

KEENE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

Keene Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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Introductory Section

CERTIFICATE OF BOARD

Keene Independent School District
Name of School District

Johnson
County

126-906
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, 2021, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Keene Independent School District
3625 E. Highway 67 #C
Keene, Texas 76059

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keene Independent School District ("the District") as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Keene Independent School District as of August 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in Fiscal Year 2021, Keene Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keene Independent School District's basic financial statements. The introductory section and accompanying other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The other supplementary information, except for Exhibit J-5, 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-5 of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022 on our consideration of Keene Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Keene Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
February 17, 2022

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2021. We encourage readers to consider the information presented here in conjunction the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$8,134,161 (*net position*). Of this amount, (\$872,333) (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,086,714, of which \$5,662,799, or 93%, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,662,799, or 45% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 business.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of 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.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. 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, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used 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 that can be found on pages 18-19.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 43-49 of this report.



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$8,134,161 as of August 31, 2021.

The District's Net Position

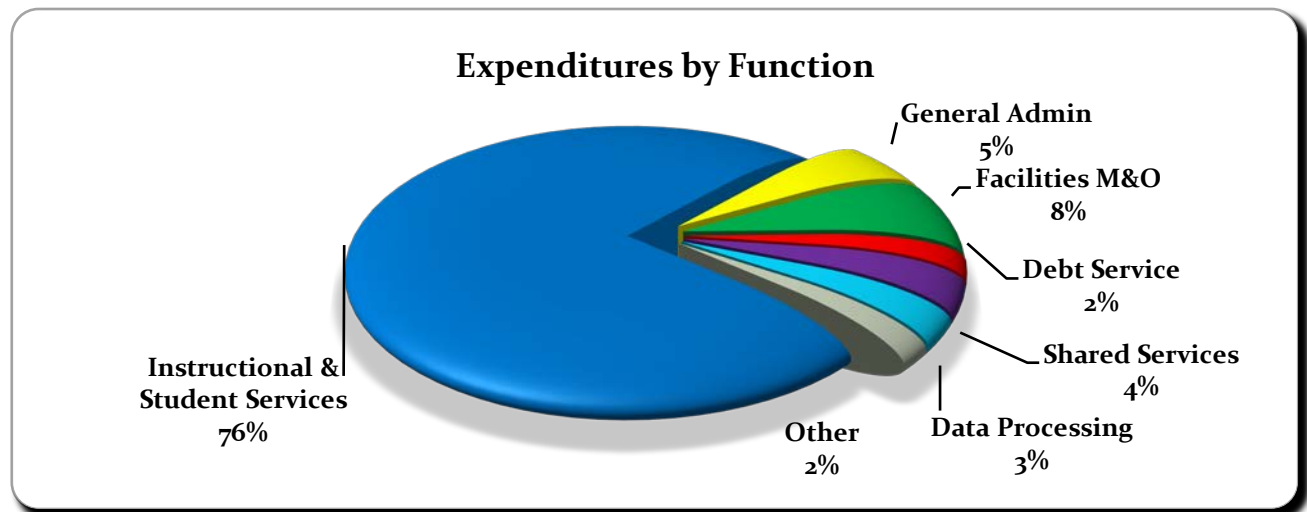
	August 31, 2021	August 31, 2020
Current and other assets	\$ 7,309,434	\$ 5,518,006
Capital assets	21,876,406	22,966,748
Total assets	29,185,840	28,484,754
Deferred outflows related to pensions	953,987	1,328,948
Deferred outflows related to OPEB	481,431	561,158
Total deferred outflows of resources	1,435,418	1,890,106
Other liabilities	1,381,586	1,205,007
Long-term liabilities outstanding	17,862,343	19,538,006
Total liabilities	19,243,929	20,743,013
Deferred gain on refunding bond	268,135	283,908
Deferred inflows related to pensions	663,792	573,305
Deferred inflows related to OPEB	2,311,241	1,672,096
Total deferred inflows of resources	3,243,168	2,529,309
Net position:		
Net Investment in capital assets	8,638,801	9,168,437
Restricted	367,693	355,285
Unrestricted	(872,333)	(2,421,184)
Total net position	\$ 8,134,161	\$ 7,102,538

Net investment in capital assets (e.g., land, buildings, infrastructure, and furniture and equipment) is \$8,638,801. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$367,693 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*, (\$872,333), may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are more than currently available resources.

Governmental activities. The District's total net position increased from the prior year by \$993,010. The total cost of all *governmental activities* this year was \$15,017,474. The amount that our taxpayers paid for these activities through property taxes was \$2,545,773 or 17%.

Changes in the District's Net Position

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 124,128	\$ 473,891
Operating grants & contributions	2,672,586	2,579,396
General revenues:		
Property taxes	2,545,773	2,314,946
State grants	10,430,307	10,143,636
Other	237,690	169,580
Total revenues	<u>16,010,484</u>	<u>15,681,449</u>
Expenses:		
Instruction	8,297,348	8,700,958
Instructional resources & media services	135,499	131,307
Curriculum & staff development	26,798	32,152
Instructional leadership	222,185	95,921
School leadership	953,710	1,073,892
Guidance, counseling & evaluation services	343,801	348,006
Health Services	202,918	192,152
Student transportation	36,201	55,876
Food service	724,369	819,030
Co-curricular/extracurricular activities	433,679	432,170
General administration	756,996	735,283
Facilities maintenance & operations	1,162,971	1,203,169
Security and monitoring services	240,260	165,291
Data processing services	466,994	562,682
Community services	12,917	8,844
Interest on long-term debt	350,155	550,103
Bond issuance cost and fees	6,344	204,576
Capital outlay	2,500	-
Payments related to shared service agreements	572,004	538,225
Other intergovernmental charges	69,825	30,000
Total expenses	<u>15,017,474</u>	<u>15,879,637</u>
Increase/(Decrease) in net position	993,010	(198,188)
Beginning net position	<u>7,102,538</u>	<u>7,300,726</u>
Prior period adjustment	38,613	-
Net position - beginning, as restated	<u>7,141,151</u>	<u>7,300,726</u>
Ending net position	<u><u>\$ 8,134,161</u></u>	<u><u>\$ 7,102,538</u></u>



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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 the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,086,714, an increase of \$1,591,478. Of this total amount, \$5,662,799 constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* or *committed* to indicate that it is not available for new spending because it has already been:

- Restricted to pay:
 - o retirement of long-term debt (\$307,835)
 - o federal funds grant restrictions (\$41,456)
- Committed to pay for:
 - o other committed fund balances (\$74,624)

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,662,799. As a measure of the general fund's liquidity, it may be useful to compare fund balance to the total fund expenditures. Unassigned fund balance represents 45% of the total general fund expenditures.

The fund balance of the District's general fund increased \$1,566,215 during the current fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments were necessary to allow for unexpected occurrences and to better reflect the activities of the District.

Budget revisions to revenues were primarily due to:

- Various changes in sources and amounts from originally adopted budget.

Budget revisions to expenditures were primarily due to:

- Expense estimates were lower than actual expenses due to needs.
- Due to delays in shipping and work, 20/2 expenses were completed in 21/22.

The following are significant variations between the final budget and actual amounts:

- Actual revenues were higher than budgeted by \$645,400 primarily related to an increase in state program revenues; and
- Actual expenditures were lower than budgeted by \$242,256 primarily due to decreases in expenditures within instruction.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2021, amounts to \$21,876,406 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset events during the year included stadium renovations, new bus, and a new maintenance truck.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Land	\$ 1,328,050	\$ 1,328,050
Buildings and improvements	19,791,575	20,722,208
Furniture and equipment	528,288	477,437
Infrastructure	-	412
Equipment - capital lease	228,493	438,641
Total at historical cost	<u>\$ 21,876,406</u>	<u>\$ 22,966,748</u>

Additional information on the District's capital assets can be found in Note D on page 27 of this report.

Long-term debt. As of August 31, 2021, the District had total general obligation bonded debt outstanding of \$10,340,000, a decrease of \$425,000 for principal payments. The District's premium on bonds is amortized over the life of the bonds. The unamortized premium balance at August 31, 2021 is \$795,691, a decrease of \$46,805 from the prior year. The District's premium on notes has an unamortized premium balance at August 31, 2021 of \$19,515, and increase of \$19,515 from prior year. The District's notes payable balance has an outstanding balance of \$1,534,417 an increase of \$219,993 from prior year.

The District had an outstanding capital lease balance of \$279,847, a decrease of \$312,636 from prior year. The net pension liability for fiscal year 2021 had an ending balance of \$2,444,738, a decrease of \$286,184 from the prior year. And finally, the net OPEB liability for fiscal year 2021 had an ending balance of \$2,693,681, a decrease over prior year of \$836,621.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$19,741,137.

Detailed information on the District's long-term debt can be found in Note F on pages 28-29 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's enrollment is 1025 compared to last year ending amount of 1033.
- The District's taxable valuation is approximately \$ 387,097,329.00.
- The District is currently at \$1.0087 per \$100 in assessed property value. The maximum tax rate allowable by state law for maintenance and operations without an election is \$1.04. However, Keene ISD Board of Trustees called a Tax Rate Election (TRE) to increase the Maintenance & Operations tax rate to \$1.00870 per \$100 in assessed property value.
- The current debt service tax rate is \$0.22257 making the total tax rate \$ 1.23127
The District has appropriated revenues and expenditures in the 2021-2022 budget of \$ 14,216,135 and \$13,585,335, respectively

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Keene ISD Business Office.



Basic Financial Statements

KEENE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2021

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	4,732,154
1225	Property Taxes Receivable (Net)		101,661
1240	Due from Other Governments		2,475,619
Capital Assets:			
1510	Land		1,328,050
1520	Buildings and Improvements (Net)		19,791,575
1530	Furniture and Equipment (Net)		528,288
1550	Capital Lease Assets (Net)		228,493
1000	Total Assets		<u>29,185,840</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow Related to Pensions		953,987
	Deferred Outflow Related to OPEB		481,431
1700	Total Deferred Outflows of Resources		<u>1,435,418</u>
LIABILITIES:			
2110	Accounts Payable		354,074
2120	Short-Term Debt Payable		245,546
2140	Interest Payable		14,981
2165	Accrued Liabilities		678,558
2300	Unearned Revenue		88,427
Noncurrent Liabilities:			
2501	Due Within One Year		590,885
2502	Due in More Than One Year		12,133,039
2540	Net Pension Liability		2,444,738
2545	Net OPEB Liability		2,693,681
2000	Total Liabilities		<u>19,243,929</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Gain on Refunding		268,135
	Deferred Inflow Related to Pensions		663,792
	Deferred Inflow Related to OPEB		2,311,241
2600	Total Deferred Inflows of Resources		<u>3,243,168</u>
NET POSITION:			
3200	Net Investment in Capital Assets		8,638,801
Restricted For:			
3820	Federal and State Programs		41,456
3850	Debt Service		326,237
3900	Unrestricted		(872,333)
3000	Total Net Position	\$	<u>8,134,161</u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 8,297,348	\$ 53,239	\$ 1,313,115	\$ (6,930,994)
12	Instructional Resources and Media Services	135,499	1,023	7,980	(126,496)
13	Curriculum and Staff Development	26,798	195	1,980	(24,623)
21	Instructional Leadership	222,185	1,685	12,829	(207,671)
23	School Leadership	953,710	7,161	59,996	(886,553)
31	Guidance, Counseling, and Evaluation Services	343,801	2,475	32,938	(308,388)
33	Health Services	202,918	1,500	15,430	(185,988)
34	Student Transportation	36,201	1,228	8,767	(26,206)
35	Food Service	724,369	13,828	654,277	(56,264)
36	Cocurricular/Extracurricular Activities	433,679	15,971	24,276	(393,432)
41	General Administration	756,996	5,651	49,820	(701,525)
51	Facilities Maintenance and Operations	1,162,971	9,201	99,099	(1,054,671)
52	Security and Monitoring Services	240,260	1,793	36,665	(201,802)
53	Data Processing Services	466,994	546	4,556	(461,892)
61	Community Services	12,917	97	695	(12,125)
72	Interest on Long-term Debt	350,155	--	289,274	(60,881)
73	Bond Issuance Costs and Fees	6,344	--	--	(6,344)
81	Capital Outlay	2,500	3,566	25,440	26,506
93	Payments Related to Shared Services Arrangements	572,004	4,969	35,449	(531,586)
99	Other Intergovernmental Charges	69,825	--	--	(69,825)
TG	Total Governmental Activities	<u>15,017,474</u>	<u>124,128</u>	<u>2,672,586</u>	<u>(12,220,760)</u>
TP	Total Primary Government	<u>\$ 15,017,474</u>	<u>\$ 124,128</u>	<u>\$ 2,672,586</u>	<u>(12,220,760)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				2,088,430
DT	Property Taxes, Levied for Debt Service				457,343
IE	Investment Earnings				14,452
GC	Grants and Contributions Not Restricted to Specific Programs				10,430,307
MI	Miscellaneous				223,238
TR	Total General Revenues				<u>13,213,770</u>
CN	Change in Net Position				993,010
NB	Net Position - Beginning				7,102,538
PA	Prior Period Adjustment				38,613
	Net Position - Beginning, as Restated				7,141,151
NE	Net Position - Ending				<u>\$ 8,134,161</u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2021

Data Control Codes		10		Other Governmental Funds	98 Total Governmental Funds
		General Fund	ESSER Fund of the CARES Act		
ASSETS:					
1110	Cash and Cash Equivalents	\$ 4,676,549	\$ --	\$ 55,605	\$ 4,732,154
1225	Taxes Receivable	196,925	--	48,380	245,305
1230	Allowance for Uncollectible Taxes (Credit)	(113,666)	--	(29,978)	(143,644)
1240	Due from Other Governments	1,782,785	256,719	436,115	2,475,619
1260	Due from Other Funds	257,219	--	143,890	401,109
1000	Total Assets	<u>\$ 6,799,812</u>	<u>\$ 256,719</u>	<u>\$ 654,012</u>	<u>\$ 7,710,543</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 287,187	\$ --	\$ 66,887	\$ 354,074
2150	Payroll Deductions and Withholdings	54,420	--	--	54,420
2160	Accrued Wages Payable	555,835	--	50,643	606,478
2170	Due to Other Funds	143,890	256,719	500	401,109
2200	Accrued Expenditures	12,422	--	5,238	17,660
2300	Unearned Revenue	--	--	88,427	88,427
2000	Total Liabilities	<u>1,053,754</u>	<u>256,719</u>	<u>211,695</u>	<u>1,522,168</u>
DEFERRED INFLOWS OF RESOURCES:					
	Property Taxes	83,259	--	18,402	101,661
2600	Total Deferred Inflows of Resources	<u>83,259</u>	<u>--</u>	<u>18,402</u>	<u>101,661</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal Funds Grant Restrictions	--	--	41,456	41,456
3480	Retirement of Long-Term Debt	--	--	307,835	307,835
Committed Fund Balances:					
3545	Other Committed Fund Balance - Campus Activity	--	--	74,624	74,624
3600	Unassigned	5,662,799	--	--	5,662,799
3000	Total Fund Balances	<u>5,662,799</u>	<u>--</u>	<u>423,915</u>	<u>6,086,714</u>
Total Liabilities, Deferred Inflow					
4000	of Resources and Fund Balances	<u>\$ 6,799,812</u>	<u>\$ 256,719</u>	<u>\$ 654,012</u>	<u>\$ 7,710,543</u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2021*

Total fund balances - governmental funds balance sheet	\$ 6,086,714
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	101,661
Capital assets used in governmental activities are not reported in the funds.	21,876,406
Deferred Resource Outflows related to the pension plan are not reported in the funds.	953,987
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	481,431
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,444,738)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,693,681)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(663,792)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,311,241)
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,340,000)
Payables for notes which are not due in the current period are not reported in the funds.	(1,534,417)
Payables for capital leases which are not due in the current period are not reported in the funds.	(279,847)
Payables for bond interest which are not due in the current period are not reported in the funds.	(14,981)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(795,691)
Deferred gain on refunding bonds is not reported in the funds.	(268,135)
Premiums on notes which are not due and payable in the current period are not reported in the funds.	(19,515)

Net position of governmental activities - Statement of Net Position	\$ <u>8,134,161</u>
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The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		10		Other Governmental Funds	98 Total Governmental Funds
		General Fund	ESSER Fund of the CARES Act		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,360,621	\$ --	\$ 505,856	\$ 2,866,477
5800	State Program Revenues	10,953,321	--	326,304	11,279,625
5900	Federal Program Revenues	172,070	256,719	1,301,019	1,729,808
5020	Total Revenues	13,486,012	256,719	2,133,179	15,875,910
EXPENDITURES:					
Current:					
0011	Instruction	6,321,905	256,719	612,994	7,191,618
0012	Instructional Resources and Media Services	117,958	--	--	117,958
0013	Curriculum and Staff Development	22,934	--	591	23,525
0021	Instructional Leadership	193,877	--	--	193,877
0023	School Leadership	824,270	--	--	824,270
0031	Guidance, Counseling, and Evaluation Services	285,312	--	12,629	297,941
0033	Health Services	172,793	--	3,392	176,185
0034	Student Transportation	141,501	--	--	141,501
0035	Food Service	28,052	--	625,330	653,382
0036	Cocurricular/Extracurricular Activities	367,664	--	19,730	387,394
0041	General Administration	650,794	--	226	651,020
0051	Facilities Maintenance and Operations	1,019,234	--	33,892	1,053,126
0052	Security and Monitoring Services	208,388	--	22,828	231,216
0053	Data Processing Services	408,999	--	--	408,999
0061	Community Services	11,339	--	--	11,339
0071	Principal on Long-term Debt	551,933	--	425,000	976,933
0072	Interest on Long-term Debt	48,523	--	350,944	399,467
0073	Bond Issuance Costs and Fees	21,757	--	360	22,117
0081	Capital Outlay	410,478	--	--	410,478
0093	Payments to Shared Service Arrangements	572,004	--	--	572,004
0099	Other Intergovernmental Charges	69,825	--	--	69,825
6030	Total Expenditures	12,449,540	256,719	2,107,916	14,814,175
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	1,036,472	--	25,263	1,061,735
Other Financing Sources and (Uses):					
7912	Sale of Real or Personal Property	48,986	--	--	48,986
7914	Issuance of Non-Current Debt	1,000,000	--	--	1,000,000
7914	Premium on Issuance of Notes	21,467	--	--	21,467
8949	Other Uses - Payment to Refunded Note Escrow Agent	(540,710)	--	--	(540,710)
7080	Total Other Financing Sources and (Uses)	529,743	--	--	529,743
1200	Net Change in Fund Balances	1,566,215	--	25,263	1,591,478
0100	Fund Balances - Beginning	4,096,584	--	360,039	4,456,623
1300	Prior Period Adjustment	--	--	38,613	38,613
	Fund Balances - Beginning, as Restated	4,096,584	--	398,652	4,495,236
3000	Fund Balances - Ending	\$ 5,662,799	\$ --	\$ 423,915	\$ 6,086,714

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021*

Net change in fund balances - total governmental funds	\$ 1,591,478
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,872)
Capital outlays are not reported as expenses in the SOA.	633,370
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,723,712)
The gain or loss on the sale of capital assets is not reported in the funds.	48,986
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(48,986)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.	
These pension contributions made after the measurement date of the plan increased ending net position.	208,525
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(188,265)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is a decrease in net position.	(199,524)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.	
These OPEB contributions made after the measurement date of the plan increased net position.	56,404
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(55,166)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is an increase in net position.	116,511
Proceeds of notes do not provide revenue in the SOA but are reported as other financing sources in the funds.	(1,000,000)
Note premiums on issuance are reported in the funds but not in the SOA.	(21,467)
Payment to escrow agent for refunding notes is reported in the funds but not in the SOA.	540,710
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	425,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	312,636
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	239,297
(Increase) decrease in accrued interest on bonds from beginning of period to end of period.	555
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	15,773
Premiums on bonds are amortized in the SOA but not in the funds.	46,805
Premiums on notes are amortized in the SOA but not in the funds.	1,952
Change in net position of governmental activities - Statement of Activities	\$ <u>993,010</u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2021*

<u>Data Control Codes</u>		<u>Custodial Funds</u>
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 58,622
1240	<i>Due from Other Governments</i>	28,881
1000	Total Assets	<u>87,503</u>
LIABILITIES:		
Current Liabilities:		
2110	<i>Accounts Payable</i>	1,012
2000	Total Liabilities	<u>1,012</u>
NET POSITION:		
3800	<i>Restricted for Student Scholarships and other Activities</i>	86,491
3000	Total Net Position	<u>\$ 86,491</u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Custodial Funds
ADDITIONS:	
Revenues from Student Activities	\$ 25,160
Gifts and Contributions	349
Miscellaneous Operating Receipts	27,084
Total Additions	<u>52,593</u>
DEDUCTIONS:	
Payments for Student Activities	19,212
Miscellaneous Operating Expenses	28,093
Total Deductions	<u>47,305</u>
Change in Fiduciary Net Position	5,288
Net Position-Beginning of the Year	--
Prior Period Adjustment	81,203
Net Position - Beginning, As Restated	81,203
Net Position-End of the Year	<u><u>\$ 86,491</u></u>

The accompanying notes are an integral part of this statement.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies

The basic financial statements of Keene Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

ESSER Fund of the CARES Act: This fund is used to account for federal stimulus ESSER funds granted to LEAs through the CARES Act to support an LEAs' ability to operate and instruct their students during the COVID-19 pandemic.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **Property Taxes**

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10
Buildings and Improvements	7-50
Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board can delegate to a designated official of the District the authority to assign amounts to be used for a specific purpose.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Food Service Fund total actual expenditures exceeded final budgeted amounts. See Schedule of Findings and Questioned Costs 2021-002.

Action Taken

See Corrective Action Plan

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,790,776 and the bank balance was \$4,892,020. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District had no investments at August 31, 2021.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,328,050	\$ --	\$ --	\$ 1,328,050
Total capital assets not being depreciated	<u>1,328,050</u>	<u>--</u>	<u>--</u>	<u>1,328,050</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	35,438,041	413,249	--	35,851,290
Equipment	1,894,194	220,121	7,080	2,107,235
Infrastructure	265,318	--	--	265,318
Equipment - Capital Lease	689,593	--	133,267	556,326
Total capital assets being depreciated	<u>38,287,146</u>	<u>633,370</u>	<u>140,347</u>	<u>38,780,169</u>
Less accumulated depreciation for:				
Buildings and Improvements	(14,715,833)	(1,343,882)	--	(16,059,715)
Equipment	(1,416,757)	(169,270)	(7,080)	(1,578,947)
Infrastructure	(264,906)	(412)	--	(265,318)
Equipment - Capital Lease	(250,952)	(210,148)	(133,267)	(327,833)
Total accumulated depreciation	<u>(16,648,448)</u>	<u>(1,723,712)</u>	<u>(140,347)</u>	<u>(18,231,813)</u>
Total capital assets being depreciated, net	<u>21,638,698</u>	<u>(1,090,342)</u>	<u>--</u>	<u>20,548,356</u>
Governmental activities capital assets, net	<u>\$ 22,966,748</u>	<u>\$ (1,090,342)</u>	<u>\$ --</u>	<u>\$ 21,876,406</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,000,380
Instructional Resources and Media Services	16,411
Curriculum and Staff Development	3,273
Instructional Leadership	26,973
School Leadership	114,676
Guidance, Counseling, & Evaluation Services	41,451
Health Services	24,512
Student Transportation	19,686
Food Services	90,901
Extracurricular Activities	57,302
General Administration	90,572
Plant Maintenance and Operations	146,927
Security and Monitoring Services	32,168
Data Processing Services	56,902
Community Services	1,578
	<u>\$ 1,723,712</u>

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	ESSER Fund of the CARES Act	\$ 256,719
General Fund	Nonmajor Governmental Funds	500
Nonmajor Governmental Funds	General Fund	143,890
	Total	<u>\$ 401,109</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year.

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 10,765,000	\$ --	\$ 425,000	\$ 10,340,000	\$ 440,000
Capital Leases**	592,483	--	312,636	279,847	150,885
Notes from Direct Borrowings	1,314,424	1,000,000	780,007	1,534,417	245,546
Premium on Bonds	842,496	--	46,805	795,691	--
Premium on Notes	--	21,467	1,952	19,515	--
Net Pension Liability*	2,730,922	--	286,184	2,444,738	--
Net OPEB Liability*	3,530,302	--	836,621	2,693,681	--
Total governmental activities	<u>\$ 19,775,627</u>	<u>\$ 1,021,467</u>	<u>\$ 2,689,205</u>	<u>\$ 18,107,889</u>	<u>\$ 836,431</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund
Capital Leases **	Governmental	General Fund

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2021, are as follows:

Year Ending August 31	Governmental Activities				
	Bonds		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2022	\$ 440,000	\$ 337,968	\$ 245,546	\$ 35,157	\$ 1,058,671
2023	455,000	319,993	254,871	26,877	1,056,741
2024	475,000	301,493	230,000	21,889	1,028,382
2025	490,000	284,568	233,000	17,957	1,025,525
2026	510,000	264,568	112,000	13,967	900,535
2027-2031	2,955,000	920,215	459,000	38,555	4,372,770
2032-2036	3,500,000	381,048	--	--	3,881,048
2037-2041	1,515,000	37,601	--	--	1,552,601
Totals	\$ 10,340,000	\$ 2,847,454	\$ 1,534,417	\$ 154,402	\$ 14,876,273

The Series 2020 Unlimited Tax Refunding Bond interest rate is 2.125-5.000% and matures on February 15, 2038.

The Maintenance Tax Note Series 2015 interest rate is 2.17% and matures on August 15, 2025.

The 2018 Note Payable interest rate is 3.95% and matures on December 22, 2022.

The Maintenance Tax Note Series 2021 interest rate is 2.75% and matures on August 15, 2031.

The Limited Tax Refunding Note Series 2021 interest rate is 1.20% and matures on August 15, 2026.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2021.

3. Current Refunding of Debt

As a result of the current refunding of principal maturities of the Series 2016 Time Warrant the District decreased its total debt service requirements by \$20,199 which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$22,469. The Limited Tax Refunding Note, Series 2021 was issued at a par amount of \$541,000 and refunded principal maturities of the Series 2016 Time Warrant in the amount of \$540,710.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2021, as follows:

Year Ending August 31	
2022	\$ 160,511
2023	106,835
2024	26,880
Total Minimum Rentals	294,226
Less Interest	(14,379)
Present Value of Minimum Lease Payments	\$ 279,847

The following is an analysis of equipment leased as of August 31, 2021:

	Governmental Activities
Equipment	\$ 556,326
Less Accumulated Depreciation	(327,833)
	\$ 228,493

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2021, as follows:

<u>Year Ending August 31</u>	
2022	\$ 40,917
2023	30,687
Total Minimum Rentals	<u>\$ 71,604</u>
Rental Expenditures in 2021	<u>\$ 46,303</u>

H. Risk Management

Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy & Information Security, Property, and School Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates Keene ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (the "Association"). The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$21,386 incurred but not reported claims. Estimates of claims payable and of claims incurred, but not reported at August 31, 2021, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 8/31/2021	Year Ended 8/31/2020
Unpaid claims, beginning of year	\$ 20,435	\$ 21,444
Incurred claims	32,361	3,559
Claim payments	(11,958)	(4,568)
Unpaid claims, end of fiscal year	<u>\$ 40,838</u>	<u>\$ 20,435</u>

Unemployment Compensation

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that Keene ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

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

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

4. Contributions

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

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

<u>Contribution Rates</u>		
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 208,525	
District's 2021 Member Contributions	\$ 535,991	
2020 NECE On-Behalf Contributions (State)	\$ 388,946	

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 is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- 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.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

5. Actuarial Assumptions

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	(1.50)%	(0.03)%
Asset Allocation Leverage	(6.00%)	(1.30)%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		(0.67)%
Total	100.0%		7.33%

* Target allocations are based on the FY2020 policy model.
** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)
*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 3,769,741	\$ 2,444,738	\$ 1,368,201

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

At August 31, 2021, the District reported a liability of \$2,444,738 for its proportionate share of the TRS 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	\$ 2,444,738
State's proportionate share that is associated with District	5,048,722
Total	\$ 7,493,460

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was .004565% which was a decrease of .000689% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$995,038 which includes revenue of \$607,249 representing pension expense incurred by the State on behalf of the District.

At August 31, 2021, the District reported its proportionate share of the TRS 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	\$ 4,464	\$ 68,226
Changes in actuarial assumptions	567,266	241,198
Difference between projected and actual investment earnings	49,492	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	124,240	354,368
Contributions paid to TRS subsequent to the measurement date	208,525	--
Total	<u>\$ 953,987</u>	<u>\$ 663,792</u>

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

Year ended August 31	Pension Expense Amount
2022	\$ 93,385
2023	\$ 58,016
2024	\$ 48,606
2025	\$ (26,814)
2026	\$ (76,788)
Thereafter	\$ (14,735)

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

J. Defined Other Post-Employment Benefit Plans

1. 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.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

4. Contributions

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

Section 1575.202 of the Texas Insurance Code 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 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual public school 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.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding *	1.25%	1.25%
Total		
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

District's 2021 Employer Contributions	\$	56,404
District's 2021 Member Contributions	\$	45,243
2020 NECE On-Behalf Contributions (State)	\$	72,371

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB Program*). When hiring a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

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

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

The initial medical trend rates were 9.0% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.*
Ad Hoc Post-Employment Benefit Changes	None

*25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. This was a decrease of .30% in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 3,232,411	\$ 2,693,681	\$ 2,268,162

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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

At August 31, 2021, the District reported a liability of \$2,693,681 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,693,681
State's proportionate share that is associated with the District	<u>3,619,662</u>
Total	<u>\$ 6,313,343</u>

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the District's proportion of the collective net OPEB liability was .007086% which was a decrease of .000379% from its proportion measured as of August 31, 2019.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 2,200,392	\$ 2,693,681	\$ 3,350,672

9. 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 (TOL) since the prior measurement period:

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

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

The amount of OPEB expense recognized by the District in the reporting period was (\$86,479) which includes revenue of (\$25,134) representing OPEB expense incurred by the State on behalf of the District.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 141,040	\$ 1,232,766
Changes in actuarial assumptions	166,144	739,699
Differences between projected and actual investment earnings	875	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	116,968	338,776
Contributions paid to TRS subsequent to the measurement date	56,404	--
Total	<u>\$ 481,431</u>	<u>\$ 2,311,241</u>

The net amounts of the District'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
2022	\$ (302,181)
2023	\$ (302,298)
2024	\$ (302,365)
2025	\$ (302,347)
2026	\$ (230,398)
Thereafter	\$ (446,625)

10. Medicare Part D Subsidies

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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$32,864.

K. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$367 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

L. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which 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, refunds of any money received may be required and the collectability of any related receivable 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2021.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

Member Districts

Godley ISD	Keene ISD
Grandview ISD	Rio Vista ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Godley ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Prior Period Adjustments

During the fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning net position of the District's fiduciary funds and beginning fund balance of nonmajor governmental funds have been restated as follows:

	Nonmajor Governmental Funds	Custodial Funds	Private Purpose Trust Fund
Beginning fund balance/net position	\$ 360,039	\$ --	\$ 59,080
Reclassification from a private purpose trust fund to a custodial fund	--	59,080	(59,080)
Reclassification of due to student groups liability to fiduciary net position	--	60,736	--
Reclassification of groups moved from a custodial fund to a special revenue fund	38,613	(38,613)	--
Beginning fund balance/net position, as restated	<u>\$ 398,652</u>	<u>\$ 81,203</u>	<u>\$ --</u>

The cumulative effect of the adjustment to net position in the governmental activities in the government wide financial statements was an increase of \$38,613.

N. Subsequent Events

The District evaluated subsequent events through February 17, 2022, the date the financial statements were available to be issued, and no subsequent events were noted.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

KEENE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,116,000	\$ 2,116,000	\$ 2,360,621	\$ 244,621
5800	State Program Revenues	10,542,732	10,542,732	10,953,321	410,589
5900	Federal Program Revenues	181,880	181,880	172,070	(9,810)
5020	Total Revenues	12,840,612	12,840,612	13,486,012	645,400
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	6,953,137	6,711,687	6,321,905	389,782
0012	Instructional Resources and Media Services	121,497	121,997	117,958	4,039
0013	Curriculum and Staff Development	37,591	37,591	22,934	14,657
	Total Instruction and Instr. Related Services	7,112,225	6,871,275	6,462,797	408,478
Instructional and School Leadership:					
0021	Instructional Leadership	178,455	188,455	193,877	(5,422)
0023	School Leadership	780,154	785,154	824,270	(39,116)
	Total Instructional and School Leadership	958,609	973,609	1,018,147	(44,538)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	255,204	280,204	285,312	(5,108)
0033	Health Services	163,472	169,472	172,793	(3,321)
0034	Student (Pupil) Transportation	91,993	166,993	141,501	25,492
0035	Food Services	--	--	28,052	(28,052)
0036	Cocurricular/Extracurricular Activities	399,113	493,113	367,664	125,449
	Total Support Services - Student (Pupil)	909,782	1,109,782	995,322	114,460
Administrative Support Services:					
0041	General Administration	693,889	703,889	650,794	53,095
	Total Administrative Support Services	693,889	703,889	650,794	53,095
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,005,192	1,015,192	1,019,234	(4,042)
0052	Security and Monitoring Services	198,936	233,736	208,388	25,348
0053	Data Processing Services	492,790	463,940	408,999	54,941
	Total Support Services - Nonstudent Based	1,696,918	1,712,868	1,636,621	76,247
Ancillary Services:					
0061	Community Services	6,000	6,000	11,339	(5,339)
	Total Ancillary Services	6,000	6,000	11,339	(5,339)
Debt Service:					
0071	Principal on Long-Term Debt	515,819	615,819	551,933	63,886
0072	Interest on Long-Term Debt	50,988	50,988	48,523	2,465
0073	Bond Issuance Costs and Fees	3,500	3,500	21,757	(18,257)
	Total Debt Service	570,307	670,307	622,213	48,094
Capital Outlay:					
0081	Capital Outlay	--	--	410,478	(410,478)
	Total Capital Outlay	--	--	410,478	(410,478)

KEENE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	572,100	572,100	572,004	96
0099	Other Intergovernmental Charges	40,000	71,966	69,825	2,141
	Total Intergovernmental Charges	612,100	644,066	641,829	2,237
6030	Total Expenditures	12,559,830	12,691,796	12,449,540	242,256
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	280,782	148,816	1,036,472	887,656
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	48,986	48,986
7914	Issuance of Non-Current Debt	--	--	1,000,000	1,000,000
7914	Premium On Issuance of Notes	--	--	21,467	21,467
8911	Transfers Out	(125,000)	(125,000)	--	125,000
8949	Payment to Refunded Note Escrow Agent	--	--	(540,710)	(540,710)
7080	Total Other Financing Sources and (Uses)	(125,000)	(125,000)	529,743	654,743
1200	Net Change in Fund Balance	155,782	23,816	1,566,215	1,542,399
0100	Fund Balance - Beginning	4,096,584	4,096,584	4,096,584	--
3000	Fund Balance - Ending	\$ 4,252,366	\$ 4,120,400	\$ 5,662,799	\$ 1,542,399

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.005%	0.005%	0.006%	0.006%	0.006%	0.006%	0.003%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 2,444,738	\$ 2,730,922	\$ 3,029,261	\$ 1,793,718	\$ 2,161,397	\$ 2,113,815	\$ 750,269	--	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	5,048,722	4,660,195	5,191,588	3,092,604	3,691,915	3,618,720	3,117,948	--	--	--
Total	<u>\$ 7,493,460</u>	<u>\$ 7,391,117</u>	<u>\$ 8,220,849</u>	<u>\$ 4,886,322</u>	<u>\$ 5,853,312</u>	<u>\$ 5,732,535</u>	<u>\$ 3,868,217</u>	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,597,867	\$ 6,290,580	\$ 6,315,100	\$ 6,190,526	\$ 6,065,619	\$ 5,946,759	\$ 5,345,166	--	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.05%	43.41%	47.97%	28.98%	35.63%	35.55%	14.04%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 208,525	\$ 188,265	\$ 194,934	\$ 184,768	\$ 183,857	\$ 181,730	\$ 177,067	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(208,525)	(188,265)	(194,934)	(184,768)	(183,857)	(181,730)	(177,067)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 6,959,206	\$ 6,597,867	\$ 6,290,580	\$ 6,315,100	\$ 6,190,526	\$ 6,065,619	\$ 5,946,749	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	3.00%	2.85%	3.10%	2.93%	2.97%	3.00%	2.98%	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

KEENE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET OPEB LIABILITY**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS **

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective net OPEB liability	0.007%	0.007%	0.008%	0.007%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,693,681	\$ 3,530,302	\$ 3,857,999	\$ 3,236,494	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	3,619,662	4,690,980	5,295,141	4,763,378	--	--	--	--	--	--
Total	<u>\$ 6,313,343</u>	<u>\$ 8,221,282</u>	<u>\$ 9,153,140</u>	<u>\$ 7,999,872</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,597,867	\$ 6,290,580	\$ 6,315,100	\$ 6,190,526	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.83%	56.12%	61.09%	52.28%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required District contribution	\$ 56,404	\$ 55,166	\$ 52,991	\$ 53,183	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(56,404)	(55,166)	(52,991)	(53,183)	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,959,206	\$ 6,597,867	\$ 6,290,580	\$ 6,315,100	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.81%	0.84%	0.84%	0.84%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Fund, and Debt Service Fund). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Change of benefit terms that affected the measurement of the total net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Change of benefit terms that affected the measurement of the total net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Changes of assumptions

Changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KEENE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and Prior Years	\$	Various	\$	Various	\$	Various
2013		1.1700		.3209		158,025,957
2014		1.1700		.3209		146,822,188
2015		1.1700		.3209		157,074,116
2016		1.1700		.2600		152,859,650
2017		1.1700		.2600		147,037,996
2018		1.1700		.2600		149,640,533
2019		1.1700		.2311		165,730,606
2020		1.0683		.2311		177,644,908
2021 (School Year Under Audit)		1.0547		.2311		197,411,376

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, the current year's levy is the ending levy due provided by Johnson County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 94,633	\$ --	\$ 725	\$ 171	\$ (1)	\$ 93,736
10,534	--	441	121	(1)	9,971
11,214	--	289	79	--	10,846
12,930	--	481	132	--	12,317
11,303	--	1,264	281	--	9,758
14,871	--	1,552	345	(7)	12,967
15,350	--	2,378	528	(8)	12,436
24,715	--	5,072	1,002	(2,211)	16,430
50,273	--	11,749	2,542	(12,214)	23,768
--	2,538,315	2,046,660	448,453	(126)	43,076
<u>\$ 245,823</u>	<u>\$ 2,538,315</u>	<u>\$ 2,070,611</u>	<u>\$ 453,654</u>	<u>\$ (14,568)</u>	<u>\$ 245,305</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

KEENE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 6,327	\$ 15,289	\$ 8,962
5800 <i>State Program Revenues</i>	11,010	5,195	(5,815)
5900 <i>Federal Program Revenues</i>	437,184	662,194	225,010
5020 <i>Total Revenues</i>	<u>454,521</u>	<u>682,678</u>	<u>228,157</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	<u>557,521</u>	<u>625,330</u>	<u>(67,809)</u>
<i>Total Support Services - Student (Pupil)</i>	<u>557,521</u>	<u>625,330</u>	<u>(67,809)</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	<u>22,000</u>	<u>15,892</u>	<u>6,108</u>
<i>Total Support Services - Nonstudent Based</i>	<u>22,000</u>	<u>15,892</u>	<u>6,108</u>
6030 <i>Total Expenditures</i>	<u>579,521</u>	<u>641,222</u>	<u>(61,701)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(125,000)</u>	<u>41,456</u>	<u>166,456</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	<u>125,000</u>	<u>--</u>	<u>(125,000)</u>
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>125,000</u>	<u>--</u>	<u>(125,000)</u>
1200 <i>Net Change in Fund Balance</i>	<u>--</u>	<u>41,456</u>	<u>41,456</u>
0100 <i>Fund Balance - Beginning</i>	<u>--</u>	<u>--</u>	<u>--</u>
3000 <i>Fund Balance - Ending</i>	<u>\$ --</u>	<u>\$ 41,456</u>	<u>\$ 41,456</u>

KEENE INDEPENDENT SCHOOL DISTRICT**DEBT SERVICE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED AUGUST 31, 2021****EXHIBIT J-3**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 410,859	\$ 459,489	\$ 48,630
5800 <i>State Program Revenues</i>	424,546	289,274	(135,272)
5020 <i>Total Revenues</i>	<u>835,405</u>	<u>748,763</u>	<u>(86,642)</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	425,000	425,000	--
0072 <i>Interest on Long-Term Debt</i>	462,500	350,944	111,556
0073 <i>Bond Issuance Costs and Fees</i>	500	360	140
<i>Total Debt Service</i>	<u>888,000</u>	<u>776,304</u>	<u>111,696</u>
6030 <i>Total Expenditures</i>	<u>888,000</u>	<u>776,304</u>	<u>111,696</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(52,595)	(27,541)	25,054
1200 <i>Net Change in Fund Balance</i>	<u>(52,595)</u>	<u>(27,541)</u>	<u>25,054</u>
0100 <i>Fund Balance - Beginning</i>	335,376	335,376	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 282,781</u>	<u>\$ 307,835</u>	<u>\$ 25,054</u>

KEENE INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2021

Data Control Codes		Responses
Section A: Compensatory Education Programs		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,261,799
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 908,866
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 132,908
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 242,368

KEENE INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2021

EXHIBIT J-5

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only)	\$ 5,662,799
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	1,037,462
7	Estimate of two months' average cash disbursements during the fiscal year	2,074,924
8	Estimate of delayed payments from state sources (58XX)	409,860
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	3,522,246
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 2,140,553



SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Keene Independent School District
3625 E. Highway 67 #C
Keene, Texas 76059

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keene Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Keene Independent School District's basic financial statements, and have issued our report thereon dated February 17, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Keene Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-002.

We noted certain matters that we reported to management of Keene Independent School District in a separate letter dated February 17, 2022.

Keene Independent School District's Response to Findings

Keene Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Keene Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Snow Garrett Williams
February 17, 2022



SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Keene Independent School District
3625 E. Highway 67 #C
Keene, Texas 76059

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Keene Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Keene Independent School District's major federal program for the year ended August 31, 2021. Keene Independent School 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 each of Keene Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Keene Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Keene Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Snow Garrett Williams
February 17, 2022

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: July 2021 and October 2021 Addendum

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Elementary and Secondary School Emergency Relief Fund (ESSER)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

B. Financial Statement Findings

Finding 2021-001 - Internal Controls Over Financial Reporting - Material Weakness

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans, and to safeguard assets.

Condition: Numerous audit adjustments were necessary to correct and adjust various balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Cause: It appears that these conditions are the result of a weakness in internal controls regarding monitoring financial information, reconciliation of financial reports to related documentation, and recording transactions in the general ledger in a timely manner.

Effect: Due to audit adjustments to numerous accounts, financial reports prepared throughout the fiscal year could have been relied upon in error.

Auditor's Recommendation:

The District should enhance and closely follow internal control procedures related to financial reporting, monitoring and recording financial transactions to produce more useful and accurate financial reports.

Views of Responsible Officials: The District is in agreement with the finding reported and is in the process of enhancing controls.

Finding 2021-002 - Food Service Fund Expenditures in Excess of Appropriations - Instance of Noncompliance

Criteria: In accordance with Education Code Sec 44.006, public funds of a school district may not be spent in any manner other than as provided for in the budget adopted by the district's board of trustees. Any amendment or supplementary budget must be prepared and filed according to rules adopted by the State Board of Education.

Condition: Food Service Fund total actual expenditures exceeded total appropriations for the year ended August 31 , 2021.

Cause: In the Food Service Fund, the District properly recorded accounts payable at August 31, 2021 and recorded commodities but did not properly approve a budget amendment for the additional expenditure incurred.

Effect: Due to the excess of total actual expenditures compared to total appropriations the District was out of compliance with Education Code Sec 44.006.

Auditor's Recommendation:

The District should closely review approved budgets adopted by the Board of Trustees and propose amendments for unexpected resource needs during the year to prevent overspending.

Views of Responsible Officials: The District is in agreement with the finding reported and is in the process of enhancing the budgeting process.

C. Federal Award Findings and Questioned Costs

NONE

KEENE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2020-001 - Debt Service Fund and Food Service Fund Expenditures in Excess of Appropriations - Instance of Noncompliance	Not Implemented for Food Service Fund	See corrective action plan
2020-002 - Proper Recording of Capital Lease - Significant Deficiency	Implemented	

KEENE INDEPENDENT SCHOOL DISTRICT

P.O. Box 656
Keene, Texas 76059

www.keeneisd.org

817-774-5200
Fax 817-774-5400

Ricky Stephens, Superintendent

Sandy Denning, Asst. Superintendent

Corrective Action Plan

For Year End August 31, 2021

2021-001 Internal Controls Over Financial Reporting- Material Weakness

Responsible Parties: Chief Financial Officer

Corrective Action Plan: The District will ensure timely accounting of all financial data and monthly reconciliation of bank statements. Monthly reports will be processed to monitor budget compliance and ensure all data is accurate. New District Finance procedures, including segregation of duties, will be implemented to aid in the establishment of the Corrective Action Plan.

Estimated Completion Date: April 2022

2021-002 Food Service Fund Expenditures in Excess of Appropriations- Instance of Noncompliance.

Responsible Parties: Chief Financial Officer

Corrective Action Plan: The District will closely monitor the budget on a monthly basis to ensure compliance. In the event of needs above allocation, the District will create budget amendments to submit to the Board for their approval. New District Finance procedures will be implemented to aid in the establishment of the Corrective Action Plan.

Estimated Completion Date: August 2022

Keene Independent School District does not discriminate on the basis of race, color, national origin, age, sex, or disability in its employment, practices, activities and programs.

El distrito independiente de la escuela de Keene no discrimina en base de la raza, del color, del origen nacional, de la edad, del sexo, o de la inhabilidad en su empleo, prácticas, actividades y programas.

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402101	\$ 152,576
National School Lunch Program	10.555	71302101	444,157
Total Passed Through State Department of Education			<u>596,733</u>
Passed Through Texas Department of Agriculture:			
Emergency Operational Cost Reimbursement Program	10.555	806780706	25,432
Commodity Supplemental Food Program (Non-cash)	10.555	806780706	36,223
Total ALN 10.555			<u>61,655</u>
Total Passed Through Texas Department of Agriculture			<u>61,655</u>
Total U. S. Department of Agriculture			<u>658,388</u>
Total Child Nutrition Cluster			<u>658,388</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through Education Service Center Region XI:			
Career and Technical Education - Basic Grant	84.048A	126-906	9,322
Total Passed Through Education Service Center Region XI			<u>9,322</u>
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	20610101126906	3,226
ESEA Title I Part A - Improving Basic Programs	84.010A	21610101126906	306,552
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101126906	22,274
Total ALN 84.010A			<u>332,052</u>
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	20671001126906	100
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	21671001126906	19,854
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	22671001126906	3,597
Total ALN 84.365A			<u>23,551</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	20694501126906	300
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501126906	41,812
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	22694501126906	4,670
Total ALN 84.367A			<u>46,782</u>
Summer School LEP	84.369	69551902	1,530
School Improvement Grants - Instructional Continuity	84.377A	17610740126906	18,000
Title IV, Part A, Subpart 1	84.424A	20680101126906	15,317
Title IV, Part A, Subpart 1	84.424A	21680101126906	20,369
Title IV, Part A, Subpart 1	84.424A	22680101126906	2,349
Total ALN 84.424A			<u>\$ 38,035</u>

KEENE INDEPENDENT SCHOOL DISTRICT**EXHIBIT K-1****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
Elementary and Secondary School Emergency Relief Fund (ESSER-COVID 19)	84.425D	20521001126906	\$ 256,719
Elementary and Secondary School Emergency Relief Fund (ESSER II-COVID 19) - PPRP	84.425D	52102135	151,080
Total ALN 84.425D			<u>407,799</u>
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19)	84.425U	21528001126906	18,472
Total Number 84.425			<u>426,271</u>
Total Passed Through State Department of Education			<u>886,221</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture: State Administrative Expenses for Child Nutrition	10.560	806780706	<u>3,807</u>
Total U. S. Department of Agriculture			<u>3,807</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,557,738</u>

The accompanying notes are an integral part of this schedule.

KEENE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Keene Independent School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Keene Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

C. Reconciliation

The following table reconciles expenditures per the Schedule of Expenditures of Federal Awards to the federal program revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Federal Program Revenues	\$	1,729,808
SHARS		(172,070)
Total Expenditures of Federal Awards	\$	<u>1,557,738</u>

KEENE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2021**

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --

