



Financial Statements  
August 31, 2019

# 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, 2019, at a meeting of the Board of Trustees of such school district on the 16th day of December, 2019.

  
\_\_\_\_\_  
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, 2019 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 December 5, 2019 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.

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

Abilene, Texas  
December 5, 2019

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, 2019. 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, 2019, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$26,090,725. Net investments in capital assets was \$43,193,992.
- The government-wide statements reported total revenues of \$52,342,789, which exceeded total expenses of \$50,566,425 and resulted in a net increase of net position of \$1,776,364.
- The governmental funds financial statements reported combined ending fund balance of \$59,240,924 for the year ending August 31, 2019. This balance includes \$10,163,942 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 \$2,416,377 and is included in the Debt Service Fund and Non-Major Funds. Restricted fund balance for capital acquisitions totals \$45,299,553 and is included in the Capital Projects Fund. Committed fund balance is \$1,128,018 is included in the General fund and consists of amounts set aside by the Board for future projects. Non-spendable fund balance is \$233,034.
- The General Fund had \$39,025,707 in revenues, which primarily consisted of state aid and property taxes, and \$37,271,271 in expenditures which resulted in an increase in fund balance by \$1,761,335 for the year ended August 31, 2019.

### 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
<b>Scope</b>	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
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of change in net position</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of Asset/Liability Information</b>	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
<b>Type of Inflow/Outflow Information</b>	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 \$1,776,364 from the previous year as can be seen on the following table.

	Governmental Activities				
	2019		2018		Increase (Decrease)
	Amount	%	Amount	%	Amount
Current and other assets	\$ 64,302,723	51	\$ 16,288,814	22	\$ 48,013,909
Capital assets, net of accumulated depreciation	62,424,099	49	57,580,108	78	4,843,991
Total assets	126,726,822	100	73,868,922	100	52,857,900
Total deferred outflows of resources	9,520,934	100	3,948,965	100	5,571,969
Other liabilities	4,175,363	4	3,725,909	8	449,454
Long-term liabilities outstanding	97,582,597	96	41,213,089	92	56,369,508
Total liabilities	101,757,960	100	44,938,998	100	56,818,962
Total deferred inflows of resources	8,411,474	100	8,564,528	100	(153,054)
Net position:					
Net investment in capital assets	43,193,992	166	42,389,666	95	804,326
Restricted	2,441,642	0	1,990,849	6	450,793
Unrestricted	(19,557,312)	(1)	(20,066,154)	(2)	508,842
<b>Total net position</b>	<b>26,078,322</b>	<b>100</b>	<b>24,314,361</b>	<b>100</b>	<b>1,763,961</b>

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 49 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds (64%) and net pension and OPEB liability (32%). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (4%).

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:

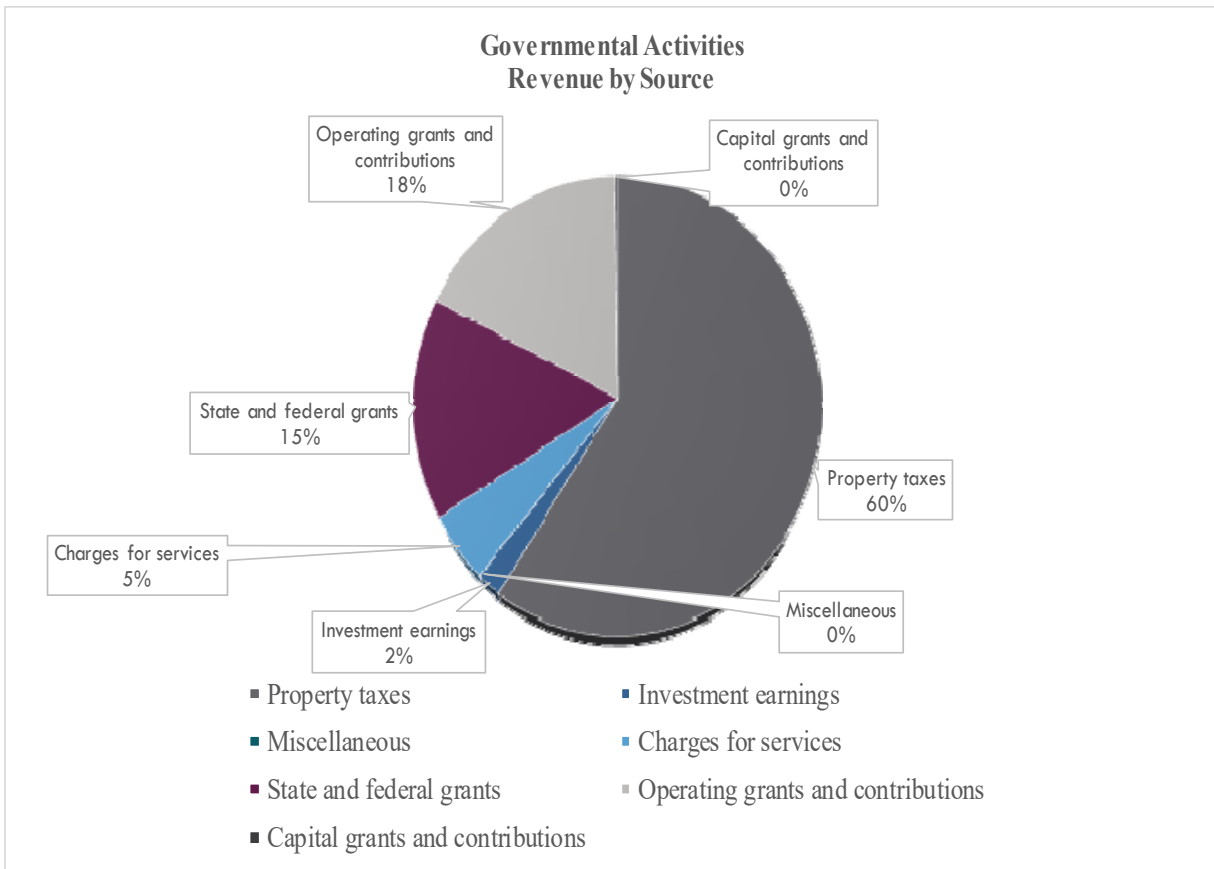
- There was an increase in the property tax base which resulted in additional property tax revenues of approximately \$470,635 during the current fiscal period.
- The District underwent significant capital improvements during the fiscal year that included building new facilities to address safety and security, aging infrastructure and handicap accessibility upgrades. This resulted in an increase in net capital assets of \$4,843,991.

### **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 decreased \$3,274,309 while total expenses increased \$3,025,507 which resulted in a net decrease of net position of \$6,299,816.

### **Revenues**

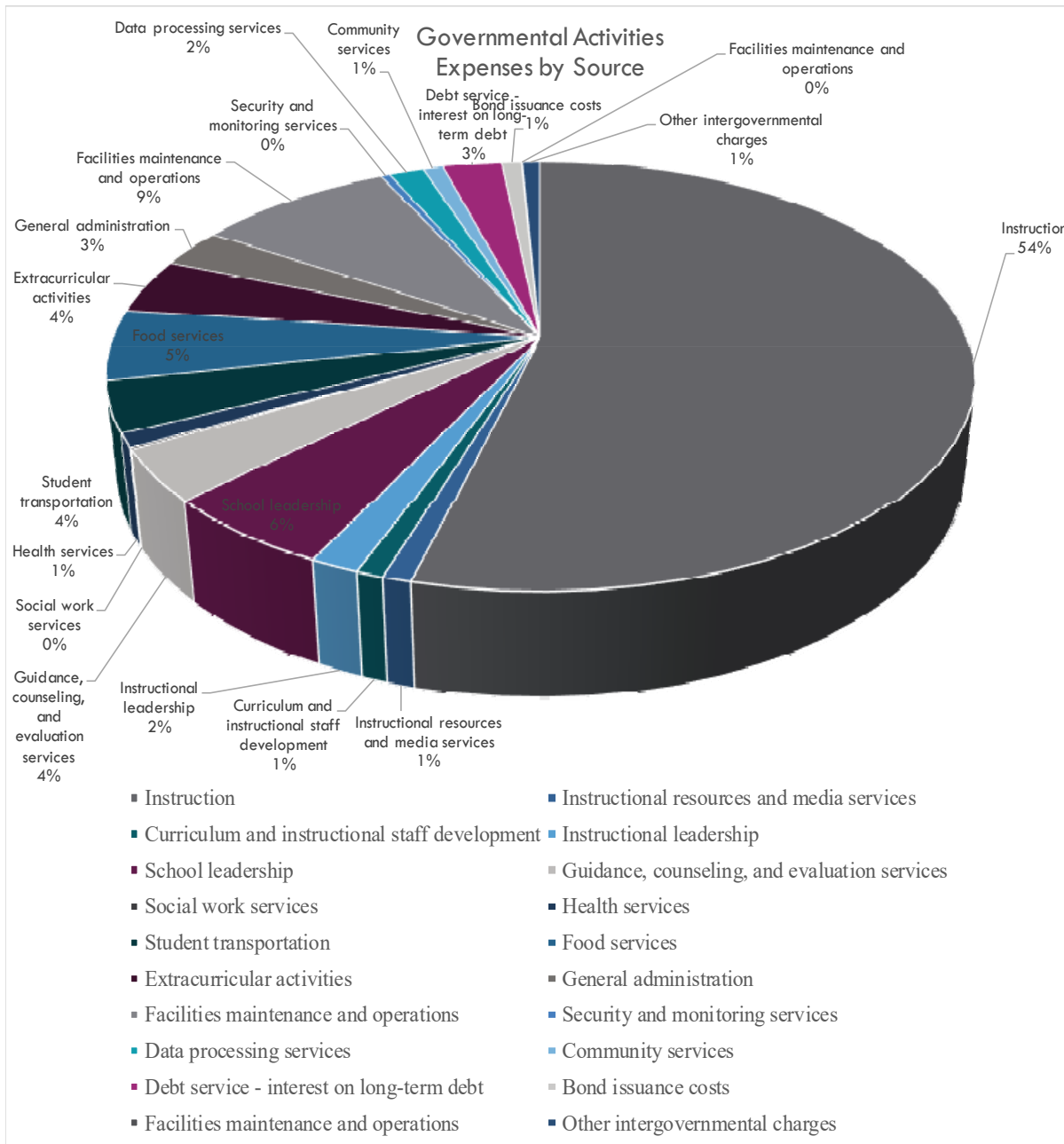
The District's total revenues were \$52,342,789, representing a decrease of \$3,274,309 from the previous year. The majority of this increase is a due to a 31% decrease in the District's operating grants and contributions, coming from state revenue associated with other post-employment benefits (OPEB), and resulted in a \$4,197,578 decrease in revenues from prior year. State aid decreased by \$619,146 as a result of an increase in local revenue. As seen below, approximately 52% of the District's revenue comes from taxes while the remaining 48% comes primarily from program revenue and state and federal sources.



### Expenses

The District's total expenses were \$50,566,425, representing an increase of \$3,025,507 from the previous year. The majority of this increase is due to an increase in salaries from the prior year. The District's primary functional expenses are

- Instruction - \$27,314,401, or 54 percent of total expenses
- Plant maintenance and operations - \$4,413,012, or 9 percent of total expenses



In total, governmental activities increased the District's net position by \$1.8 million dollars. Key elements of this change are as follows:

Kerrville Independent School District  
Management's Discussion and Analysis  
August 31, 2019

**Kerrville Independent School District's Net Position**

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 2,641,734	5	\$ 2,079,813	4	\$ 561,921	27
Operating grants and contributions	9,311,439	18	13,509,017	24	(4,197,578)	-31
Capital grants and contributions	100,000		-		100,000	
General revenues:						
Property taxes, levied for general purpose	27,463,182	52	26,975,060	49	488,122	2
Property taxes, levied for debt service	3,707,432	7	3,633,690	7	73,742	2
State Aid - Formula Grants	8,044,849	15	8,663,995	16	(619,146)	-7
Grants and contributions not restricted to specific programs	78,847	0	41,062	0	37,785	92
Investment earnings	983,513	2	226,191	0	757,322	335
Miscellaneous	11,793	0	388,270	1	(376,477)	-97
Total revenues	<u>52,342,789</u>	100	<u>55,517,098</u>	100	<u>(3,174,309)</u>	-6
Expenses:						
Instruction	27,314,401	54	26,690,520	56	623,881	2
Instructional resources and media services	464,489	1	468,559	1	(4,070)	-1
Curriculum and instructional staff development	440,848	1	334,990	1	105,858	32
Instructional leadership	789,380	2	791,714	2	(2,334)	0
School leadership	2,827,925	6	2,688,523	6	139,402	5
Guidance, counseling, and evaluation services	1,949,436	4	1,652,865	3	296,571	18
Social work services	71,316	0	54,589	0	16,727	31
Health services	534,566	1	547,186	1	(12,620)	-
Student transportation	1,925,963	4	1,507,557	3	418,406	28
Food service	2,660,345	5	2,286,291	5	374,054	16
Extracurricular activities	2,092,533	4	1,990,227	4	102,306	5
General administration	1,465,926	3	1,540,769	3	(74,843)	-5
Plant maintenance and operations	4,413,012	9	4,678,798	10	(265,786)	-6
Security and monitoring services	208,370	0	170,614	0	37,756	22
Data processing services	780,384	2	812,277	2	(31,893)	-4
Community services	450,759	1	510,142	1	(59,383)	-12
Debt service -interest on long-term debt	1,320,615	3	427,436	1	893,179	209
Bond issuance costs	443,495	1	-	0	443,495	0
Facilities acquisition and construction	21,508	0	-	0	21,508	0
Other intergovernmental charges	391,154	1	387,861	1	3,293	1
Total expenses	<u>50,566,425</u>	100	<u>47,540,918</u>	100	<u>3,025,507</u>	6
Change in net position	1,776,364		7,976,180		(6,199,816)	
Net position - beginning	<u>24,314,361</u>		<u>16,338,181</u>		<u>7,976,180</u>	
<b>Net position - ending</b>	<u><u>\$26,090,725</u></u>		<u><u>\$24,314,361</u></u>		<u><u>\$1,776,364</u></u>	

## 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 \$59,240,924, an increase of \$47,589,390 in comparison with the prior year. Approximately 17 percent of this total amount (\$10,163,942) 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 (\$79,491), 2) to purchase services for the next fiscal period (\$153,543), 3) committed for construction (\$580,000), 4) restricted to pay for capital acquisitions (\$45,299,553), 5) restricted to pay debt service (\$2,312,078) or 6) for a variety of other restricted purposes (\$104,299). The District's committed fund balance consists of (\$548,018) for band instruments, band uniforms and instructional technology. 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 \$10,163,942, while total fund balance reached \$11,458,259. 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 27.27 percent of total General Fund expenditures, while total fund balance represents 30.74 percent of that same amount.

The fund balance of the District's General Fund increased by \$1,761,335 during the current fiscal year. A key factor in this growth are as follows:

- Expenditures totaled \$37,271,271 which is a 5 percent decrease from previous year.

**Debt Service Fund.** The Debt Service Fund has a total fund balance of \$2,312,078, all of which is reserved for the payment of debt service. The net increase in fund balance was \$520,748. A 7 percent increase in appraised property values increased property tax revenues by \$48,004.

**Capital Projects Fund.** The Capital Projects Fund has a total fund balance of \$45,299,553, 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 \$699,500 from the original budget.
- ***Variances of amended budget to actual expenditures.***  
Expenditures were \$1,573,229 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***  
Local revenues were over budget by \$284,196. Collection rate on current year levy was at 98.5% compared to the District's average historical collection rate of 98.5%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2019, the District had invested \$62,424,099 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$4,843,991 or 8 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	
	2019	2018
Land	\$ 4,378,687	\$ 2,344,403
Construction in progress	4,244,436	662,694
Buildings and improvements	89,733,529	88,687,251
Furniture and equipment	4,248,617	6,334,729
Total at historical cost	102,605,269	98,029,077
Less accumulated depreciation	(40,181,170)	(40,448,969)
Net Capital Assets	\$ 62,424,099	\$ 57,580,108

**Long-Term Debt**

At the end of 2019 the District had \$97,582,597 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 \$56 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	
	2019	2018
Bonds Payable		
General obligation bonds	\$ 60,675,000	\$ 14,450,000
Unamortized bond premium	3,854,660	740,442
Net pension liability	14,652,695	8,838,799
Net OPEB liability	18,400,242	17,183,848
Total debt payable	\$ 97,582,597	\$ 41,213,089

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The local economy continues to be strong. The 2019-20 appraised property values increased by approximately 5.8%. 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 \$0.97 per \$100 valuation for the 2019-20 year. The Interest and Sinking (I&S) tax rate increased to \$.20 per \$100 valuation for an overall rate of \$1.17 for the 2019-20 year. The District's 19-20 budget included an estimated decrease of 43 students enrolled.

General Fund expenditures are budgeted to increase \$3,612,001 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.

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 4,501,937
1120	Current investments	56,925,332
1220	Property taxes receivable (delinquent)	1,727,907
1230	Allowance for uncollectible taxes	(733,943)
1240	Due from other governments	1,431,987
1290	Other receivables	228,872
1300	Inventories at cost	79,491
1410	Prepayments	149,884
1490	Other current assets	3,659
	Capital assets	
1510	Land	4,378,687
1520	Buildings and improvements, net	52,616,731
1530	Furniture and equipment, net	1,184,245
1580	Construction in progress	4,244,436
1000	Total assets	<u>126,739,225</u>
	Deferred outflows of resources	
	Deferred outflows - pension	7,982,472
	Deferred outflows - OPEB	1,538,462
1700	Total deferred outflows of resources	<u>9,520,934</u>
	Liabilities	
2110	Accounts payable	1,634,019
2165	Other liabilities - current	4,125
2140	Interest payable	83,542
2160	Accrued wages payable	1,492,191
2180	Due to other governments	493,598
2300	Unearned revenues	467,888
	Noncurrent liabilities	
2501	Due within one year	3,227,201
2502	Due in more than one year	57,735,000
2516	Premium on issuance of bonds	3,567,459
2540	Net pension liability	14,652,695
2545	Net OPEB liability	18,400,242
2000	Total liabilities	<u>101,757,960</u>
	Deferred inflows of resources	
	Deferred inflows - pension	1,131,043
	Deferred inflows - OPEB	7,280,431
2600	Total deferred inflows of resources	<u>8,411,474</u>

See Notes to Financial Statements

Kerrville Independent School District  
Statement of Net Position (Exhibit A-1)  
August 31, 2019

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<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Net position	
3200	Net investment in capital assets	43,193,992
3820	Restricted for federal and state programs	104,299
3850	Restricted for debt service	2,349,746
3900	Unrestricted net position	<u>(19,557,312)</u>
3000	Total net position	<u>\$ 26,090,725</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 27,314,401	\$ 1,052,036	\$ 5,172,567
12	Instructional resources and media services	464,489	-	41,515
13	Curriculum and instructional staff development	440,848	-	251,416
21	Instructional leadership	789,380	-	108,785
23	School leadership	2,827,925	-	346,199
31	Guidance, counseling, and evaluation services	1,949,436	-	689,683
32	Social work services	71,316	-	43,697
33	Health services	534,566	-	82,758
34	Student transportation	1,925,963	-	43,916
35	Food services	2,660,345	776,627	1,765,797
36	Extracurricular activities	2,092,533	751,402	95,475
41	General administration	1,465,926	-	101,696
51	Facilities maintenance and operations	4,413,012	27,677	218,817
52	Security and monitoring services	208,370	-	30,657
53	Data processing services	780,384	-	124,671
61	Community services	450,759	-	94,477
72	Debt service - interest on long-term debt	1,320,615	-	99,313
73	Bond issuance costs	443,495	-	-
81	Facilities acquisition and construction	21,508	-	-
99	Other intergovernmental charges	391,154	33,992	-
TG	Total governmental activities	<u>50,566,425</u>	<u>2,641,734</u>	<u>9,311,439</u>
TP	Total primary government	<u>\$ 50,566,425</u>	<u>\$ 2,641,734</u>	<u>\$ 9,311,439</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, 2019

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
5	6	8
Capital Grants and Contributions	Governmental Activities	Total
-	\$ (21,089,798)	\$ (21,089,798)
-	(422,974)	(422,974)
-	(189,432)	(189,432)
-	(680,595)	(680,595)
-	(2,481,726)	(2,481,726)
-	(1,259,753)	(1,259,753)
-	(27,619)	(27,619)
-	(451,808)	(451,808)
100,000	(1,782,047)	(1,782,047)
-	(117,921)	(117,921)
-	(1,245,656)	(1,245,656)
-	(1,364,230)	(1,364,230)
-	(4,166,518)	(4,166,518)
-	(177,713)	(177,713)
-	(655,713)	(655,713)
-	(356,282)	(356,282)
-	(1,221,302)	(1,221,302)
-	(443,495)	(443,495)
-	(21,508)	(21,508)
-	(357,162)	(357,162)
<u>100,000</u>	<u>(38,513,252)</u>	<u>(38,513,252)</u>
<u>\$ 100,000</u>	<u>(38,513,252)</u>	<u>(38,513,252)</u>
	27,463,182	27,463,182
	3,707,432	3,707,432
	8,044,849	8,044,849
	78,847	78,847
	983,513	983,513
	11,793	11,793
	<u>40,289,616</u>	<u>40,289,616</u>
	1,776,364	1,776,364
	24,314,361	24,314,361
	<u>\$ 26,090,725</u>	<u>\$ 26,090,725</u>

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	<b>Assets</b>			
1110	Cash and cash equivalents	\$ 2,321,232	\$ 23,625	\$ 1,560,431
1120	Current investments	9,708,477	2,268,223	44,948,632
1220	Property taxes - delinquent	1,511,070	216,837	-
1230	Allowance for uncollectible taxes (credit)	(646,401)	(87,542)	-
1240	Due from other governments	658,711	-	-
1260	Due from other funds	657,300	12,145	12,691
1290	Other receivables	14,126	-	-
1300	Inventories	12,756	-	-
1410	Prepayments	149,884	-	-
1490	Other current assets	3,659	-	-
1000	<b>Total assets</b>	<b>14,390,814</b>	<b>2,433,288</b>	<b>46,521,754</b>
1000a	<b>Total assets and deferred outflows of resources</b>	<b>\$14,390,814</b>	<b>\$ 2,433,288</b>	<b>\$ 46,521,754</b>
	<b>Liabilities</b>			
2110	Accounts payable	\$ 301,377	\$ -	\$ 1,208,275
2200	Other liabilities - current	4,125	-	-
2160	Accrued wages payable	1,357,483	-	-
2170	Due to other funds	24,836	-	13,926
2180	Due to other governments	371,061	-	-
2300	Unearned revenues	109,807	-	-
2000	<b>Total liabilities</b>	<b>2,168,689</b>	<b>-</b>	<b>1,222,201</b>
	<b>Deferred inflows of resources</b>			
	Unavailable revenue - property taxes	763,866	121,210	-
2600	<b>Total deferred inflows of resources</b>	<b>763,866</b>	<b>121,210</b>	<b>-</b>
	<b>Fund balance</b>			
3410	Nonspendable - inventories	12,756	-	-
3430	Nonspendable - prepaid items	153,543	-	-
3450	Restricted - grants	-	-	-
3470	Restricted - capital acquisition	-	-	45,299,553
3480	Restricted - debt service	-	2,312,078	-
3510	Committed - construction	580,000	-	-
3545	Committed - other	548,018	-	-
3600	Unassigned fund balance	10,163,942	-	-
3000	<b>Total fund balances</b>	<b>11,458,259</b>	<b>2,312,078</b>	<b>45,299,553</b>
4000	<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$14,390,814</b>	<b>\$ 2,433,288</b>	<b>\$ 46,521,754</b>

See Notes to Financial Statements

Kerrville Independent School District  
 Balance Sheet – Governmental Funds (Exhibit C-1)  
 August 31, 2019

Total Nonmajor Funds	Total Governmental Funds
\$ 486,744	\$ 4,392,032
-	56,925,332
-	1,727,907
-	(733,943)
773,276	1,431,987
-	682,136
214,746	228,872
66,735	79,491
-	149,884
-	3,659
1,541,501	64,887,357
\$1,541,501	\$ 64,887,357
\$ 112,725	\$ 1,622,377
-	4,125
134,708	1,492,191
642,416	681,178
122,537	493,598
358,081	467,888
1,370,467	4,761,357
-	885,076
-	885,076
66,735	79,491
-	153,543
104,299	104,299
-	45,299,553
-	2,312,078
-	580,000
-	548,018
-	10,163,942
171,034	59,240,924
\$1,541,501	\$ 64,887,357



Kerrville Independent School District

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

August 31, 2019

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$59,240,924
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.		259,906
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.		61,744,663
3 Some liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds:		
Bonds payable	\$ (60,675,000)	
Unamortized premiums on bonds payable	<u>(3,854,660)</u>	(64,529,660)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(83,542)
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		885,076
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	\$ (14,415,619)	
Deferred outflow of resources - TRS pension	7,853,318	
Deferred inflow of resources - TRS pension	(1,112,743)	
Net OPEB liability	(18,102,532)	
Deferred outflow of resources - TRS-Care OPEB	1,513,570	
Deferred inflow of resources - TRS-Care OPEB	<u>(7,162,636)</u>	<u>(31,426,642)</u>
19 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		<u>\$26,090,725</u>

Data Control Codes		199 General Fund	599 Debt Service Fund	699 Capital Projects Fund
	Revenues			
5700	Local and intermediate sources	\$28,404,196	\$ 3,786,883	\$ 598,933
5800	State program revenues	9,814,217	99,313	78
5900	Federal program revenues	807,294	-	-
5020	Total revenues	39,025,707	3,886,196	599,011
	Expenditures			
	Current			
0011	Instruction	21,434,933	-	-
0012	Instructional resources and media services	367,043	-	-
0013	Curriculum and instructional staff development	172,064	-	-
0021	Instructional leadership	690,569	-	-
0023	School leadership	2,531,378	-	-
0031	Guidance, counseling, and evaluation services	1,238,942	-	-
0032	Social work services	24,429	-	-
0033	Health services	469,248	-	-
0034	Student (pupil) transportation	1,389,611	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	1,421,711	-	-
0041	General administration	1,381,863	-	-
0051	Facilities maintenance and operations	4,642,959	-	-
0052	Security and monitoring services	177,713	-	-
0053	Data processing services	617,892	-	-
0061	Community services	319,762	-	-
	Debt service			
0071	Principal on long-term debt	-	2,845,000	-
0072	Interest on long-term debt	-	1,491,681	-
0073	Bond issuance costs and fees	-	9,169	434,326
	Capital outlay			
0081	Facilities acquisition and construction	-	-	6,299,458
	Intergovernmental			
0099	Other intergovernmental charges	391,154	-	-
6030	Total expenditures	37,271,271	4,345,850	6,733,784
1100	Excess (deficiency) of revenues over (under) expenditures	1,754,436	(459,654)	(6,134,773)
	Other financing sources (uses)			
7911	Issuance of bonds	-	917,840	48,152,160
7912	Sale of real and personal property	6,899	-	-
7916	Premium on issuance of bonds	-	62,562	3,282,166
7080	Total other financing sources (uses)	6,899	980,402	51,434,326
1200	Net change in fund balances	1,761,335	520,748	45,299,553
0100	Fund balances, beginning	9,696,924	1,791,330	-
3000	Fund balances, ending	\$11,458,259	\$ 2,312,078	\$ 45,299,553

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, 2019

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Total Nonmajor Funds	Total Governmental Funds
\$1,304,406	\$ 34,094,418
985,676	10,899,284
5,104,422	5,911,716
<u>7,394,504</u>	<u>50,905,418</u>
3,374,572	24,809,505
30,064	397,107
250,554	422,618
61,753	752,322
107,677	2,639,055
578,203	1,817,145
41,587	66,016
37,005	506,253
-	1,389,611
2,493,884	2,493,884
229,031	1,650,742
400	1,382,263
-	4,642,959
30,657	208,370
86,564	704,456
64,799	384,561
-	2,845,000
-	1,491,681
-	443,495
-	6,299,458
-	391,154
<u>7,386,750</u>	<u>55,737,655</u>
<u>7,754</u>	<u>(4,832,237)</u>
-	49,070,000
-	6,899
-	3,344,728
<u>-</u>	<u>52,421,627</u>
7,754	47,589,390
<u>163,280</u>	<u>11,651,534</u>
<u>\$ 171,034</u>	<u>\$ 59,240,924</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, 2019

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 47,589,390
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 decrease net position.	(457,238)
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 2019 capital outlays of \$6,662,304 and debt principal payments of \$2,845,000 is to increase net position.	9,507,304
2019 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.	(1,809,064)
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 \$49,070,000 and the premium of \$3,344,728 is to decrease net position.	(52,414,728)
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 \$885,076 as revenue and removing the prior year's tax collection of \$907,010.	(21,934)
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 \$59,444. The net effect is to decrease net position.	(59,444)
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.	230,510
Changes in the deferred outflow of resources, deferred inflows of resources and net pension liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to decrease in the amount of \$5,428. 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 increase in the amount of \$1,157,234. The net effect is a decrease in net position.	(1,151,806)
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 decrease in the amount of \$2,529. 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 \$365,903. The net effect is an increase in net position.	363,374
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	\$ 1,776,364

Kerrville Independent School District  
Statement of Net Position – Proprietary Fund (Exhibit D-1)  
August 31, 2019

Data Control Codes		Governmental Activities <hr/> Internal Service Fund <hr/>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 109,905
	Noncurrent assets	
1520	Buildings and improvements	223,746
1571	Depreciation on buildings	(94,711)
1530	Furniture and equipment	3,186,167
1573	Depreciation on furniture and equipment	(2,635,766)
1000	Total assets	<hr/> 789,341 <hr/>
1705	Deferred outflows - pension	129,154
1706	Deferred outflows - OPEB	24,892
1700	Total deferred outflows of resources	<hr/> 154,046 <hr/>
	Liabilities	
2110	Accounts payable	11,642
2170	Due to other funds	958
	Noncurrent liabilities	
2540	Net pension liability	237,076
2545	Net OPEB liability	297,710
2000	Total liabilities	<hr/> 547,386 <hr/>
2605	Deferred inflows - pension	18,300
2606	Deferred inflows - OPEB	117,795
2600	Total deferred inflows of resources	<hr/> 136,095 <hr/>
	Net position	
3200	Net investment in capital assets	679,436
3900	Unrestricted	<hr/> (419,530) <hr/>
3000	Total net position	<hr/> <hr/> \$ 259,906 <hr/> <hr/>

Kerrville Independent School District

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

Year Ended August 31, 2019

Data Control Codes		Governmental Activities <u>Internal Service Fund</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 1,698,669
5800	State program revenue	197,496
		<u>1,896,165</u>
5020	Total revenues	<u>1,896,165</u>
	Operating expenses	
6100	Payroll costs	1,812,197
6200	Professional and contracted services	53,751
6300	Supplies and materials	331,758
6400	Other operating costs	43,428
6440	Depreciation expense	112,269
		<u>2,353,403</u>
6030	Total expenses	<u>2,353,403</u>
	Operating loss	<u>(457,238)</u>
1300	Change in net position	(457,238)
0100	Net position, beginning	<u>717,144</u>
3300	Net position, ending	<u>\$ 259,906</u>

Kerrville Independent School District  
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)  
Year Ended August 31, 2019

	Governmental Activities
	Internal Service Fund
Operating Activities	
Cash received from user charges	\$ 1,698,669
Cash payments for employees for services	(1,121,953)
Cash payments for other operating expenses	(441,704)
	135,012
Capital and related financing activities	
Acquisition of capital assets	(103,020)
	(103,020)
Net change in cash and cash equivalents	31,992
Cash and cash equivalents at beginning of year	77,913
Cash and cash equivalents at end of year	\$ 109,905
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (457,238)
Depreciation expense	112,269
Changes in assets and liabilities	
Decrease in accounts payable	(12,675)
Decrease in accrued wages payable	(24,087)
Decrease in due to other funds	(92)
Increase in net pension liability	237,076
Increase in OPEB liability	297,710
Increase in deferred outflows for pension	(129,154)
Increase in deferred outflows for OPEB	(24,892)
Increase in deferred inflows for pension	18,300
Increase in deferred inflows for OPEB	117,795
Net cash from operating activities	\$ 135,012

Kerrville Independent School District  
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)  
August 31, 2019

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Data Control Codes		Agency Fund
	Assets	
1110	Cash and cash equivalents	\$ 196,967
1000	Total assets	196,967
	Liabilities	
	Current liabilities	
2110	Accounts payable	325
2180	Due to other governments	193
2170	Due to student groups	196,449
2000	Total liabilities	\$ 196,967



**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.

### 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, 2019, 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, 2019 are as follows:

<u>Investment Pools</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)*</u>	<u>Rating</u>
TexPool	\$ 2,627,596	36	AAAm
Lone Star	54,297,736	27	AAA
Total	<u>\$ 56,925,332</u>		

\*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, 2019 fiscal year was based, was \$2,633,361,610. 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, 2019 were 98.5% 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, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$993,964.

The tax rate to finance general governmental services was \$1.04 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.14 per \$100 for the year ended August 31, 2019.



**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, 2019, are summarized below:

Governmental Activities	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 658,711	\$ -	\$ 658,711
Nonmajor governmental funds	41,969	731,307	773,276
	<u>\$ 700,680</u>	<u>\$ 731,307</u>	<u>\$ 1,431,987</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, 2019, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

	Interfund Receivables	Interfund Payables
General fund	\$ 657,300	\$ 24,836
Debt service fund	12,145	-
Capital projects fund	12,691	13,926
Nonmajor governmental funds	-	642,416
Internal service fund	-	958
	<u>\$ 682,136</u>	<u>\$ 682,136</u>

**Note 8 - Capital Asset Activity**

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,344,403	\$ 2,034,284	\$ -	\$ 4,378,687
Construction in progress	662,694	4,244,436	(662,694)	4,244,436
Total capital assets not being depreciated	<u>3,007,097</u>	<u>6,278,720</u>	<u>(662,694)</u>	<u>8,623,123</u>
Capital assets, being depreciated				
Building and improvements	88,687,251	1,046,279	-	89,733,529
Furniture and equipment	6,334,729	103,020	(2,189,132)	4,248,617
Total capital assets being depreciated	<u>95,021,980</u>	<u>1,149,299</u>	<u>(2,189,132)</u>	<u>93,982,146</u>
Less accumulated depreciation for				
Building and improvements	(35,400,322)	(1,716,476)	-	(37,116,798)
Furniture and equipment	(5,048,647)	(204,857)	2,189,132	(3,064,372)
Total accumulated depreciation	<u>(40,448,969)</u>	<u>(1,921,333)</u>	<u>2,189,132</u>	<u>(40,181,170)</u>
Total capital assets, being depreciated, net	<u>54,573,011</u>	<u>(772,034)</u>	<u>-</u>	<u>53,800,976</u>
Governmental activities capital assets, net	<u>\$ 57,580,108</u>	<u>\$ 5,506,686</u>	<u>\$ (662,694)</u>	<u>\$ 62,424,099</u>

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

Instruction	\$ 1,132,667
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	112,269
Food service	92,979
Cocurricular/extracurricular activities	313,920
General administration	14,999
Facilities maintenance and operations	46,907
Data processing services	55,111
Community services	51,746
Total depreciation expense - governmental activities	<u>\$ 1,921,333</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 long-term debt are accounted for in the General Fund.

A summary of changes in general long-term debt for the year ended August 31, 2019 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	\$ 8,695,000	\$ -	\$ (2,800,000)	\$ 5,895,000	\$ 2,895,000
Unlimited Tax School Building Bonds Series 2013	2% to 4%	5,970,000	5,755,000	-	(45,000)	5,710,000	45,000
Unlimited Tax School Building Bond Series 2019	2% to 5%	49,070,000	-	49,070,000	-	49,070,000	-
Total bonds payable			<u>\$ 14,450,000</u>	<u>\$ 49,070,000</u>	<u>\$ (2,845,000)</u>	<u>\$ 60,675,000</u>	<u>\$ 2,940,000</u>

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

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 2,940,000	\$ 2,421,908	\$ 5,361,908
2021	3,045,000	2,318,781	5,363,781
2022	1,435,000	2,211,981	3,646,981
2023	1,470,000	2,175,782	3,645,782
2024	1,515,000	2,127,781	3,642,781
2025-2029	8,530,000	9,697,980	18,227,980
2030-2034	9,905,000	7,709,418	17,614,418
2035-2039	9,305,000	5,929,350	15,234,350
2040-2044	11,470,000	3,764,550	15,234,550
2045-2048	11,060,000	1,127,600	12,187,600
	<u>\$ 60,675,000</u>	<u>\$ 39,485,131</u>	<u>\$ 100,160,131</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	\$ 14,450,000	\$ 49,070,000	\$ (2,845,000)	\$ 60,675,000	\$ 2,940,000
Less deferred amounts for issuance premium	740,442	3,344,728	(230,510)	3,854,660	287,201
Total bonds payable, net	15,190,442	52,414,728	(3,075,510)	64,529,660	3,227,201
Net pension liability	8,838,799	6,628,751	(814,855)	14,652,695	-
Net OPEB liability	17,183,848	308,442	907,952	18,400,242	-
Governmental activities long-term liabilities	<u>\$ 41,213,089</u>	<u>\$ 59,351,921</u>	<u>\$ (2,982,413)</u>	<u>\$ 97,582,597</u>	<u>\$ 3,227,201</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2019.

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, 2019, as follows:

Year Ended August 31	
2020	<u>\$ 86,483</u>
Totals	<u>\$ 86,483</u>

**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, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Note 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 education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### Benefits Provided

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

### Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) affirmed the employer contribution rates for the fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2018	2019
Member	7.70%	7.70%
Non-employer contributing entity (State)	6.80%	6.80%
Employers/District	6.80%	6.80%

	2018	2019
Member contributions	\$ 2,199,464	\$ 2,173,091
NECE on-behalf contributions (State)	1,517,362	1,422,664
District contributions	896,965	891,537

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

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

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

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

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

### Actuarial Assumptions

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

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate*	N/A*
Last year ending August 31 in Projection period (100 years)	2116
Inflation	2.30%
Salary increases, including inflation	3.05% to 9.50%
Ad hoc post-employment benefit changes	None

\* If a municipal bond rate was to be used, the rate would be 3.69% as of August 20187 (i.e., the rate closest to but not later than the measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2017 and adopted on July 27, 2018.

### Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized on the next page.



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

Asset Class	Target Allocation <sup>1</sup>	Long-term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag <sup>3</sup>			-0.8%
<b>Total</b>	<b>100.0%</b>		<b>7.2%</b>

<sup>1</sup> Target allocations are based on FY2016 policy model.

<sup>2</sup> Capital market assumptions come from Aon Hewitt (2017 Q4).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Decrease in Discount Rate (7.907%)
Total TRS net pension liability	\$ 83,072,220,959	\$ 55,042,426,960	\$ 32,350,646,325
District's proportionate share of the net pension liability	\$ 22,114,430	\$ 14,652,695	\$ 8,611,978

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

At August 31, 2019, the District reported a liability of \$14,652,695 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 14,652,695
State's proportionate share that is associated with the District	<u>22,459,861</u>
Total	<u><u>\$ 37,112,556</u></u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was .026620728600% which was a decrease from .0276431763% from its proportion measured as of August 31, 2017.

**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 Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$2,222,928 and revenue of \$1,373,749 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 91,333	\$ 359,519
Changes in actuarial assumptions	5,283,002	165,094
Difference between projected and actual investment earnings	-	278,025
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,716,600	328,405
Contributions paid to TRS subsequent to the measurement date	891,537	-
Total	<u>\$ 7,982,472</u>	<u>\$ 1,131,043</u>

\$891,537 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, 2020.

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
2020	\$ 1,657,615
2021	1,072,532
2022	904,937
2023	962,264
2024	818,673
Thereafter	543,871
Total	\$ 5,959,892

**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, 2018 through December 31, 2018

	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		
	2018	2019
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%
	2018	2019
Employer contributions	\$ 254,222	\$ 251,693
Member contributions	185,670	183,444
NECE on-behalf contributions	278,927	275,997

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. The was also received in FY2018 bringing the total appropriations received to fiscal year 2018 to \$394.6 million.

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. 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, 2017 TRS pension plan actuarial valuation that was rolled forward to August 31, 2018:

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, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate*	3.69%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are include in the age-adjusted claims costs.
Payroll growth rate	2.30%
Projected salary increases**	3.05% to 9.05%
Healthcare trend rates***	4.50% to 11.00%
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2018.

\*\* Includes inflation at 2.30%

\*\*\* Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions on all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of ten years.

### Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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 was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Decrease in Discount Rate (4.69%)
Total TRS Net OPEB Liability	\$ 59,434,944,462	\$ 49,930,915,470	\$ 42,412,615,881
District's proportionate share of the Net OPEB Liability	\$ 21,902,610	\$ 18,400,242	\$ 15,629,643

### 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 7.50%	Current Single Healthcare Trend Rate 8.50%	1% Increase in Healthcare Trend Rate 9.50%
Total TRS net OPEB liability	\$ 41,468,438,436	\$ 49,930,915,470	\$ 61,076,180,591
District's proportionate share of the OPEB liability	\$ 15,281,701	\$ 18,400,242	\$ 22,507,428

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

At August 31, 2019, the District reported a liability of \$18,400,242 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	\$ 18,400,242
State's proportionate share that is associated with the District	<u>23,382,095</u>
Total	<u><u>\$ 41,782,337</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective Net OPEB Liability was 0.0368514018% which was an increase from 0.0395156% from its proportion measured as of August 31, 2017.

### 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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

The following were changes in benefit terms since the prior measurement period:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.



- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminate free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018-2021, requiring members to contribute \$200 per month toward their health insurance premium.

For the year ended August 31, 2019, the District recognized OPEB expense of \$850,500 and revenue of \$322,592 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 976,432	\$ 290,383
Changes in actuarial assumptions	307,050	5,528,217
Difference between projected and actual investment earnings	3,218	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	69	1,461,831
Contributions paid to TRS subsequent to the measurement date	251,693	-
	<u>\$ 1,538,462</u>	<u>\$ 7,280,431</u>
Total		

\$251,693 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, 2020.

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
2020	\$ (906,030)
2021	(906,030)
2022	(906,030)
2023	(906,638)
2024	(906,986)
Thereafter	<u>(1,461,948)</u>
Total	<u>\$ (5,993,662)</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 \$110,582, \$88,506, and \$87,098, for the years ended August 31, 2019, 2018 and 2017 respectively.

**Note 14 - Health Care and Workers' Compensation Coverage**

During the year ended August 31, 2019, 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 \$340 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, 2019, 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	\$ 27,214,583	\$ 3,659,199	\$ -	\$ -	\$ 30,873,782
Penalties, interest, and other tax related income	283,006	35,760	-	-	318,766
Food service sales	-	-	-	521,692	521,692
Investment income	291,451	91,924	598,933	1,205	983,513
Campus activity related income	-	-	-	559,314	559,314
Tuition	289,433	-	-	-	289,433
Cocurricular student activities	175,092	-	-	-	175,092
Property insurance claims	5,234	-	-	-	5,234
Other	145,397	-	-	222,195	367,592
<b>Total</b>	<b>\$ 28,404,196</b>	<b>\$ 3,786,883</b>	<b>\$ 598,933</b>	<b>\$ 1,304,406</b>	<b>\$ 34,094,418</b>

**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 2019, 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, 2019, the District had \$580,000 committed for construction projects and \$548,018 committed for instructional technology, IDEA-B set-asides, band instruments and uniforms.

*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, 2019, 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	\$ 35,505
School of Health and Related Services	N/A	728,447
Indirect costs		
Title I, Part A	84.010A	40,989
Career and Technical Education - Basic Grants to States	84.048	2,353
		\$ 807,294



Required Supplementary Information  
August 31, 2019

# Kerrville Independent School District

Kerrville Independent School District  
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)  
 Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 28,120,000	\$ 28,120,000	\$ 28,404,196	\$ 284,196
5800	State program revenues	9,485,000	9,609,000	9,814,217	205,217
5900	Federal program revenues	540,000	540,000	807,294	267,294
5020	Total revenues	38,145,000	38,269,000	39,025,707	756,707
	Expenditures				
	Current				
0011	Instruction	21,876,740	21,826,176	21,434,933	391,243
0012	Instructional resources and media services	379,337	379,365	367,043	12,322
0013	Curriculum and instructional staff development	175,921	250,259	172,064	78,195
0021	Instructional leadership	685,027	743,865	690,569	53,296
0023	School leadership	2,595,647	2,575,038	2,531,378	43,660
0031	Guidance, counseling, and evaluation services	1,194,751	1,247,524	1,238,942	8,582
0032	Social work services	27,192	47,192	24,429	22,763
0033	Health services	479,402	497,346	469,248	28,098
0034	Student (pupil) transportation	1,372,660	1,506,660	1,389,611	117,049
0036	Extracurricular activities	1,495,963	1,496,132	1,421,711	74,421
0041	General administration	1,749,252	1,442,980	1,381,863	61,117
0051	Facilities maintenance and operations	4,594,275	5,128,035	4,642,959	485,076
0052	Security and monitoring services	213,755	232,755	177,713	55,042
0053	Data processing services	574,787	680,994	617,892	63,102
0061	Community services	336,291	328,179	319,762	8,417
	Intergovernmental				
0099	Other intergovernmental charges	394,000	462,000	391,154	70,846
6030	Total expenditures	38,145,000	38,844,500	37,271,271	1,573,229
1100	Excess (deficiency) of revenues over (under) expenditures	-	(575,500)	1,754,436	1,178,936
	Other financing sources (uses)				
7912	Sale of real and personal property	-	-	6,899	6,899
7080	Total other financing sources	-	-	6,899	6,899
1200	Net change in fund balances	-	(575,500)	1,761,335	1,185,835
0100	Fund balances, beginning	9,696,924	9,696,924	9,696,924	-
3000	Fund balances, ending	\$ 9,696,924	\$ 9,121,424	\$ 11,458,259	\$ 2,336,835

Kerrville Independent School District  
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)  
August 31, 2019

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

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

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	2019	2018
District's proportion of the net OPEB liability	0.0368514%	0.0395156%
District's proportionate share of net OPEB liability	\$ 18,400,242	\$ 17,183,848
State's proportionate share of the net OPEB liability associated with the district	23,382,095	21,039,605
Totals	\$ 41,782,337	\$ 38,223,453
District's covered employee payroll	\$ 29,294,037	\$ 28,286,768
District's proportionate share of net OPEB liability as a percentage of its covered payroll	62.81%	60.75%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2019

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	2019	2018
Contractually required contribution	\$ 251,693	\$ 251,693
Contribution in relation to the contractually required contribution	(251,693)	(251,693)
Contributions deficiency/excess	\$ -	\$ -
District's covered employee payroll	\$ 28,221,966	\$ 29,294,037
Contributions as a percentage of covered employee payroll	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 Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

### Note 3 - OPEB

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

### 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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.



Other Supplementary Information  
August 31, 2019

**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	110,705	225,162	235,356
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	Total assets	\$ 110,705	\$ 225,162	\$ 235,356
Liabilities				
2110	Accounts payable	\$ 2,219	\$ 989	\$ 4,644
2160	Accrued wages payable	30,100	54,090	48,951
2170	Due to other funds	78,386	170,083	181,761
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	110,705	225,162	235,356
Fund balances				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 110,705	\$ 225,162	\$ 235,356

Kerrville Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2019

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
\$ -	\$ 41	\$ 224	\$ -	\$ -
5,194	-	79,592	-	9,002
-	-	214,746	-	-
-	-	66,735	-	-
<u>\$ 5,194</u>	<u>\$ 41</u>	<u>\$ 361,297</u>	<u>\$ -</u>	<u>\$ 9,002</u>
\$ -	\$ -	\$ 86,306	\$ -	\$ -
1,567	-	-	-	-
3,627	41	103,957	-	9,002
-	-	-	-	-
-	-	-	-	-
<u>5,194</u>	<u>41</u>	<u>190,263</u>	<u>-</u>	<u>9,002</u>
-	-	66,735	-	-
-	-	104,299	-	-
-	-	171,034	-	-
<u>\$ 5,194</u>	<u>\$ 41</u>	<u>\$ 361,297</u>	<u>\$ -</u>	<u>\$ 9,002</u>

Data Control Codes		255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA VI, Pt B Rural & Low Income
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	40,157	2,319	16,939
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	Total assets	\$ 40,157	\$ 2,319	\$ 16,939
Liabilities				
2110	Accounts payable	\$ 5,881	\$ 185	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	34,276	2,134	16,939
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	40,157	2,319	16,939
Fund balances				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 40,157	\$ 2,319	\$ 16,939



Kerrville Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2019

288	289	385	410	429
Air Force ROTC	Other Federal Special Revenue Funds	Supplemental Visually Impaired	State Textbook Fund	State Special Revenue
\$ -	\$ 122,804	\$ -	\$ -	\$ -
6,561	320	-	41,969	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,561</u>	<u>\$ 123,124</u>	<u>\$ -</u>	<u>\$ 41,969</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 6,907	\$ -
-	-	-	-	-
6,561	587	-	35,062	-
-	122,537	-	-	-
-	-	-	-	-
<u>6,561</u>	<u>123,124</u>	<u>-</u>	<u>41,969</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,561</u>	<u>\$ 123,124</u>	<u>\$ -</u>	<u>\$ 41,969</u>	<u>\$ -</u>

Kerrville Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2019

Data Control Codes	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>Assets</b>				
1110	Cash and cash equivalents	\$ 359,501	\$ 4,174	\$ 486,744
1240	Due from other governments	-	-	773,276
1290	Other receivables	-	-	214,746
1300	Inventories	-	-	66,735
1000	Total assets	<u>\$ 359,501</u>	<u>\$ 4,174</u>	<u>\$ 1,541,501</u>
<b>Liabilities</b>				
2110	Accounts payable	\$ 5,594	\$ -	\$ 112,725
2160	Accrued wages payable	-	-	134,708
2170	Due to other funds	-	-	642,416
2180	Due to other governments	-	-	122,537
2300	Unearned revenues	353,907	4,174	358,081
2000	Total liabilities	<u>359,501</u>	<u>4,174</u>	<u>1,370,467</u>
<b>Fund balances</b>				
3410	Nonspendable - inventories	-	-	66,735
3450	Restricted - grants	-	-	104,299
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>171,034</u>
4000	Total liabilities and fund balances	<u>\$ 359,501</u>	<u>\$ 4,174</u>	<u>\$ 1,541,501</u>

		205	211	224
Data Control Codes		Head Start	ESEA Title I Improving Basic Programs	IDEA - IDEA - B Formula
<b>Revenues</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	722,889	1,116,469	980,125
5020	Total revenues	722,889	1,116,469	980,125
<b>Expenditures</b>				
<b>Current</b>				
0011	Instruction	410,261	696,729	788,269
0012	Instruction resources and media services	4,375	-	-
0013	Curriculum and instructional staff development	29,427	29,766	3,995
0021	Instructional leadership	-	59,226	-
0023	School leadership	92,575	-	929
0031	Guidance, counseling and evaluation services	90,406	291,587	185,764
0032	Social work services	41,308	-	-
0033	Health services	36,208	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0052	Security and monitoring services	225	-	-
0053	Data processing services	-	-	-
0061	Community services	18,104	39,161	1,168
6030	Total expenditures	722,889	1,116,469	980,125
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ -

Kerrville Independent School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
Funds (Exhibit H-2)  
Year Ended August 31, 2019

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
\$ -	\$ -	\$ 745,092	\$ -	\$ -
-	-	23,988	-	-
<u>22,276</u>	<u>22,000</u>	<u>1,721,481</u>	<u>11,077</u>	<u>67,108</u>
<u>22,276</u>	<u>22,000</u>	<u>2,490,561</u>	<u>11,077</u>	<u>67,108</u>
22,201	22,000	-	-	59,852
-	-	-	-	-
75	-	-	-	6,367
-	-	-	-	889
-	-	-	-	-
-	-	-	-	-
-	-	2,482,807	11,077	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>22,276</u>	<u>22,000</u>	<u>2,482,807</u>	<u>11,077</u>	<u>67,108</u>
-	-	7,754	-	-
-	-	163,280	-	-
<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	270 ESEA VI, Pt B Rural & Low Income
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	179,817	31,530	89,862
5020	Total revenues	179,817	31,530	89,862
	Expenditures			
	Current			
0011	Instruction	-	14,345	86,048
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	161,537	17,185	-
0021	Instructional leadership	1,638	-	-
0023	School leadership	11,009	-	3,164
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	279	-	-
0033	Health services	279	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	400	-	-
0052	Security and monitoring services	-	-	650
0053	Data processing services	-	-	-
0061	Community services	4,675	-	-
6030	Total expenditures	179,817	31,530	89,862
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ -

Kerrville Independent School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
Funds (Exhibit H-2)  
Year Ended August 31, 2019

288 Air Force ROTC	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired	410 State Textbook Fund	429 Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,914	959,713	61
<u>67,077</u>	<u>72,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>67,077</u>	<u>72,711</u>	<u>1,914</u>	<u>959,713</u>	<u>61</u>
67,077	19,026	1,914	873,149	61
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,208	-	-	-
-	-	-	-	-
-	-	-	-	-
-	16,004	-	-	-
-	-	-	-	-
-	29,782	-	-	-
-	-	-	86,564	-
-	1,691	-	-	-
<u>67,077</u>	<u>72,711</u>	<u>1,914</u>	<u>959,713</u>	<u>61</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<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, 2019

Data Control Codes	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>Revenues</b>				
5700	Local and intermediate sources	\$ 559,314	\$ -	\$ 1,304,406
5800	State program revenues	-	-	985,676
5900	Federal program revenues	-	-	5,104,422
5020	Total revenues	559,314	-	7,394,504
<b>Expenditures</b>				
<b>Current</b>				
0011	Instruction	313,640	-	3,374,572
0012	Instruction resources and media services	25,689	-	30,064
0013	Curriculum and instructional staff development	2,202	-	250,554
0021	Instructional leadership	-	-	61,753
0023	School leadership	-	-	107,677
0031	Guidance, counseling and evaluation services	4,238	-	578,203
0032	Social work services	-	-	41,587
0033	Health services	518	-	37,005
0035	Food services	-	-	2,493,884
0036	Extracurricular activities	213,027	-	229,031
0041	General administration	-	-	400
0052	Security and monitoring services	-	-	30,657
0053	Data processing services	-	-	86,564
0061	Community services	-	-	64,799
6030	Total expenditures	559,314	-	7,386,750
1200	Net change in fund balance	-	-	7,754
0100	Fund balances, beginning	-	-	163,280
3000	Fund balances, ending	\$ -	\$ -	\$ 171,034



Required TEA Schedules  
August 31, 2019

**Kerrville Independent School District**



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<u>Year Ended August 31,</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value for School Tax Purposes</u>
	<u>1 Maintenance</u>	<u>2 Debt Service</u>	
2010 and prior years	\$ Various	\$ Various	\$ Various
2011	0.99	0.1500	2,165,339,180
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 (school year under audit)	1.04	0.1400	2,633,361,610
1000 Totals			

Kerrville Independent School District  
Schedule of Delinquent Taxes Receivable (Exhibit J-1)  
Year Ended August 31, 2019

10 Beginning Balance 9/1/2018	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2019
\$ 259,131	\$ -	\$ 8,743	\$ 1,276	\$ (3,136)	\$ 245,976
60,017	-	5,439	792	(250)	53,536
73,618	-	5,431	731	(282)	67,174
88,583	-	9,071	1,221	(283)	78,008
119,621	-	15,102	2,033	(805)	101,681
138,972	-	26,282	3,537	1,264	110,417
164,471	-	26,011	3,514	810	135,756
209,557	-	1,654	226	(25,281)	182,396
547,141	-	155,715	20,946	(119,119)	251,361
-	31,073,667	26,975,808	3,630,534	34,277	501,602
\$ 1,661,111	\$ 31,073,667	\$ 27,229,256	\$ 3,664,810	\$ (112,805)	\$ 1,727,907

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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 691,000	\$ 691,000	\$ 745,092	\$ 54,092
5800	State program revenues	15,000	15,000	23,988	8,988
5900	Federal program revenues	1,914,000	1,914,000	1,721,481	(192,519)
5020	Total revenues	2,620,000	2,620,000	2,490,561	(129,439)
	Expenditures				
	Current				
0035	Food service	2,620,000	2,620,000	2,482,807	137,193
6030	Total expenditures	2,620,000	2,620,000	2,482,807	137,193
1200	Change in fund balance	-	-	7,754	7,754
0100	Fund balances, beginning	163,280	163,280	163,280	-
3000	Fund balances, ending	\$ 163,280	\$ 163,280	\$ 171,034	\$ 7,754

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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Total local and intermediate sources	\$ 3,742,000	\$ 4,807,950	\$ 3,786,883	\$ (1,021,067)
5800	State program revenues	99,000	99,000	99,313	313
5020	Total revenues	3,841,000	4,906,950	3,886,196	(1,020,754)
Expenditures					
Debt service					
0071	Principal on long term debt	2,845,000	2,845,000	2,845,000	-
0072	Interest on long term debt	519,832	2,119,832	1,491,681	628,151
0073	Other debt service fees	20,518	20,518	9,169	11,349
6030	Total expenditures	3,385,350	4,985,350	4,345,850	639,500
1100	Excess (deficiency) of revenues over (under) expenditures	455,650	(78,400)	(459,654)	(381,254)
Other financing sources (uses)					
7911	Capital related debt issued (regular bonds)	-	48,152,160	917,840	(47,234,320)
7916	Premium on issuance of bonds	-	3,282,166	62,562	(3,219,604)
7080	Total other financing sources (uses)	-	51,434,326	980,402	(50,453,924)
1200	Net change in fund balances	455,650	51,355,926	520,748	(50,835,178)
0100	Fund balance - September 1 (beginning)	1,791,330	1,791,330	1,791,330	-
3000	Fund balance - August 31 (ending)	\$ 2,246,980	\$ 53,147,256	\$ 2,312,078	\$ (50,835,178)



Federal Awards Section  
August 31, 2019

**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, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

Abilene, Texas  
December 5, 2019



## **Independent Auditor’s Report on Compliance for the 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 the 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 the District’s major federal program for the year ended August 31, 2019. The District’s major federal program is 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 the District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

### **Opinion on the 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 its major federal program for the year ended August 31, 2019.



## 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 the 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.

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

Abilene, Texas  
December 5, 2019

Kerrville Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2019

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	\$ 67,077
Total U.S. Department of Defense			<u>67,077</u>
U.S. Department of Education			
Passed through Texas Education Agency			
IDEA - Part B, Formula**	84.027A	186600011339036600	223,063
IDEA - Part B, Formula**	84.027A	19600011339036600	697,503
IDEA - Part B, Formula**	84.027A	206600011339036600	59,559
IDEA - Part B, Discretionary**	84.027A	2265431920033	22,000
IDEA - Part B, Preschool***	84.173	196610011339036610	20,709
IDEA - Part B, Preschool***	84.173	206600011339036610	1,567
Total Special Education Cluster			<u>1,024,401</u>
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101133903	1,079,352
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101133903	78,106
Total Title I Grants to Local Educational Agencies (CFDA 84.010A)			<u>1,157,458</u>
Career and Technical Education - Basic Grants to States	84.048	19420006133903	66,681
Career and Technical Education - Basic Grants to States	84.048	20420006133903	2,780
Total Career and Technical Education - Basic Grants to States (CFDA 84.048)			<u>69,461</u>
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19696001133903	89,862
Title III, Part A - English Language Acquisition	84.365A	19671001133903	31,530
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501133903	150,742
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	19694501133903	29,075
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (CFDA 84.367A)			<u>179,817</u>
Title IV, Part A, Subpart 1	84.424A	19680101133903	72,711
Total passed through Texas Education Agency			<u>2,625,240</u>
Total Department of Education			<u>2,625,240</u>
U.S. Department of Health and Human Services			
Direct Programs			
Head Start	93.600	06CH7136-04-00	722,889
Total Direct Programs			<u>722,889</u>

Kerrville Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2019

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Passed through Texas Dept of Human Services		
Medicaid Administrative Claiming Program - MAC	93.778	\$ 35,505
Total Medicaid Cluster		<u>35,505</u>
Total passed through Texas Dept of Human Services		<u>35,505</u>
Total Department of Health and Human Services		<u>758,394</u>
U.S. Department of Agriculture		
Passed through Texas Education Agency		
School Breakfast Program	10.553	374,150
National School Lunch Program*	10.555	1,184,455
National School Lunch Program - noncash assistance*	10.555	162,876
Summer Feeding Program	10.559	11,077
Total Child Nutrition Cluster		<u>1,732,558</u>
Total passed through Texas Education Agency		<u>1,732,558</u>
Total Department of Agriculture		<u>1,732,558</u>
Total Expenditures of Federal Awards		<u>\$ 5,183,269</u>
*Total National School Lunch Program (CFDA 10.555)		\$ 1,347,331
**Total IDEA - Part B, Formula/Discretionary (CFDA 84.027A)		1,002,125
***Total IDEA - Part B, Preschool (CFDA 84.173A)		22,276

**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 ten month ended August 31, 2019. 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	\$ 5,183,269
School of Health and Related Services	728,447
	728,447
Total federal revenues per Exhibit C-2	\$ 5,911,716

**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:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Title I Part A	84.010A
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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The audit disclosed no findings required to be reported.

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**Section III – Federal Award Findings and Questioned Costs**

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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, 2019

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<u>Data Control Codes</u>	<u>Responses</u>	
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
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an overallocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 14,652,695
SF13	Pension expense (6147) at fiscal year-end, excluding on-behalf pension expense (6144).	\$ -

Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings  
August 31, 2019

Prepared by Management of  
**Kerrville Independent School District**



## **Significant Audit Adjustment in the Financial Statements**

### *Finding 2018-A*

*Initial Fiscal Year Finding Occurred: 2018*

*Finding Summary:* Eide Bailly LLP proposed an audit adjustment that would not have been identified as a result of our existing controls and, therefore, could have resulted in a misstatement of our financial statements.

*Status:* Corrective action was taken.

## **Procurement Noncompliance and Significant Deficiency in Internal Control Over Compliance**

### *Finding 2018-001*

*Federal Agency Name: U.S. Department of Agriculture*

*Program Name: Child Nutrition Cluster*

*CFDA # 10.553; 10.555; and 10.559*

*Initial Fiscal Year Finding Occurred: 2018*

*Finding Summary:* We noted that the District had not updated its procurement procedures to conform to applicable federal law and standards. The District maintained a Uniform Guidance procurement policy and a local procurement policy. Quotations from an adequate number of sources were not obtained for small purchases under Uniform Guidance as required.

*Status:* Corrective action was taken.