



Financial Statements
August 31, 2020

**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, 2020, at a meeting of the Board of Trustees of such school district on the 25th day of January, 2021.



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

The Board of Trustees
Kerrville Independent School District
Kerrville, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 15 and 54 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the 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 have also issued a report dated January 5, 2021 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, 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
January 5, 2021

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, 2020. 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, 2020, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$29,008,434. Net investments in capital assets was \$46,278,559.
- The government-wide statements reported total revenues of \$57,297,837, which exceeded total expenses of \$54,380,128 and resulted in a net increase of net position of \$2,917,709.
- The governmental funds financial statements reported combined ending fund balance of \$57,973,405 for the year ending August 31, 2020. This balance includes \$11,441,097 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 \$2,525,713 and is included in the Debt Service Fund and Non-Major Funds. Restricted fund balance for capital acquisitions totals \$42,453,945 and is included in the Capital Projects Fund. Committed fund balance is \$1,278,798 is included in the General fund and consists of amounts set aside by the Board for future projects. Non-spendable fund balance is \$273,852.
- The General Fund had \$41,424,854 in revenues, which primarily consisted of state aid and property taxes, and \$39,350,540 in expenditures and \$611,097 in transfers to other funds, which resulted in an increase in fund balance by \$1,463,217 for the year ended August 31, 2020.

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 and worker’s compensation	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, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of change in 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.	Agency funds do not report revenue and expenditures.

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, 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 \$2,917,709 from the previous year as can be seen on the following table.

	Governmental Activities				
	2020		2019		Increase (Decrease)
	Amount	%	Amount	%	Amount
Current and other assets	\$68,593,100	40	\$64,302,723	51	\$ 4,290,377
Capital assets, net of accumulated depreciation	103,733,117	60	62,424,099	49	41,309,018
Total assets	172,326,217	100	126,726,822	100	45,599,395
Total deferred outflows of resources	8,390,670	100	9,520,934	100	(1,130,264)
Other liabilities	9,689,086	7	4,175,363	4	5,513,723
Long-term liabilities outstanding	129,923,438	93	97,582,597	96	32,340,841
Total liabilities	139,612,524	100	101,757,960	100	37,854,564
Total deferred inflows of resources	12,095,929	100	8,411,474	100	3,684,455
Net position:					
Net investment in capital assets	46,278,559	160	43,193,992	95	3,084,567
Restricted	2,513,395	0	2,454,045	6	59,350
Unrestricted	(19,783,520)	(1)	(19,557,312)	(2)	(226,208)
Total net position	29,008,434	100	26,090,725	100	2,917,709

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 60 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable, inventories and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds (72%) and net pension and OPEB liability (21%). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (7%).

The District's net position includes its investment in capital assets (e.g., land, buildings, and equipment) 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:

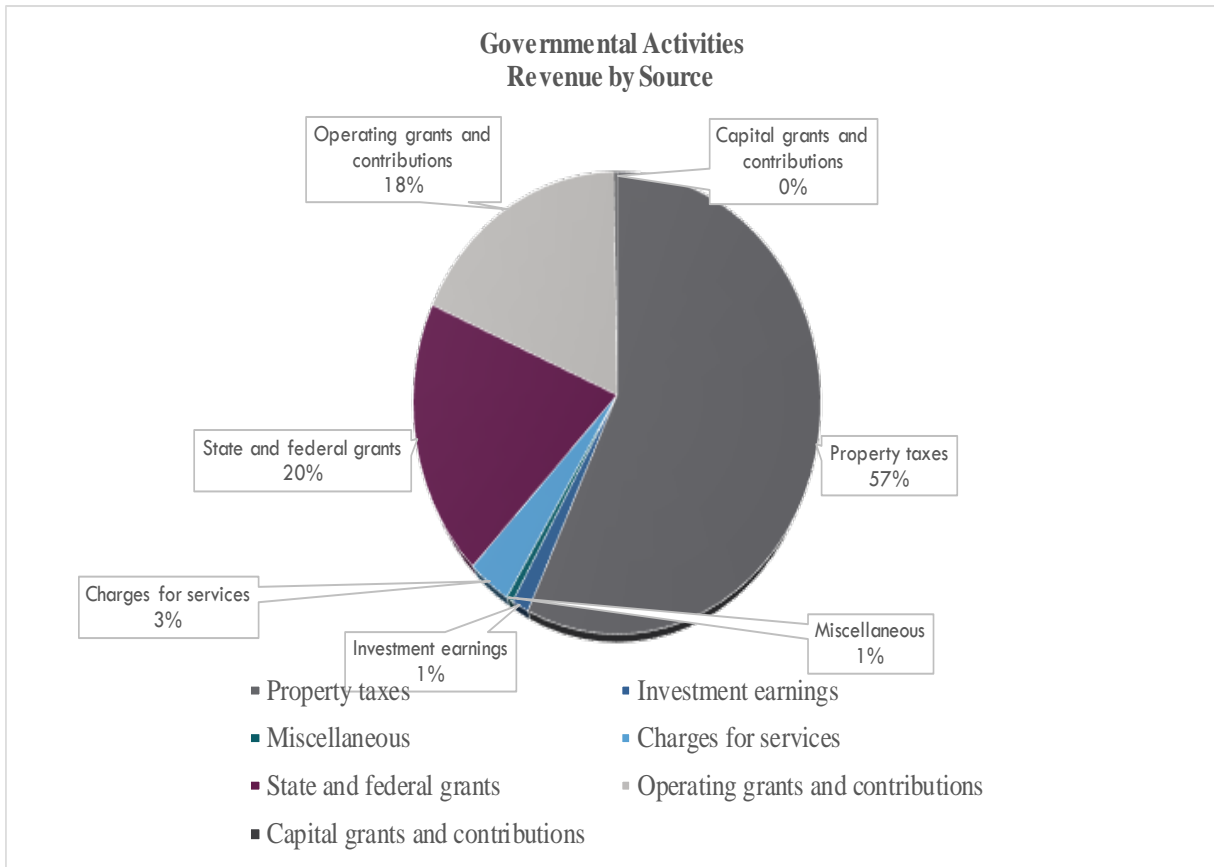
- There was an increase in the property tax base which resulted in additional property tax revenues of approximately \$1,466,829 during the current fiscal period.
- The District underwent significant capital improvements during the fiscal year that included building new campus buildings. This resulted in an increase in net capital assets of \$41,309,018.

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 \$4,955,048 while total expenses increased \$3,813,703 which resulted in a net increase of net position of \$1,141,345.

Revenues

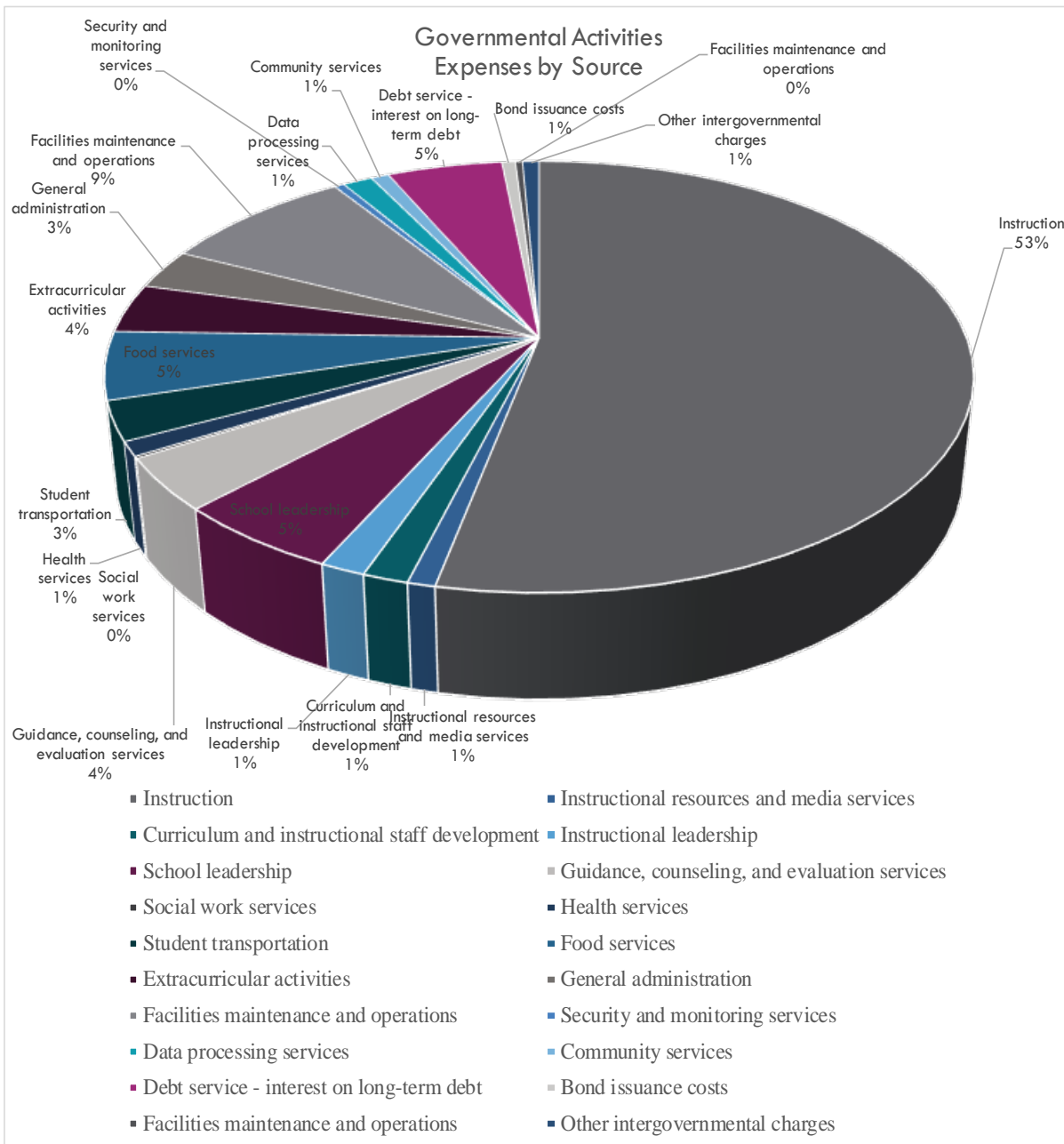
The District's total revenues were \$57,297,837, representing an increase of \$4,955,048 from the previous year. The majority of this increase is due to a \$1,466,829 increase in property tax revenue and a \$2,858,460 increase in State Aid. As seen below, approximately 57% of the District's revenue comes from taxes while the remaining 43% comes primarily from program revenue and state and federal sources.



Expenses

The District's total expenses were \$54,380,128, representing an increase of \$3,813,703 from the previous year. The majority of this increase is due to an increase in salaries and interest on long-term debt from the prior year. The District's primary functional expenses are

- Instruction - \$28,934,601, or 53 percent of total expenses
- Plant maintenance and operations - \$4,640,473, or 9 percent of total expenses



In total, governmental activities increased the District's net position by \$2.9 million dollars. Key elements of this change are as follows:

Kerrville Independent School District

Management's Discussion and Analysis

August 31, 2020

Kerrville Independent School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 1,907,252	3	\$ 2,641,734	5	\$ (734,482)	-28
Operating grants and contributions	10,472,758	18	9,311,439	18	1,161,319	12
Capital grants and contributions	147,600		100,000		47,600	
General revenues:						
Property taxes, levied for general purpo	27,068,591	47	27,463,182	52	(394,591)	-1
Property taxes, levied for debt service	5,568,852	10	3,707,432	7	1,861,420	50
State Aid - Formula Grants	10,903,309	19	8,044,849	15	2,858,460	36
Grants and contributions not restricted to specific programs	173,022	0	78,847	0	94,175	119
Investment earnings	756,295	1	983,513	2	(227,218)	-23
Miscellaneous	300,158	1	11,793	0	288,365	2445
Total revenues	57,297,837	100	52,342,789	100	4,955,048	9
Expenses:						
Instruction	28,934,601	53	27,314,401	54	1,620,200	6
Instructional resources and media services	477,980	1	464,489	1	13,491	3
Curriculum and instructional staff developme	787,022	1	440,848	1	346,174	79
Instructional leadership	782,556	1	789,380	2	(6,824)	-1
School leadership	2,905,106	5	2,827,925	6	77,181	3
Guidance, counseling, and evaluation services	2,126,696	4	1,949,436	4	177,260	9
Social work services	83,403	0	71,316	0	12,087	17
Health services	579,978	1	534,566	1	45,412	-
Student transportation	1,595,959	3	1,925,963	4	(330,004)	-17
Food service	2,772,323	5	2,660,345	5	111,978	4
Extracurricular activities	2,011,285	4	2,092,533	4	(81,248)	-4
General administration	1,636,893	3	1,465,926	3	170,967	12
Plant maintenance and operations	4,640,473	9	4,413,012	9	227,461	5
Security and monitoring services	235,992	0	208,370	0	27,622	13
Data processing services	714,099	1	780,384	2	(66,285)	-8
Community services	428,448	1	450,759	1	(22,311)	-5
Debt service -interest on long-term debt	2,772,409	5	1,320,615	3	1,451,794	110
Bond issuance costs	324,050	1	443,495	1	(119,445)	0
Facilities acquisition and construction	171,818	0	21,508	0	150,310	0
Other intergovernmental charges	399,037	1	391,154	1	7,883	2
Total expenses	54,380,128	100	50,566,425	100	3,813,703	8
Change in net position	2,917,709		1,776,364		1,141,345	
Net position - beginning	26,090,725		24,314,361		1,776,364	
Net position - ending	\$29,008,434		\$26,090,725		\$2,917,709	

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 \$57,973,405, a decrease of \$1,267,519 in comparison with the prior year. Approximately 20 percent of this total amount (\$11,441,097) 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 and food services (\$102,445), 2) to purchase services for the next fiscal period (\$171,407), 3) committed for construction (\$560,000), 4) restricted to pay for capital acquisitions (\$42,453,945), 5) restricted to pay debt service (\$2,426,950) or 6) for a variety of other restricted purposes (\$98,763). The District's committed fund balance consists of (\$718,798) for various future use items. 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 \$11,441,097, while total fund balance reached \$12,921,476. 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 29.1 percent of total General Fund expenditures, while total fund balance represents 32.9 percent of that same amount.

The fund balance of the District's General Fund increased by \$1,463,217 during the current fiscal year. A key factor in this growth are as follows:

- Expenditures totaled \$39,350,540 which is a 5.6 percent increase from previous year.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$2,426,950, all of which is reserved for the payment of debt service. The net increase in fund balance was \$114,872. An increase in appraised property values increased property tax revenues by \$1,882,070.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$42,453,945, all of which is reserved for the payment of ongoing capital projects with the issuance of the 2018 Bond Program.

National School Breakfast/Lunch Program Fund. The National School Breakfast/Lunch Program fund has a total fund balance of \$171,034. The net increase in fund balance during the current year in the Child Nutrition Fund was \$7,754.

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 \$2,421,642 from the original budget.
- ***Variances of amended budget to actual expenditures.***
Expenditures were \$4,482,082 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***
Revenues were lower than the final budget by \$463,148, largely attributed to State revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$103,733,117 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$41,309,018 or 66 percent over last year. Major capital asset events conducted during the fiscal year included the purchase of land and construction of the new Hal Peterson Middle School, roof repairs, a new school bus and security and safety upgrades on various campuses. Additional information on the District's capital assets can be found in Note 8 of this report.

**Kerrville Independent School District's
Capital Assets**

	Governmental Activities	
	2020	2019
Land	\$ 5,922,426	\$ 4,378,687
Construction in progress	45,487,312	4,244,436
Buildings and improvements	89,809,328	89,733,529
Furniture and equipment	4,292,227	4,248,617
Total at historical cost	145,511,293	102,605,269
Less accumulated depreciation	(41,778,176)	(40,181,170)
Net Capital Assets	\$ 103,733,117	\$ 62,424,099

Long-Term Debt

At the end of 2020 the District had \$129,923,438 million in long-term liabilities which include general obligation bonds, net pension liability, and net OPEB liability. The District's long-term liabilities increased by \$32 million.

Additional information on the District's long-term debt can be found in Note 9 of this report.

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

	Governmental Activities	
	2020	2019
Bonds Payable		
General obligation bonds	\$ 91,790,000	\$ 60,675,000
Unamortized bond premium	8,118,503	3,854,660
Net pension liability	13,243,790	14,652,695
Net OPEB liability	16,771,145	18,400,242
Total debt payable	\$ 129,923,438	\$ 97,582,597

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2020-21 appraised property values increased by approximately 9.7%. The State funding formulas currently provide that as property tax revenues increase, state funding decreases by a comparable amount.

The Maintenance and Operations (M&O) tax rate decreased to \$0.915 per \$100 valuation for the 2020-21 year. The Interest and Sinking (I&S) tax rate remained \$.20 per \$100 valuation for an overall rate of \$1.115 for the 2020-21 year. The District's 20-21 budget included an estimated decrease of 144 students enrolled.

General Fund expenditures are budgeted to increase \$453,182 over the prior year budgeted expenditures, due to the passage of House Bill 3 by the 2019 Texas Legislature.

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.

file f Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 5,129,745
1120	Current investments	59,559,696
1220	Property taxes receivable (delinquent)	2,000,530
1230	Allowance for uncollectible taxes	(853,903)
1240	Due from other governments	2,472,950
1290	Other receivables	4,313
1300	Inventories at cost	102,445
1410	Prepayments	154,514
1490	Other current assets	22,810
	Capital assets	
1510	Land	5,922,426
1520	Buildings and improvements, net	50,949,899
1530	Furniture and equipment, net	1,373,480
1580	Construction in progress	45,487,312
1000	Total assets	<u>172,326,217</u>
	Deferred outflows of resources	
	Deferred outflows - pension	6,371,048
	Deferred outflows - OPEB	2,019,622
1700	Total deferred outflows of resources	<u>8,390,670</u>
	Liabilities	
2110	Accounts payable	6,262,074
2120	Other liabilities - current	22,818
2140	Interest payable	161,111
2160	Accrued wages payable	1,391,565
2180	Due to other governments	1,244,571
2300	Unearned revenues	606,947
	Noncurrent liabilities	
2501	Due within one year	3,045,000
2502	Due in more than one year	88,745,000
2516	Premium on issuance of bonds	8,118,503
2540	Net pension liability	13,243,790
2545	Net OPEB liability	16,771,145
2000	Total liabilities	<u>139,612,524</u>
	Deferred inflows of resources	
	Deferred inflows - pension	2,792,270
	Deferred inflows - OPEB	9,303,659
2600	Total deferred inflows of resources	<u>12,095,929</u>

See Notes to Financial Statements

Kerrville Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2020

<u>Data Control Codes</u>		Governmental Activities
	Net position	
3200	Net investment in capital assets	46,278,559
3820	Restricted for federal and state programs	98,763
3850	Restricted for debt service	2,414,632
3900	Unrestricted net position	<u>(19,783,520)</u>
3000	Total net position	<u>\$ 29,008,434</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 28,934,601	\$ 603,397	\$ 6,007,784
12	Instructional resources and media services	477,980	-	46,071
13	Curriculum and instructional staff development	787,022	-	391,783
21	Instructional leadership	782,556	-	62,173
23	School leadership	2,905,106	-	389,381
31	Guidance, counseling, and evaluation services	2,126,696	-	706,048
32	Social work services	83,403	-	51,747
33	Health services	579,978	-	97,171
34	Student transportation	1,595,959	-	153,563
35	Food services	2,772,323	388,878	1,587,084
36	Extracurricular activities	2,011,285	891,824	110,735
41	General administration	1,636,893	-	117,956
51	Facilities maintenance and operations	4,640,473	17,213	431,058
52	Security and monitoring services	235,992	-	36,733
53	Data processing services	714,099	-	94,759
61	Community services	428,448	-	90,247
72	Debt service - interest on long-term debt	2,772,409	-	98,465
73	Bond issuance costs	324,050	-	-
81	Facilities acquisition and construction	171,818	-	-
99	Other intergovernmental charges	399,037	5,940	-
TG	Total governmental activities	<u>54,380,128</u>	<u>1,907,252</u>	<u>10,472,758</u>
TP	Total primary government	<u>\$ 54,380,128</u>	<u>\$ 1,907,252</u>	<u>\$ 10,472,758</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			
NE	Net position, ending			

See Notes to Financial Statements

Kerrville Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2020

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
5	6	8
Capital Grants and Contributions	Governmental Activities	Total
\$ -	\$ (22,323,420)	\$ (22,323,420)
-	(431,909)	(431,909)
-	(395,239)	(395,239)
-	(720,383)	(720,383)
-	(2,515,725)	(2,515,725)
-	(1,420,648)	(1,420,648)
-	(31,656)	(31,656)
-	(482,807)	(482,807)
147,600	(1,294,796)	(1,294,796)
-	(796,361)	(796,361)
-	(1,008,726)	(1,008,726)
-	(1,518,937)	(1,518,937)
-	(4,192,202)	(4,192,202)
-	(199,259)	(199,259)
-	(619,340)	(619,340)
-	(338,201)	(338,201)
-	(2,673,944)	(2,673,944)
-	(324,050)	(324,050)
-	(171,818)	(171,818)
-	(393,097)	(393,097)
<u>147,600</u>	<u>(41,852,518)</u>	<u>(41,852,518)</u>
<u>\$ 147,600</u>	<u>(41,852,518)</u>	<u>(41,852,518)</u>
	27,068,591	27,068,591
	5,568,852	5,568,852
	10,903,309	10,903,309
	173,022	173,022
	756,295	756,295
	300,158	300,158
	<u>44,770,227</u>	<u>44,770,227</u>
	2,917,709	2,917,709
	26,090,725	26,090,725
	<u>\$ 29,008,434</u>	<u>\$ 29,008,434</u>

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	Assets			
1110	Cash and cash equivalents	\$ 3,286,501	\$ 70,375	\$ 979,887
1120	Current investments	10,179,479	2,326,573	47,053,644
1220	Property taxes - delinquent	1,720,087	280,443	-
1230	Allowance for uncollectible taxes (credit)	(734,650)	(119,253)	-
1240	Due from other governments	376,267	-	-
1260	Due from other funds	1,820,258	21,603	25,268
1290	Other receivables	4,313	-	-
1300	Inventories	30,174	-	-
1410	Prepayments	148,597	-	5,917
1490	Other current assets	22,810	-	-
1000	Total assets	16,853,836	2,579,741	48,064,716
1000a	Total assets and deferred outflows of resources	\$16,853,836	\$ 2,579,741	\$ 48,064,716
	Liabilities			
2110	Accounts payable	\$ 404,716	\$ -	\$ 5,610,771
2120	Other liabilities - current	22,818	-	-
2160	Accrued wages payable	1,253,461	-	-
2170	Due to other funds	46,921	-	-
2180	Due to other governments	1,244,571	-	-
2300	Unearned revenues	66,244	3,998	-
2000	Total liabilities	3,038,731	3,998	5,610,771
	Deferred inflows of resources			
	Unavailable revenue - property taxes	893,629	148,793	-
2600	Total deferred inflows of resources	893,629	148,793	-
	Fund balance			
3410	Nonspendable - inventories	30,174	-	-
3430	Nonspendable - prepaid items	171,407	-	-
3450	Restricted - grants	-	-	-
3470	Restricted - capital acquisition	-	-	42,453,945
3480	Restricted - debt service	-	2,426,950	-
3510	Committed - construction	560,000	-	-
3545	Committed - other	718,798	-	-
3600	Unassigned fund balance	11,441,097	-	-
3000	Total fund balances	12,921,476	2,426,950	42,453,945
4000	Total liabilities, deferred inflows, and fund balances	\$16,853,836	\$ 2,579,741	\$ 48,064,716

See Notes to Financial Statements

Kerrville Independent School District
 Balance Sheet – Governmental Funds (Exhibit C-1)
 August 31, 2020

Total Nonmajor Funds	Total Governmental Funds
\$ 792,982	\$ 5,129,745
-	59,559,696
-	2,000,530
-	(853,903)
1,949,083	2,325,350
-	1,867,129
-	4,313
72,271	102,445
-	154,514
-	22,810
<u>2,814,336</u>	<u>70,312,629</u>
<u>\$2,814,336</u>	<u>\$ 70,312,629</u>
\$ 241,432	\$ 6,256,919
-	22,818
128,251	1,381,712
1,736,914	1,783,835
-	1,244,571
536,705	606,947
<u>2,643,302</u>	<u>11,296,802</u>
-	1,042,422
-	1,042,422
72,271	102,445
-	171,407
98,763	98,763
-	42,453,945
-	2,426,950
-	560,000
-	718,798
-	11,441,097
<u>171,034</u>	<u>57,973,405</u>
<u>\$2,814,336</u>	<u>\$ 70,312,629</u>

Kerrville Independent School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)
August 31, 2020

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$57,973,405
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.		374,648
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.		102,858,277
3 Some liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds:		
Bonds payable	\$ (91,790,000)	
Unamortized premiums on bonds payable	<u>(8,118,503)</u>	(99,908,503)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(161,111)
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		1,042,422
6 The government-wide statements includes 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	\$ (13,028,051)	
Deferred outflow of resources - TRS pension	6,267,383	
Deferred inflow of resources - TRS pension	(2,746,784)	
Net OPEB liability	(16,497,946)	
Deferred outflow of resources - TRS-Care OPEB	1,986,798	
Deferred inflow of resources - TRS-Care OPEB	<u>(9,152,104)</u>	<u>(33,170,704)</u>
19 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		<u><u>\$29,008,434</u></u>

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	Revenues			
5700	Local and intermediate sources	\$27,763,870	\$ 5,628,810	\$ 546,910
5800	State program revenues	13,174,249	98,465	10,829
5900	Federal program revenues	486,735	-	-
5020	Total revenues	41,424,854	5,727,275	557,739
	Expenditures			
	Current			
0011	Instruction	21,792,357	-	-
0012	Instructional resources and media services	383,603	-	-
0013	Curriculum and instructional staff development	316,755	-	-
0021	Instructional leadership	727,863	-	-
0023	School leadership	2,526,952	-	-
0031	Guidance, counseling, and evaluation services	1,364,269	-	-
0032	Social work services	26,098	-	-
0033	Health services	495,108	-	-
0034	Student (pupil) transportation	1,469,078	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	1,322,481	-	-
0041	General administration	1,512,786	-	103
0051	Facilities maintenance and operations	4,355,934	-	-
0052	Security and monitoring services	182,522	-	-
0053	Data processing services	634,984	-	-
0061	Community services	296,974	-	-
	Debt service			
0071	Principal on long-term debt	-	2,940,000	-
0072	Interest on long-term debt	-	3,060,506	-
0073	Bond issuance costs and fees	-	4,700	319,350
	Capital outlay			
0081	Facilities acquisition and construction	1,543,739	-	41,375,600
	Intergovernmental			
0099	Other intergovernmental charges	399,037	-	-
6030	Total expenditures	39,350,540	6,005,206	41,695,053
1100	Excess (deficiency) of revenues over (under) expenditures	2,074,314	(277,931)	(41,137,314)
	Other financing sources (uses)			
7911	Issuance of bonds	-	345,795	33,709,205
7915	Operating transfers in	-	-	-
8911	Operating transfers out	(611,097)	-	-
7916	Premium on issuance of bonds	-	47,008	4,582,501
7080	Total other financing sources (uses)	(611,097)	392,803	38,291,706
1200	Net change in fund balances	1,463,217	114,872	(2,845,608)
0100	Fund balances, beginning	11,458,259	2,312,078	45,299,553
3000	Fund balances, ending	\$12,921,476	\$ 2,426,950	\$ 42,453,945

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, 2020

Total Nonmajor Funds	Total Governmental Funds
\$1,099,781	\$ 35,039,371
423,417	13,706,960
6,100,623	6,587,358
<u>7,623,821</u>	<u>55,333,689</u>
3,884,118	25,676,475
16,774	400,377
422,873	739,628
349	728,212
108,968	2,635,920
562,444	1,926,713
48,749	74,847
40,163	535,271
774	1,469,852
2,541,357	2,541,357
276,051	1,598,532
400	1,513,289
165,860	4,521,794
53,470	235,992
53,134	688,118
59,434	356,408
-	2,940,000
-	3,060,506
-	324,050
-	42,919,339
-	399,037
<u>8,234,918</u>	<u>95,285,717</u>
<u>(611,097)</u>	<u>(39,952,028)</u>
-	34,055,000
611,097	611,097
-	(611,097)
-	4,629,509
<u>611,097</u>	<u>38,684,509</u>
-	(1,267,519)
<u>171,034</u>	<u>59,240,924</u>
<u>\$ 171,034</u>	<u>\$ 57,973,405</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, 2020

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ (1,267,519)
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.	114,742
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 2020 capital outlays of \$42,956,532 and debt principal payments of \$2,940,000 is to increase net position.	45,896,532
2020 depreciation expense, less depreciation on assets held in internal service funds, increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,842,918)
Government funds report debt proceeds and premium on issuance of debt as financing sources when debt is first issued, whereas these are reported as long-term liabilities in the statement of net position. The net effect of reclassing debt proceeds of \$34,055,000 and the premium of \$4,629,509 is to decrease net position.	(38,684,509)
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 \$1,042,422 as revenue and removing the prior year's tax collection of \$885,076.	157,346
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 an increase of \$77,569. The net effect is to decrease net position.	(77,569)
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.	365,666
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 increase in the amount of \$11,969. 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 \$1,844,377. The net effect is a decrease in net position.	(1,832,408)
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 \$11,789. 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 \$76,557. The net effect is an increase in net position.	88,346
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	<u><u>\$ 2,917,709</u></u>

Kerrville Independent School District
Statement of Net Position – Proprietary Fund (Exhibit D-1)
August 31, 2020

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Assets	
	Current assets	
1240	Due from other governments	\$ 147,600
	Noncurrent assets	
1520	Buildings and improvements	223,746
1571	Depreciation on buildings	(99,186)
1530	Furniture and equipment	3,363,780
1573	Depreciation on furniture and equipment	(2,613,500)
1000	Total assets	<u>1,022,440</u>
1705	Deferred outflows - pension	103,665
1706	Deferred outflows - OPEB	32,824
1700	Total deferred outflows of resources	<u>136,489</u>
	Liabilities	
2110	Accounts payable	5,155
2160	Accrued wages payable	9,853
2170	Due to other funds	83,294
	Noncurrent liabilities	
2540	Net pension liability	215,739
2545	Net OPEB liability	273,199
2000	Total liabilities	<u>587,240</u>
2605	Deferred inflows - pension	45,486
2606	Deferred inflows - OPEB	151,555
2600	Total deferred inflows of resources	<u>197,041</u>
	Net position	
3200	Net investment in capital assets	874,840
3900	Unrestricted	(500,192)
3000	Total net position	<u><u>\$ 374,648</u></u>

Kerrville Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit D-2)
Year Ended August 31, 2020

Data Control Codes		Governmental Activities <u>Internal Service Fund</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 1,716,127
5020	Total revenues	<u>1,716,127</u>
	Operating expenses	
6100	Payroll costs	1,310,058
6200	Professional and contracted services	56,622
6300	Supplies and materials	299,369
6400	Other operating costs	30,865
6440	Depreciation expense	143,188
6600	Capital outlay	<u>15,679</u>
6030	Total expenses	<u>1,855,781</u>
	Operating loss	(139,654)
	Nonoperating revenues	
5800	State program revenue	254,396
1300	Change in net position	114,742
0100	Net position, beginning	<u>259,906</u>
3300	Net position, ending	<u>\$ 374,648</u>

Kerrville Independent School District
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)
Year Ended August 31, 2020

	Governmental Activities
	Internal Service Fund
Operating activities	
Cash received from user charges	\$ 1,716,127
Cash payments for employees for services	(1,283,229)
Cash payments for other operating expenses	(311,007)
Net cash from operating activities	121,891
Non-capital financing activities	
State grants received	106,796
Net cash from non-capital financing activities	106,796
Capital and related financing activities	
Acquisition of capital assets	(338,592)
Net cash used for capital and related financing activities	(338,592)
Net change in cash and cash equivalents	(109,905)
Cash and cash equivalents at beginning of year	109,905
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (139,654)
Depreciation expense	143,188
Changes in assets and liabilities	
Decrease in accounts payable	(6,487)
Increase in accrued wages payable	9,853
Increase in due to other funds	82,336
Decrease in net pension liability	(21,337)
Decrease in OPEB liability	(24,511)
Decrease in deferred outflows for pension	25,489
Increase in deferred outflows for OPEB	(7,932)
Increase in deferred inflows for pension	27,186
Increase in deferred inflows for OPEB	33,760
Net cash from operating activities	\$ 121,891

Kerrville Independent School District
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)
August 31, 2020

Data Control Codes		865 Agency Fund
		Student Activity
	Assets	
1110	Cash and cash equivalents	\$ 67,529
1000	Total assets	67,529
	Liabilities	
	Current liabilities	
2180	Due to other governments	686
2170	Due to student groups	66,843
2000	Total liabilities	\$ 67,529

Note 1 - 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.

Note 2 - 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.

Note 3 - 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 *Debt Service Fund*, a governmental fund type, account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.

The *Capital Projects Fund*, a governmental fund type, 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 funds*, 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:

Agency funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency 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.

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

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 are reported at fair value.

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 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 is 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

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.

Long-Term Liabilities

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

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 12 and its OPEB liability as described in Note 13. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS's deferred outflow related to pensions as described in Note 12 and for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 13.

Pensions

The fiduciary net position of the 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.

OPEB

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

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.

Note 5 - 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 6 - 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 7 - Detailed Notes on All Funds

Deposits and Investments

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

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial Credit Risk-Deposits

At August 31, 2020, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009; 2) certificates of deposit and share certificates as permitted by Government Code 2256.010; 3) fully collateralized repurchase agreements permitted by Government Code 2256.011; 4) a securities lending program as permitted by Government Code 2256.0115; 5) banker's acceptances as permitted by Government Code 2256.013; 6) commercial paper as permitted by Government Code 2256.013; 7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014; 8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and 9) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

Concentration of Credit Risk

The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user.

Interest Rate Risk

The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The District is a voluntary participant in TexPool and Lone Star.

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.

The investments held at August 31, 2020 are as follows:

Investment Pools	Amortized Cost	Weighted Average Maturity (Days)*	Rating
TexPool	\$ 2,655,934	33	AAAm
Lone Star/First Public	56,903,762	35	AAA
Total	\$ 59,559,696		

*To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

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, 2020 fiscal year was based, was \$2,824,652,821. 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, 2020 were 97.5% 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, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,146,627.

The tax rate to finance general governmental services was \$0.97 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.20 per \$100 for the year ended August 31, 2020.

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, 2020, are summarized below:

Governmental Activities	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 376,267	\$ -	\$ 376,267
Nonmajor governmental funds	178,763	1,770,320	1,949,083
	<u>\$ 555,030</u>	<u>\$ 1,770,320</u>	<u>\$ 2,325,350</u>

Interfund Receivables / Payables

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, 2020, 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	\$ 1,820,258	\$ 46,921
Debt service fund	21,603	-
Capital projects fund	25,268	-
Nonmajor governmental funds	-	1,736,914
Internal service fund	-	83,294
	<u>\$ 1,867,129</u>	<u>\$ 1,867,129</u>

Interfund transfers during the year ended August 31, 2020 consisted of the following individual balances:

Transfers in/out	Transfers In	Transfers Out
General fund	\$ -	\$ 611,097
Nonmajor governmental funds	611,097	-
	<u>\$ 611,097</u>	<u>\$ 611,097</u>

The interfund transfer between nonmajor governmental funds is to cover deficit fund balance for food service activity.

Note 8 - Capital Asset Activity

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

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,378,687	\$ 1,543,739	\$ -	\$ 5,922,426
Construction in progress	4,244,436	41,242,876	-	45,487,312
Total capital assets not being depreciated	<u>8,623,123</u>	<u>42,786,615</u>	<u>-</u>	<u>51,409,738</u>
Capital assets, being depreciated				
Building and improvements	89,733,529	75,799	-	89,809,328
Furniture and equipment	4,248,617	432,710	(389,100)	4,292,227
Total capital assets being depreciated	<u>93,982,146</u>	<u>508,509</u>	<u>(389,100)</u>	<u>94,101,555</u>
Less accumulated depreciation for				
Building and improvements	(37,116,798)	(1,742,631)	-	(38,859,429)
Furniture and equipment	(3,064,372)	(243,475)	389,100	(2,918,747)
Total accumulated depreciation	<u>(40,181,170)</u>	<u>(1,986,106)</u>	<u>389,100</u>	<u>(41,778,176)</u>
Total capital assets, being depreciated, net	<u>53,800,976</u>	<u>(1,477,597)</u>	<u>-</u>	<u>52,323,379</u>
Governmental activities capital assets, net	<u>\$ 62,424,099</u>	<u>\$41,309,018</u>	<u>\$ -</u>	<u>\$ 103,733,117</u>

Estimated costs to complete construction in progress as of August 31, 2020 are \$42,852,873.

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

Instruction	\$ 1,151,905
Instructional resources and media services	49,477
Curriculum and staff development	6,424
School leadership	30,434
Guidance, counseling and evaluation services	14,400
Student transportation	144,051
Food service	92,979
Cocurricular/extracurricular activities	313,920
General administration	14,999
Facilities maintenance and operations	46,907
Data processing services	68,864
Community services	51,746
Total depreciation expense - governmental activities	<u>\$ 1,986,106</u>

Note 9 - 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 bonds payable are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2020 is as follows:

	Interest Rate Payable	Amounts Original Issued	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds Series 2013	2% to 3.5%	\$ 14,325,000	\$ 5,895,000	\$ -	\$ (2,895,000)	\$ 3,000,000	\$ 3,000,000
Unlimited Tax School Building Bonds Series 2013	2% to 4%	5,970,000	5,710,000	-	(45,000)	5,665,000	45,000
Unlimited Tax School Building Bond Series 2019	2% to 5%	49,070,000	49,070,000	-	-	49,070,000	-
Unlimited Tax School Building Bond Series 2020	2% to 5%	34,055,000	-	34,055,000	-	34,055,000	-
Total bonds payable			<u>\$ 60,675,000</u>	<u>\$ 34,055,000</u>	<u>\$ (2,940,000)</u>	<u>\$ 91,790,000</u>	<u>\$ 3,045,000</u>

Debt service requirements for the District's long-term debt are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2021	\$ 3,045,000	\$ 3,625,006	\$ 6,670,006
2022	2,085,000	3,518,206	5,603,206
2023	2,150,000	3,449,506	5,599,506
2024	2,225,000	3,374,306	5,599,306
2025	2,275,000	3,318,931	5,593,931
2026-2030	13,115,000	14,889,405	28,004,405
2031-2035	15,010,000	11,771,087	26,781,087
2036-2040	16,230,000	8,769,525	24,999,525
2041-2045	19,895,000	5,110,625	25,005,625
2046-2049	15,760,000	1,194,088	16,954,088
	<u>\$ 91,790,000</u>	<u>\$ 59,020,685</u>	<u>\$ 150,810,685</u>

A summary in 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	\$ 60,675,000	\$ 34,055,000	\$ (2,940,000)	\$ 91,790,000	\$ 3,045,000
Less deferred amounts for issuance premium	3,854,660	4,629,509	(365,666)	8,118,503	-
Governmental activities long-term liabilities	\$ 64,529,660	\$ 38,684,509	\$ (3,305,666)	\$ 99,908,503	\$ 3,045,000

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, 2020.

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 10 - Commitments Under Operating Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2020, as follows:

Year Ended August 31,		
2021	\$	130,344
2022		130,344
2023		130,344
2024		64,162
Totals	\$	455,194

Note 11 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. 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, 2020, 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.

The world-wide coronavirus pandemic has resulted in certain risks and uncertainties to the public in general and the District. The District is closely monitoring their operations, liquidity, and resources, and are actively working to minimize the current and future impact of this unprecedented situation.

Note 12 - 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

<http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

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

Contributions

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

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

	Contribution Rates	
	2019	2020
Member	7.70%	7.70%
Non-employer contributing entity (State)	6.80%	7.50%
Employers/District	6.80%	7.50%

	2019	2020
Member contributions	\$ 2,173,091	\$ 2,289,149
NECE on-behalf contributions (State)	1,422,664	1,725,805
District contributions	891,537	903,506

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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employed Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the State contribution rate for certain instructional or administrative employees; and 100% of the State contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. 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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target allocation as of August 31, 2019 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, 2019

Asset Class	Target Allocation ¹	New Target Allocation ² %	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return (including Credit Sensitive Investments)	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	0.0%	0.0%
Real Estate	14.0%	15.0%	8.5%
Energy and Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Asset Allocation Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	(6%)	2.7%
Totals	<u>100%</u>	<u>100%</u>	<u>7.2%</u>

¹ Target Allocation based on the Strategic Asset Allocation as of fiscal year 2019.

² New allocations are based on the Strategic Asset Allocation to be implemented in fiscal year 2020.

³ 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Discount Rate (6.25%)	Discount Discount Rate (7.25%)	1% Decrease in Discount Discount Rate (8.25%)
Total TRS net pension liability	\$ 79,905,616,584	\$ 51,983,126,213	\$ 29,360,519,479
District's proportionate share of the net pension liability	\$ 20,357,629	\$ 13,243,790	\$ 7,480,207

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

At August 31, 2020, the District reported a liability of \$13,243,790 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	\$ 13,243,790
State's proportionate share that is associated with the District	<u>19,947,028</u>
Total	<u><u>\$ 33,190,818</u></u>

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

At August 31, 2019, the employer's proportion of the collective net pension liability was .0254771% which was a decrease of .00114363% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2019 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the fiscal year ended August 31, 2020, the District recognized pension expense of \$3,133,397 and revenue of \$1,343,014 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 55,636	\$ 459,845
Changes in actuarial assumptions	4,108,874	1,697,981
Difference between projected and actual investment earnings	132,983	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	1,170,049	634,444
Contributions paid to TRS subsequent to the measurement date	903,506	-
Total	\$ 6,371,048	\$ 2,792,270

\$903,506 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, 2021.

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
2021	\$ 815,035
2022	652,991
2023	690,994
2024	548,656
2025	114,235
Thereafter	(146,639)
Total	\$ 2,675,272

Note 13 - 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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Plan Premium Rates
Effective January 1, 2019 through December 31, 2019

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
<i>*or surviving spouse</i>		

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee 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		
	2019	2020
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%
	2019	2020
Employer contributions	\$ 251,693	\$ 263,482
Member contributions	183,444	193,403
NECE on-behalf contributions	275,997	419,322

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

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

Actuarial Assumptions

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

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

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.5% to 9.50%
Healthcare Trend Rates	4.50% to 7.4%
	The initial medical trend rates were 10.25% for Medicare retirees and 7.5% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.5% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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

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

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

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Discount Rate (1.63%)	Discount Discount Rate (2.63%)	1% Decrease in Discount Discount Rate (3.63%)
Total TRS Net OPEB Liability	\$ 57,095,682,852	\$ 47,291,224,890	\$ 39,621,188,484
District's proportionate share of the Net OPEB Liability	\$ 20,248,153	\$ 16,771,145	\$ 14,051,078

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 assumed 8.5% rate used:

	1% Decrease Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Total TRS net OPEB liability	\$ 38,578,522,354	\$ 47,291,224,890	\$ 58,962,245,589
District's proportionate share of the OPEB liability	\$ 13,681,312	\$ 16,771,145	\$ 20,910,103

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

At August 31, 2020, the District reported a liability of \$16,771,145 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 16,771,145
State's proportionate share that is associated with the District	22,285,100
Total	\$ 39,056,245

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2018 through August 31, 2019.

At August 31, 2020, the District's proportion of the collective Net OPEB Liability was 0.0354635446% compared to 0.0368514018% as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- 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, 2020, the District recognized OPEB expense of \$587,344 and revenue of \$334,424 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 822,767	\$ 2,744,420
Changes in actuarial assumptions	931,506	4,511,026
Difference between projected and actual investment earnings	1,809	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	58	2,048,213
Contributions paid to TRS subsequent to the measurement date	263,482	-
Total	<u>\$ 2,019,622</u>	<u>\$ 9,303,659</u>

\$263,482 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, 2021.

The other 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
2021	\$ (1,202,820)
2022	(1,202,820)
2023	(1,203,405)
2024	(1,203,740)
2025	(1,203,649)
Thereafter	<u>(1,531,085)</u>
Total	<u>\$ (7,547,519)</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 \$127,737, \$110,582, and \$88,506, for the years ended August 31, 2020, 2019, and 2018 respectively.

Note 14 - Health Care and Workers' Compensation Coverage

During the year ended August 31, 2020, 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 \$352 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.

Note 15 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2020, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 26,938,828	\$ 5,541,269	\$ -	\$ -	\$ 32,480,097
Penalties, interest, and other tax related income	271,335	44,621	-	-	315,956
Food service sales	-	-	-	344,326	344,326
Investment income	166,268	42,920	546,910	197	756,295
Campus activity related income	-	-	-	725,869	725,869
Tuition	177,226	-	-	-	177,226
Cocurricular student activities	162,985	-	-	-	162,985
Other	47,228	-	-	29,389	76,617
Total	<u>\$ 27,763,870</u>	<u>\$ 5,628,810</u>	<u>\$ 546,910</u>	<u>\$ 1,099,781</u>	<u>\$ 35,039,371</u>

Note 16 - 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 2020, 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.

Note 17 - 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.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

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, 2020, the District had fund balance committed for the following purposes:

Future turf replacement	\$ 440,000
Future track resurfacing	120,000
	<hr/>
Committed - construction	<u>\$ 560,000</u>
Future band uniforms	37,250
Future E-rate match	39,000
IDEA-B Special Ed set aside	215,000
IMA-Future Use	197,818
Instrument Replacement	20,000
STEM/FFE	5,000
Vehicle Replacement	40,000
Technology Replacement	50,000
Capital Projects	89,530
Instructional Technology	25,200
	<hr/>
Committed - other	<u>\$ 718,798</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, 2020, 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.

Note 18 - 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	\$ 20,662
School of Health and Related Services	N/A	420,231
Indirect costs		
Title I, Part A	84.010A	45,842
		\$ 486,735



Required Supplementary Information
August 31, 2020

Kerrville Independent School District

Kerrville Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 27,448,000	\$ 27,448,000	\$ 27,763,870	\$ 315,870
5800	State program revenues	13,759,001	13,890,002	13,174,249	(715,753)
5900	Federal program revenues	550,000	550,000	486,735	(63,265)
5020	Total revenues	41,757,001	41,888,002	41,424,854	(463,148)
	Expenditures				
	Current				
0011	Instruction	23,466,972	23,395,111	21,792,357	1,602,754
0012	Instructional resources and media services	390,356	415,911	383,603	32,308
0013	Curriculum and instructional staff development	369,250	415,211	316,755	98,456
0021	Instructional leadership	752,618	785,466	727,863	57,603
0023	School leadership	2,649,022	2,677,923	2,526,952	150,971
0031	Guidance, counseling, and evaluation services	1,385,662	1,416,719	1,364,269	52,450
0032	Social work services	25,927	50,927	26,098	24,829
0033	Health services	505,497	532,371	495,108	37,263
0034	Student (pupil) transportation	1,872,660	2,020,660	1,469,078	551,582
0036	Extracurricular activities	1,513,367	1,595,272	1,322,481	272,791
0041	General administration	1,767,879	1,857,774	1,512,786	344,988
0051	Facilities maintenance and operations	5,486,628	5,364,139	4,355,934	1,008,205
0052	Security and monitoring services	218,397	270,337	182,522	87,815
0053	Data processing services	608,745	679,540	634,984	44,556
0061	Community services	346,021	382,521	296,974	85,547
0081	Facilities acquisition and construction	-	1,544,740	1,543,739	1,001
0099	Intergovernmental Other intergovernmental charges	398,000	428,000	399,037	28,963
6030	Total expenditures	41,757,001	43,832,622	39,350,540	4,482,082
1100	Excess (deficiency) of revenues over (under) expenditures	-	(1,944,620)	2,074,314	129,694
	Other financing sources (uses)				
8911	Operating transfers out	-	620,000	(611,097)	8,903
7080	Total other financing sources	-	620,000	(611,097)	8,903
1200	Net change in fund balances	-	(1,324,620)	1,463,217	138,597
0100	Fund balances, beginning	11,458,259	11,458,259	11,458,259	-
3000	Fund balances, ending	\$ 11,458,259	\$ 10,133,639	\$ 12,921,476	\$ 2,787,837

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2020

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0254770941%	0.0266207286%	0.0276431800%	0.02771378%	0.02604410%	0.01578140%
District's proportionate share of net pension liability	\$ 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	19,947,028	22,459,861	13,569,437	16,482,561	17,624,966	15,513,339
Totals	\$ 33,190,818	\$ 37,112,556	\$ 22,408,236	\$ 26,955,187	\$ 26,831,209	\$ 19,728,769
District's covered payroll	\$ 28,221,966	\$ 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	46.93%	50.02%	31.25%	37.61%	33.55%	15.51%
Plan fiduciary net position as a percentage of the total pension liability	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 2014.

Kerrville Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2020

	<u>8/31/2020</u>	<u>8/31/2019</u>	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
Contractually required contribution	\$ 903,506	\$ 891,537	\$ 896,965	\$ 893,662	\$ 771,178	\$ 400,103
Contribution in relation to the contractually required contribution	<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>\$ 12,476</u>
District's covered payroll	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412	\$ 27,440,718
Contributions as a percentage of covered payroll	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 2014.

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2020

	2020	2019	2018
District's proportion of the net OPEB liability	0.0354635%	0.0368514%	0.0395156%
District's proportionate share of net OPEB liability	\$ 16,771,145	\$ 18,400,242	\$ 17,183,848
State's proportionate share of the net OPEB liability associated with the district	22,285,100	23,382,095	21,039,605
Totals	<u>\$ 39,056,245</u>	<u>\$ 41,782,337</u>	<u>\$ 38,223,453</u>
District's covered employee payroll	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768
District's proportionate share of net OPEB liability as a percentage of its covered payroll	59.43%	62.81%	60.75%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2020

	2020	2019	2018
Contractually required contribution	\$ 263,482	\$ 251,693	\$ 251,693
Contribution in relation to the contractually required contribution	(263,482)	(251,693)	(251,693)
Contributions deficiency/excess	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037
Contributions as a percentage of covered payroll	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 single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has been changed to the long-term rate of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or 42,000, whichever is less.

Note 3 - OPEB

Changes of Benefit Terms

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



Other Supplementary Information
August 31, 2020

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	228,457	265,443	207,310
1300	Inventories	-	-	-
1000	Total assets	\$ 228,457	\$ 265,443	\$ 207,310
Liabilities				
2110	Accounts payable	\$ 5,490	\$ 40,000	\$ 4,672
2160	Accrued wages payable	28,931	51,694	45,851
2170	Due to other funds	194,036	173,749	156,787
2300	Unearned revenues	-	-	-
2000	Total liabilities	228,457	265,443	207,310
Fund balances				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 228,457	\$ 265,443	\$ 207,310

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2020

225	226	240	242	244
IDEA - B Preschool Grant	IDEA - B Discretionary Grant	National School Breakfast/Lunch Program	Summer Feeding Program	Career and Tech Basic Grant
\$ -	\$ 46,141	\$ 244,732	\$ -	\$ -
13,307	-	25,493	-	9,058
-	-	72,271	-	-
<u>\$ 13,307</u>	<u>\$ 46,141</u>	<u>\$ 342,496</u>	<u>\$ -</u>	<u>\$ 9,058</u>
\$ -	\$ -	\$ 170,606	\$ -	\$ -
1,476	-	-	-	-
11,831	3,353	856	-	9,058
-	42,788	-	-	-
<u>13,307</u>	<u>46,141</u>	<u>171,462</u>	<u>-</u>	<u>9,058</u>
-	-	72,271	-	-
-	-	98,763	-	-
-	-	171,034	-	-
<u>\$ 13,307</u>	<u>\$ 46,141</u>	<u>\$ 342,496</u>	<u>\$ -</u>	<u>\$ 9,058</u>

Data Control Codes		255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	266 ESSER
	Assets			
1110	Cash and cash equivalents	\$ -	\$ 2,400	\$ -
1240	Due from other governments	24,891	-	963,685
1300	Inventories	-	-	-
1000	Total assets	\$ 24,891	\$ 2,400	\$ 963,685
	Liabilities			
2110	Accounts payable	\$ 5,972	\$ 1,100	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	18,919	-	963,685
2300	Unearned revenues	-	1,300	-
2000	Total liabilities	24,891	2,400	963,685
	Fund balances			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 24,891	\$ 2,400	\$ 963,685

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2020

270 ESEA VI, Pt B Rural & Low Income	288 Air Force ROTC	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired	397 Advanced Placement Initiatives
\$ -	\$ -	\$ -	\$ -	\$ 414
22,854	7,584	2,238	-	-
-	-	-	-	-
<u>\$ 22,854</u>	<u>\$ 7,584</u>	<u>\$ 2,238</u>	<u>\$ -</u>	<u>\$ 414</u>
\$ 4,780	\$ -	\$ 1,190	\$ -	\$ -
-	-	299	-	-
18,074	7,584	749	-	-
-	-	-	-	414
<u>22,854</u>	<u>7,584</u>	<u>2,238</u>	<u>-</u>	<u>414</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 22,854</u>	<u>\$ 7,584</u>	<u>\$ 2,238</u>	<u>\$ -</u>	<u>\$ 414</u>

Data Control Codes		410	429	461
		State Textbook Fund	State Special Revenue	Campus Activity Funds
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 495,121
1240	Due from other governments	178,763	-	-
1300	Inventories	-	-	-
1000	Total assets	<u>\$ 178,763</u>	<u>\$ -</u>	<u>\$ 495,121</u>
	Liabilities			
2110	Accounts payable	\$ 530	\$ -	\$ 7,092
2160	Accrued wages payable	-	-	-
2170	Due to other funds	178,233	-	-
2300	Unearned revenues	-	-	488,029
2000	Total liabilities	<u>178,763</u>	<u>-</u>	<u>495,121</u>
	Fund balances			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 178,763</u>	<u>\$ -</u>	<u>\$ 495,121</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2020

499			
Other Local Special Revenue Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)	Total Nonmajor Governmental Funds (See Exhibit C-1)	Total Nonmajor Governmental Funds (See Exhibit C-1)
\$ 4,174	\$ 792,982		
-	1,949,083		
-	72,271		
<u>\$ 4,174</u>	<u>\$ 2,814,336</u>		
\$ -	\$ 241,432		
-	128,251		
-	1,736,914		
4,174	536,705		
<u>4,174</u>	<u>2,643,302</u>		
-	72,271		
-	98,763		
-	171,034		
<u>\$ 4,174</u>	<u>\$ 2,814,336</u>		

Data Control Codes		205 Head Start	211 ESEA Title I Improving Basic Programs	224 IDEA - IDEA - B Formula
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	<u>800,317</u>	<u>1,319,318</u>	<u>960,212</u>
5020	Total revenues	<u>800,317</u>	<u>1,319,318</u>	<u>960,212</u>
	Expenditures			
	Current			
0011	Instruction	493,317	859,128	780,740
0012	Instruction resources and media services	3,771	-	-
0013	Curriculum and instructional staff development	24,155	134,832	886
0021	Instructional leadership	-	-	49
0023	School leadership	101,309	2,701	213
0031	Guidance, counseling and evaluation services	69,611	290,538	178,224
0032	Social work services	48,749	-	-
0033	Health services	38,325	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	225	-	-
0053	Data processing services	-	-	-
0061	Community services	<u>20,855</u>	<u>32,119</u>	<u>100</u>
6030	Total expenditures	<u>800,317</u>	<u>1,319,318</u>	<u>960,212</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	Other financing sources (uses)			
7915	Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
August 31, 2020

225	226	240	242	244
IDEA - B Preschool Grant	IDEA - B Discretionary Grant	National School Breakfast/Lunch Program	Summer Feeding Program	Career and Tech Basic Grant
\$ -	\$ -	\$ 373,912	\$ -	\$ -
-	-	55,906	-	-
<u>31,198</u>	<u>49,211</u>	<u>1,221,549</u>	<u>278,893</u>	<u>60,227</u>
<u>31,198</u>	<u>49,211</u>	<u>1,651,367</u>	<u>278,893</u>	<u>60,227</u>
31,198	38,774	-	-	57,879
-	-	-	-	-
-	-	-	-	2,048
-	3,312	-	-	300
-	5,583	-	-	-
-	-	-	-	-
-	768	-	-	-
-	774	-	-	-
-	-	2,260,249	281,108	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>31,198</u>	<u>49,211</u>	<u>2,260,249</u>	<u>281,108</u>	<u>60,227</u>
-	-	(608,882)	(2,215)	-
-	-	608,882	2,215	-
-	-	608,882	2,215	-
-	-	-	-	-
-	-	171,034	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,034</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	266 ESSER
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	<u>146,761</u>	<u>43,978</u>	<u>963,685</u>
5020	Total revenues	<u>146,761</u>	<u>43,978</u>	<u>963,685</u>
	Expenditures			
	Current			
0011	Instruction	-	18,119	798,399
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	141,391	25,859	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	400	-	-
0051	Facilities maintenance and operations	-	-	165,286
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	<u>4,970</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>146,761</u>	<u>43,978</u>	<u>963,685</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	Other financing sources (uses)			
7915	Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kerrville Independent School District
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
 Funds (Exhibit H-2)
 Year Ended August 31, 2020

270 ESEA VI, Pt B Rural & Low Income	288 Air Force ROTC	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired	397 Advanced Placement Initiatives
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,100	-
<u>79,700</u>	<u>72,950</u>	<u>72,624</u>	<u>-</u>	<u>-</u>
<u>79,700</u>	<u>72,950</u>	<u>72,624</u>	<u>2,100</u>	<u>-</u>
56,453	72,950	7,617	2,100	-
-	-	-	-	-
23,247	-	16,694	-	-
-	-	-	-	-
-	-	-	-	-
-	-	16,250	-	-
-	-	-	-	-
-	-	-	-	-
-	-	21,240	-	-
-	-	-	-	-
-	-	-	-	-
-	-	9,433	-	-
-	-	-	-	-
-	-	1,390	-	-
<u>79,700</u>	<u>72,950</u>	<u>72,624</u>	<u>2,100</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		410	429	461
		State Textbook Fund	Special Revenue Fund	Campus Activity Funds
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ 725,869
5800	State program revenues	285,063	80,348	-
5900	Federal program revenues	-	-	-
5020	Total revenues	<u>285,063</u>	<u>80,348</u>	<u>725,869</u>
	Expenditures			
	Current			
0011	Instruction	285,063	139	382,242
0012	Instruction resources and media services	-	-	13,003
0013	Curriculum and instructional staff development	-	-	53,761
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	1,433
0031	Guidance, counseling and evaluation services	-	-	2,238
0032	Social work services	-	-	-
0033	Health services	-	-	1,070
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	254,811
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	574
0052	Security and monitoring services	-	27,075	16,737
0053	Data processing services	-	53,134	-
0061	Community services	-	-	-
6030	Total expenditures	<u>285,063</u>	<u>80,348</u>	<u>725,869</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	Other financing sources (uses)			
7915	Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2020

499	Nonmajor Governmental Funds (See Exhibit C-2)
Other Local Special Revenue Funds	
\$ -	\$ 1,099,781
-	423,417
-	6,100,623
-	7,623,821
-	3,884,118
-	16,774
-	422,873
-	349
-	108,968
-	562,444
-	48,749
-	40,163
-	774
-	2,541,357
-	276,051
-	400
-	165,860
-	53,470
-	53,134
-	59,434
-	8,234,918
-	(611,097)
-	611,097
-	611,097
-	-
-	171,034
<u>\$ -</u>	<u>\$ 171,034</u>



Required TEA Schedules
August 31, 2020

Kerrville Independent School District

<u>Year Ended August 31,</u>	<u>1 Tax Rates</u>		<u>3</u>
	<u>Maintenance</u>	<u>Debt Service</u>	<u>Assessed/Appraised Value for School Tax Purposes</u>
2011 and prior years	\$ Various	\$ Various	\$ Various
2012	1.03	0.1400	2,206,310,416
2013	1.03	0.1400	2,258,294,298
2014	1.04	0.1400	2,281,057,100
2015	1.04	0.1400	2,450,340,827
2016	1.04	0.1400	2,408,664,572
2017	1.04	0.1400	2,382,594,852
2018	1.04	0.1400	2,466,390,254
2019	1.04	0.1400	2,633,361,610
2020 (school year under audit)	0.97	0.2000	2,824,652,821
1000 Totals			

Kerrville Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2020

10 Beginning Balance 9/1/2019	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2020
\$ 299,512	\$ -	\$ 16,008	\$ 2,333	\$ 2,749	\$ 283,920
67,174	-	6,387	860	(155)	59,772
78,008	-	6,351	855	(154)	70,648
101,681	-	12,107	1,623	52	88,003
110,417	-	13,726	1,847	(47)	94,797
135,756	-	20,248	2,726	144	112,926
182,396	-	31,564	4,249	1,450	148,033
251,361	-	(10,903)	(1,468)	(70,751)	192,981
501,602	-	134,798	18,138	(80,613)	268,053
-	33,048,438	26,707,528	5,504,956	(154,557)	681,397
\$ 1,727,907	\$ 33,048,438	\$ 26,937,814	\$ 5,536,119	\$ (301,882)	\$ 2,000,530

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, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 848,288	\$ 848,288	\$ 373,912	\$ (474,376)
5800	State program revenues	15,000	15,000	55,906	40,906
5900	Federal program revenues	1,916,500	1,916,500	1,221,549	(694,951)
5020	Total revenues	<u>2,779,788</u>	<u>2,779,788</u>	<u>1,651,367</u>	<u>(1,128,421)</u>
	Expenditures				
	Current				
0035	Food service	<u>2,779,788</u>	<u>3,399,788</u>	<u>2,260,249</u>	<u>1,139,539</u>
6030	Total expenditures	<u>2,779,788</u>	<u>3,399,788</u>	<u>2,260,249</u>	<u>1,139,539</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(620,000)</u>	<u>(608,882)</u>	<u>11,118</u>
	Other financing sources (uses)				
7915	Operating transfers in	<u>-</u>	<u>620,000</u>	<u>608,882</u>	<u>(11,118)</u>
7080	Total other financing sources	<u>-</u>	<u>620,000</u>	<u>608,882</u>	<u>(11,118)</u>
1200	Change in fund balance	-	-	-	-
0100	Fund balances, beginning	<u>171,034</u>	<u>171,034</u>	<u>171,034</u>	<u>-</u>
3000	Fund balances, ending	<u>\$ 171,034</u>	<u>\$ 171,034</u>	<u>\$ 171,034</u>	<u>\$ -</u>

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, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Total local and intermediate sources	\$ 5,550,000	\$ 5,639,553	\$ 5,628,810	\$ (10,743)
5800	State program revenues	-	102,463	98,465	(3,998)
5020	Total revenues	5,550,000	5,742,016	5,727,275	(14,741)
Expenditures					
Debt service					
0071	Principal on long term debt	2,978,094	3,562,913	2,940,000	622,913
0072	Interest on long term debt	2,521,906	2,521,906	3,060,506	(538,600)
0073	Other debt service fees	50,000	50,000	4,700	45,300
6030	Total expenditures	5,550,000	6,134,819	6,005,206	129,613
1100	Excess (deficiency) of revenues over (under) expenditures	-	(392,803)	(277,931)	114,872
Other financing sources (uses)					
7911	Capital related debt issued (regular bonds)	-	345,795	345,795	-
7916	Premium on issuance of bonds	-	47,008	47,008	-
7080	Total other financing sources (uses)	-	392,803	392,803	-
1200	Net change in fund balances	-	-	114,872	114,872
0100	Fund balances, beginning	2,312,078	2,312,078	2,312,078	-
3000	Fund balances, ending	\$ 2,312,078	\$ 2,312,078	\$ 2,426,950	\$ 114,872



Federal Awards Section
August 31, 2020

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*

The Board of Trustees
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, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 5, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Abilene, Texas
January 5, 2021



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

The Board of Trustees
Kerrville Independent School District
Kerrville, Texas

Report on Compliance for 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, 2020. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



Abilene, Texas
January 5, 2021

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Defense			
Direct Programs			
Air Force Junior ROTC	12.000	TX1D2063	\$ 72,950
Total U.S. Department of Defense			<u>72,950</u>
U.S. Department of Education			
Passed through Texas Education Agency			
IDEA - Part B, Formula**	84.027A	206600011339036600	911,114
IDEA - Part B, Formula**	84.027A	216600011339036600	49,098
IDEA - Part B, Discretionary**	84.027A	2265431920033	49,211
IDEA - Part B, Preschool***	84.173	206610011339036610	29,722
IDEA - Part B, Preschool***	84.173	216600011339036610	1,476
Total Special Education Cluster			<u>1,040,621</u>
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101133903	<u>1,365,160</u>
Career and Technical Education - Basic Grants to States	84.048	20420006133903	<u>60,227</u>
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001133903	79,700
Title III, Part A - English Language Acquisition	84.365A	20671001133903	43,978
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	20694501133903	133,213
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	21694501133903	<u>13,548</u>
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (CFDA 84.367A)			<u>146,761</u>
Title IV, Part A, Subpart 1	84.424A	20680101133903	72,624
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	20521001133903	963,685
Total passed through Texas Education Agency			<u>3,772,756</u>
Total Department of Education			<u>3,772,756</u>
U.S. Department of Health and Human Services			
Direct Programs			
Head Start	93.600	06CH7136-04-00	677,743
COVID-19 Head Start	93.600		122,574
Total Direct Programs			<u>800,317</u>
Passed through Texas Dept of Human Services			
Medicaid Administrative Claiming Program - MAC	93.778		20,662
Total Medicaid Cluster			<u>20,662</u>
Total passed through Texas Dept of Human Services			<u>20,662</u>
Total Department of Health and Human Services			<u>820,979</u>

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2020

U.S. Department of Agriculture			
Passed through Texas Education Agency			
School Breakfast Program	10.553	71402001	255,130
National School Lunch Program*	10.555	71302001	804,944
National School Lunch Program - noncash assistance*	10.555	71302001	161,475
Summer Feeding Program	10.559	00693	61,864
COVID-19 Summer Food Service Program for			
Children - cash assistance	10.559		217,029
Total Child Nutrition Cluster			<u>1,500,442</u>
Total passed through Texas Education Agency			<u>1,500,442</u>
Total Department of Agriculture			<u>1,500,442</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,167,127</u></u>

*Total National School Lunch Program (CFDA 10.555)	\$ 966,419
**Total IDEA - Part B, Formula/Discretionary (CFDA 84.027A)	1,009,423
***Total IDEA - Part B, Preschool (CFDA 84.173A)	31,198

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, 2020. 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	\$ 6,167,127
School of Health and Related Services	<u>420,231</u>
 Total federal revenues per Exhibit C-2	 <u><u>\$ 6,587,358</u></u>

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	CFDA Number
Special Education Cluster	84.027A; 84.173A
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D
Head Start	93.600
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, 2020

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	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	\$ -