,951</u>
-	14,985	-	326,465
-	14,985	-	326,465
-	645,749	-	1,490,868
<u>\$ -</u>	<u>\$ 660,734</u>	<u>\$ -</u>	<u>\$ 1,817,333</u>



Required TEA Schedules
August 31, 2023

Kerrville Independent School District



<u>Year Ended August 31,</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value for School Tax Purposes</u>
	<u>1 Maintenance</u>	<u>2 Debt Service</u>	
2014 and prior years	\$ Various	\$ Various	\$ Various
2015	1.04000	0.1400	2,450,340,827
2016	1.04000	0.1400	2,408,664,572
2017	1.04000	0.1400	2,382,594,852
2018	1.04000	0.1400	2,466,390,254
2019	1.04000	0.1400	2,633,361,610
2020	0.97000	0.2000	2,824,652,821
2021	0.91500	0.2000	2,983,792,137
2022	0.87200	0.1800	3,355,840,589
2023 (school year under audit)	0.85460	0.1800	3,662,911,787
1000 Totals			
8000 Taxes Refunded			

Kerrville Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2023

10 Beginning Balance 9/1/2022	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2023
\$ 373,243	\$ -	\$ 47,132	\$ 5,645	\$ 14,619	\$ 335,085
65,245	-	6,560	997	(848)	56,840
75,802	-	7,434	1,463	(3,462)	63,443
93,109	-	10,895	1,777	(2,338)	78,099
120,595	-	13,231	2,711	(7,735)	96,918
155,434	-	31,759	4,255	902	120,322
240,273	-	54,482	11,135	5,854	180,510
346,503	-	81,860	17,819	(7,786)	239,038
611,122	-	235,395	45,537	(34,877)	295,313
-	38,533,832	30,880,189	6,505,399	(375,164)	773,080
\$ 2,081,326	\$ 38,533,832	\$ 31,368,937	\$ 6,596,738	\$ (410,835)	\$ 2,238,648
		\$ 404,919			

Kerrville Independent School District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch Program (Exhibit J-2)
Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 617,600	\$ 617,600	\$ 724,786	\$ 107,186
5800	State program revenues	11,000	11,000	25,185	14,185
5900	Federal program revenues	2,082,862	2,082,862	2,198,282	115,420
5020	Total revenues	2,711,462	2,711,462	2,948,253	236,791
	Expenditures				
	Current				
0035	Food service	2,711,462	2,934,462	2,636,773	297,689
6030	Total expenditures	2,711,462	2,934,462	2,636,773	297,689
1100	Excess (deficiency) of revenues over (under) expenditures	-	(223,000)	311,480	534,480
1200	Change in fund balance	-	(223,000)	311,480	534,480
0100	Fund balances, beginning	845,119	845,119	845,119	-
3000	Fund balances, ending	\$ 845,119	\$ 622,119	\$ 1,156,599	\$ 534,480

Kerrville Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
(Exhibit J-3)
Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 6,606,000	\$ 6,606,000	\$ 6,916,860	\$ 310,860
5800	State program revenues	151,964	151,964	221,978	70,014
5020	Total revenues	6,757,964	6,757,964	7,138,838	380,874
	Expenditures				
	Debt service				
0071	Principal on long term debt	2,150,000	2,150,000	2,150,000	-
0072	Interest on long term debt	3,449,506	3,449,506	3,449,506	-
0073	Other debt service fees	1,158,458	1,158,458	1,500	1,156,958
6030	Total expenditures	6,757,964	6,757,964	5,601,006	1,156,958
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	1,537,832	1,537,832
1200	Net change in fund balances	-	-	1,537,832	1,537,832
0100	Fund balances, beginning	2,586,915	2,586,915	2,586,915	-
3000	Fund balances, ending	\$ 2,586,915	\$ 2,586,915	\$ 4,124,747	\$ 1,537,832

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the LEA's fiscal year.	\$4,271,743
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 26, 28, 29, 30, 34)	\$1,787,011
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 234,759
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 284,129



Federal Awards Section
August 31, 2023

Kerrville Independent School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerrville Independent School District (the District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
December 5, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees of
Kerrville Independent School District
Kerrville, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kerrville Independent School District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Abilene, Texas
December 5, 2023

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2023

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	U.S. Department of Defense			
	Direct Programs			
288	Air Force Junior ROTC	12.000	TX1D2063	\$ 66,560
	Total U.S. Department of Defense			<u>66,560</u>
	U.S. Department of Education			
	Passed through Texas Education Agency			
224	IDEA - Part B, Formula**	84.027A	236600011339036000	1,035,251
225	IDEA - Part B, Preschool***	84.173	236610011339036000	27,374
284	Covid-19 IDEA-B Part B, Formula ARP**	84.027X	225350011339035350	129,593
285	Covid-19 IDEA-B Part B, Preschool ARP***	84.173X	2253601339035360	11,013
	Total Special Education Cluster			<u>1,203,231</u>
211	ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101133903	1,422,174
244	Career and Technical Education - Basic Grants to States	84.048	23420006133903	60,496
270	ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	23696001133903	165,636
263	Title III, Part A - English Language Acquisition	84.365A	23671001133903	32,623
255	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	23694501133903	212,349
289	Title IV, Part A, Subpart 1	84.424A	23680101133903	84,734
289	LEP Summer School	84.369A	69552102	5,836
281	COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	21521001133903	4,004,567
282	COVID-19 Elementary and Secondary School Emergency Relief Fund III	84.425U	21528001133903	118,838
279	COVID-19 Elementary and Secondary School Emergency Relief Fund - TCLAS	84.425U	21528042133903	118,367
	Total ALN 84.425			<u>4,241,772</u>
	Total U.S. Department of Education			7,428,851
	Total passed through Texas Education Agency			<u>7,428,851</u>

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2023

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	U.S. Department of Health and Human Services			
	Direct Programs - Head Start Cluster			
205	Head Start	93.600	06CH011567	842,810
205	COVID-19 Head Start American Rescue Plan	93.600	06HE00831	81,939
	Total Direct Programs - Head Start Cluster			924,749
	Passed through Texas Health and Human Services Commission			
199	Medicaid Administrative Claiming Program - MAC	93.778	HHS0053790023	24,876
	Total Medicaid Cluster			24,876
	Total passed through Texas Health and Human Services Commission			24,876
	Total U.S. Department of Health and Human Services			949,625
	U.S. Department of Agriculture			
	Passed through Texas Education Agency			
240	School Breakfast Program	10.559	71402301	\$ 433,249
240	National School Lunch Program*	10.555	71302301	1,469,518
240	National School Lunch Program - noncash assistance*	10.555	71302301	184,366
240	Supply Chain Assistance Grant*	10.555	226TX400N8903	111,149
	Total Child Nutrition Cluster			2,198,282
	Total U.S. Department of Agriculture			2,198,282
	Total Federal Financial Assistance			\$ 10,643,318
	*Total National School Lunch Program (ALN 10.555)			\$ 1,765,033
	**Total IDEA - Part B, Formula/Discretionary (ALN 84.027A)			1,164,844
	***Total IDEA - Part B, Preschool (ALN 84.173)			38,387

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2023. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$ 10,643,318
School Health and Related Services	373,206

Total federal revenues per Exhibit C-2	\$ 11,016,524

Note 3 - Indirect Cost Rate

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Financial Assistance Listing Number
Head Start	93.600
Special Education Cluster	84.027; 84.173
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D; 84.425U
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit disclosed no findings and questioned costs required to be reported.

Kerrville Independent School District
 Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
 Year Ended August 31, 2023

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -