



KEENE INDEPENDENT SCHOOL DISTRICT



ANNUAL FINANCIAL REPORT

FOR THE TEN MONTHS ENDED JUNE 30, 2023

KEENE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

TEN MONTHS ENDED JUNE 30, 2023

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CERTIFICATE OF THE BOARD

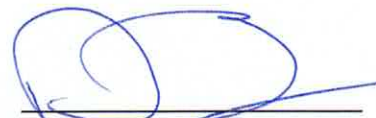
Keene Independent School District
Name of School District

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 ten months ended June 30, 2023, at a meeting of the board of trustees of such school district on the 13th day of November, 2023.


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).

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keene Independent School District
Keene, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Keene Independent School District (the "District"), as of and for the ten months ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Keene Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Keene Independent School District, as of June 30, 2023, and the respective changes in financial position for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information as presented 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keene Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 13, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the management of Keene Independent School District, discuss and analyze the District's financial performance for the ten months ended June 30, 2023. Please read it in conjunction with the independent auditor's report, and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position is \$8,955,303.
- The District's total combined governmental fund balances at June 30, 2023 were \$6,478,162 compared to \$5,387,557 at August 31, 2022. The District changed its fiscal year end to June 30 beginning in fiscal year 2023, with the shortened fiscal year reducing some categories of expenditures.
- During the year, the District's revenues of \$14,979,358 generated from taxes, state funding, and other revenues for governmental activities, were \$755,910 more than the \$14,223,448 in expenses. The general fund expenditures exceeded revenues by \$691,390.
- The total cost of the District's programs decreased approximately 5.54% versus the prior year. The District's revenues decreased approximately 3.16% due to the decrease of state program revenues.
- In the general fund, the resources available for appropriation were approximately \$1,669,728 less than budgeted. The District received less local and intermediate sources and state revenues than the budgeted amount. Expenditures were \$2,388,496 less than the original budget due to various cost saving measures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that provides a budgetary schedule for the General Fund. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities. The analysis of the District's overall financial condition and operations begins with the statement of net position and statement of activities. Their primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows (inflows) of resources and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All of the District's assets and deferred outflows (inflows) of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows (inflows) of resources and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

Governmental Activities – All of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements. The Fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has two fund types – governmental and fiduciary.

Governmental Funds – The District reports most of its basic services in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Fiduciary Funds – The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for holding the assets reported in these funds.

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 immediately follow the basic financial statements in this report.

Required Supplementary Information. The required supplementary information includes budgetary comparison information and pension and other postemployment benefits (OPEB) information.

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 \$8,955,303 as of June 30, 2023.

TABLE 1
CONDENSED SCHEDULE OF NET POSITION

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 9,048,688	\$ 7,636,999
Capital assets	20,408,225	21,455,090
Total assets	29,456,913	29,092,089
Deferred Outflows of Resources:	2,577,009	1,537,772
Liabilities:		
Long-term liabilities	16,556,244	16,143,792
Other liabilities	2,624,002	2,178,119
Total liabilities	19,180,246	18,321,911
Deferred Inflows of Resources:	3,898,373	4,108,557
Net position:		
Net investment in capital assets	8,722,667	9,118,447
Restricted	665,753	400,550
Unrestricted	(433,117)	(1,319,604)
Total net position	\$ 8,955,303	\$ 8,199,393

Changes in Net Position

During the year, net position of the District's governmental activities increased by \$755,910 to \$8,955,303. Unrestricted net position was (\$433,117) at the end of this year.

The District's total fiscal year 2023 revenues were \$14,979,358 at June 30, 2023. Approximately 19.00% of the District's revenue came from property taxes, 60.35% came from state allocations, and the remainder came from charges for services, federal and state grants, and miscellaneous other revenue (see the chart below).

The total cost of all programs and services was \$14,223,448 of which 55.64% was for direct instruction program costs compared to 54.64% in the previous year. The District's expenses cover a range of programs including instruction, counseling services, health services, student transportation, food services, plant maintenance and operations, and various other areas of service to students.

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities	
	2023	2022
REVENUES		
Program revenues:		
Charges for services	\$ 129,628	\$ 298,677
Operating grants and contributions	2,755,626	3,230,284
General revenues:		
Property taxes	2,845,682	2,651,444
State aid - formula grants	9,039,424	9,241,162
Investment earnings	153,109	12,111
Miscellaneous local & intermediate revenue	55,889	33,836
Total revenues	<u>14,979,358</u>	<u>15,467,514</u>
EXPENSES		
Instruction	7,914,579	8,227,249
Instructional resources and media services	85,493	109,481
Curriculum and staff development	10,578	35,466
Instructional leadership	194,754	253,661
School leadership	892,953	946,091
Guidance, counseling, and evaluation services	342,163	372,010
Health services	180,616	182,344
Student (pupil) transportation	39,429	47,363
Food service	700,188	736,080
Cocurricular/Extracurricular activities	510,353	574,066
General administration	746,169	652,377
Facilities maintenance and operations	915,650	1,157,535
Security and monitoring services	218,249	187,476
Data processing services	488,592	524,811
Community services	4,930	5,076
Interest on long-term debt	239,603	324,451
Payments related to shared services arrangements	699,353	653,544
Other intergovernmental charges	39,796	69,288
Total expenses	<u>14,223,448</u>	<u>15,058,369</u>
CHANGE IN NET POSITION	755,910	409,145
NET POSITION, BEGINNING	<u>8,199,393</u>	<u>8,134,161</u>
NET POSITION, ENDING	<u>\$ 8,955,303</u>	<u>\$ 8,199,393</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL 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 \$6,478,162, an increase of \$1,090,605. Of this total amount, \$5,572,474 constitutes unassigned fund balance.

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 \$5,579,145. 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 48.4% of the total general fund expenditures.

The fund balance of the District's general fund increased \$691,390 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.

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

- Actual revenues were lower than budgeted by \$1,669,728 primarily related to a decrease in expected state program revenues; and
- Actual expenditures were lower than budgeted by \$2,388,496 primarily due to decreases in instructional expenditures related to the District's change in fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$20,408,225 (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 a equipment purchases and building renovations.

	Governmental Activities	
	2023	2022
Land	\$ 1,702,676	\$ 1,702,676
Construction in progress	303,076	186,996
Buildings and improvements	36,370,377	36,183,381
Equipment	3,403,727	3,105,519
Infrastructure	265,318	265,318
Less depreciation	(21,636,949)	(19,988,800)
Totals	<u>\$ 20,408,225</u>	<u>\$ 21,455,090</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-term Liabilities

As of June 30, 2023, the District had total general obligation bonded debt outstanding of \$9,445,000, a decrease of \$455,000 due to principal payments. The District's premium on bonds is amortized over the life of the bonds. The unamortized premium balance at June 30, 2023 is \$702,081, a decrease of \$46,805 from the prior year. The District's premium on notes has an unamortized premium balance at June 30, 2023 of \$15,611, a decrease of \$1,952 from the prior year. The District's notes payable balance has an outstanding balance of \$1,260,000, a decrease of \$28,871 from the prior year.

The District had an outstanding financed purchase balance of \$26,277, a decrease of \$102,684 from the prior year.

More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's enrollment is 1087 compared to last year's enrollment of 1058.
- The District's taxable valuation is approximately \$240,496,361.
- The District is currently at \$.82630 per \$100 in assessed property value. The maximum tax rate allowable by state law for maintenance and operations without an election is \$.9429. However, Keene ISD Board of Trustees called a Tax Rate Election (TRE) to lower the Maintenance & Operations tax rate to \$.82630 per \$100 in assessed property value.
- The current debt service tax rate is \$0.22260 making the total tax rate \$1.0489.
- The District has appropriated revenues and expenditures in the 2023-2024 budget of \$16,562,114 and \$17,599,764, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances 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

JUNE 30, 2023

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 7,175,821
1225	Property taxes receivable, net	82,653
1240	Due from other governments	1,722,714
1290	Other receivables	67,500
	Capital assets:	
1510	Land	1,702,676
1520	Buildings and improvements, net	17,556,456
1530	Furniture and equipment, net	846,017
1580	Construction in progress	303,076
1000	Total assets	<u>29,456,913</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows related to pensions	1,458,223
1706	Deferred outflows related to OPEB	1,118,786
1700	Total deferred outflows of resources	<u>2,577,009</u>
LIABILITIES		
2110	Accounts payable	156,371
2140	Interest payable	123,255
2150	Payroll deductions and withholdings	131,144
2160	Accrued wages payable	968,409
2200	Accrued expenditures	87,627
2300	Unearned revenue	1,157,196
	Noncurrent liabilities:	
2501	Due within one year	727,277
2502	Due in more than one year	10,721,692
2540	Net pension liability	3,150,104
2545	Net OPEB liability	1,957,171
2000	Total liabilities	<u>19,180,246</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows related to pensions	421,131
2606	Deferred inflows related to OPEB	3,240,653
2607	Deferred gain on refunding	236,589
2600	Total deferred inflows of resources	<u>3,898,373</u>
NET POSITION		
3200	Net investment in capital assets	8,722,667
	Restricted:	
3820	Restricted for federal and state programs	272,374
3850	Restricted for debt service	393,379
3900	Unrestricted	(433,117)
3000	Total net position	<u>\$ 8,955,303</u>

KEENE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE TEN MONTHS ENDED JUNE 30, 2023

		Net (Expense) Reven and Changes in Net Position			
		1	3	4	6
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 7,914,579	\$ 32,816	\$ 1,262,011	\$ (6,619,752)
12	Instructional resources and media services	85,493	-	1,781	(83,712)
13	Curriculum and staff development	10,578	-	3,243	(7,335)
21	Instructional leadership	194,754	-	4,653	(190,101)
23	School leadership	892,953	-	25,505	(867,448)
31	Guidance, counseling, and evaluation services	342,163	-	67,282	(274,881)
33	Health services	180,616	-	6,797	(173,819)
34	Student (pupil) transportation	39,429	-	-	(39,429)
35	Food service	700,188	17,514	626,732	(55,942)
36	Cocurricular/Extracurricular activities	510,353	79,298	5,101	(425,954)
41	General administration	746,169	-	8,448	(737,721)
51	Facilities maintenance and operations	915,650	-	136,287	(779,363)
52	Security and monitoring services	218,249	-	22,130	(196,119)
53	Data processing services	488,592	-	181,517	(307,075)
61	Community services	4,930	-	-	(4,930)
72	Interest on long-term debt	239,603	-	261,708	22,105
93	Payments related to shared services arrangements	699,353	-	142,431	(556,922)
99	Other intergovernmental charges	39,796	-	-	(39,796)
TP	Total primary government	\$ 14,223,448	\$ 129,628	\$ 2,755,626	\$ (11,338,194)
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 2,303,334
DT	Property taxes, levied for debt service				542,348
IE	Investment earnings				153,109
GC	Grants and contributions not restricted to specific programs				9,039,424
MI	Miscellaneous local and intermediate revenue				55,889
TR	Total general revenues				12,094,104
CN	Change in net position				755,910
NB	Net position, beginning				8,199,393
NE	Net position, ending				\$ 8,955,303

The accompanying notes are an integral part of this financial statement.

KEENE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2023

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
ASSETS				
1110	Cash and cash equivalents	\$ 6,470,598	\$ 705,223	\$ 7,175,821
1225	Taxes receivable	167,082	39,549	206,631
1230	Allowance for uncollectible taxes	(100,249)	(23,729)	(123,978)
1240	Due from other governments	946,872	775,842	1,722,714
1260	Due from other funds	595,488	152,038	747,526
1290	Other receivables	67,500	-	67,500
1000	Total assets	<u>8,147,291</u>	<u>1,648,923</u>	<u>9,796,214</u>
LIABILITIES				
2110	Accounts payable	134,731	21,640	156,371
2150	Payroll deductions and withholdings	131,144	-	131,144
2160	Accrued wages payable	914,801	53,608	968,409
2170	Due to other funds	152,038	595,488	747,526
2200	Accrued expenditures	75,910	11,717	87,627
2300	Unearned revenue	<u>1,103,111</u>	<u>54,085</u>	<u>1,157,196</u>
2000	Total liabilities	<u>2,511,735</u>	<u>736,538</u>	<u>3,248,273</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable property tax revenues	<u>56,411</u>	<u>13,368</u>	<u>69,779</u>
2600	Total deferred inflows of resources	<u>56,411</u>	<u>13,368</u>	<u>69,779</u>
FUND BALANCES				
Restricted:				
3450	Federal funds grant restrictions	-	272,374	272,374
3480	Retirement of long-term debt	-	503,266	503,266
Committed:				
3545	Campus activities	-	130,048	130,048
3600	Unassigned fund balance	<u>5,579,145</u>	<u>(6,671)</u>	<u>5,572,474</u>
3000	Total fund balances	<u>5,579,145</u>	<u>899,017</u>	<u>6,478,162</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,147,291</u>	<u>\$ 1,648,923</u>	<u>\$ 9,796,214</u>

KEENE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total fund balances - governmental funds	\$ 6,478,162
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	20,408,225
2 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position.	(11,808,813)
3 Included in the items related to debt is the recognition of the District's proportion share of the net pension liability required by GASB 68. The net position related to TRS included:	
Deferred inflows of resources - NPL related	(421,131)
Deferred outflows of resources - NPL related	1,458,223
Net pension liability	(3,150,104)
4 Included in the items related to debt is the recognition of the District's proportion share of the net OPEB liability required by GASB 75. The net position related to TRS included:	
Deferred inflows of resources - OPEB related	(3,240,653)
Deferred outflows of resources - OPEB related	1,118,786
Net OPEB liability	(1,957,171)
5 Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.	<u>69,779</u>
19 Net position of governmental activities	<u>\$ 8,955,303</u>

KEENE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
REVENUES				
5700	Local and intermediate sources	\$ 2,293,337	\$ 848,812	\$ 3,142,149
5800	State program revenues	9,627,807	279,712	9,907,519
5900	Federal program revenues	298,322	2,016,290	2,314,612
5020	Total revenues	<u>12,219,466</u>	<u>3,144,814</u>	<u>15,364,280</u>
EXPENDITURES				
Current:				
0011	Instruction	6,501,142	1,010,397	7,511,539
0012	Instructional resources and media services	73,252	-	73,252
0013	Curriculum and instructional staff development	4,310	3,139	7,449
0021	Instructional leadership	179,599	-	179,599
0023	School leadership	838,543	-	838,543
0031	Guidance, counseling, and evaluation services	261,612	59,921	321,533
0033	Health services	165,765	-	165,765
0034	Student (pupil) transportation	20,606	-	20,606
0035	Food service	-	619,554	619,554
0036	Extracurricular activities	514,196	34,154	548,350
0041	General administration	680,368	-	680,368
0051	Facilities maintenance and operations	609,667	174,580	784,247
0052	Security and monitoring services	198,190	17,386	215,576
0053	Data processing services	257,460	179,886	437,346
0061	Community services	3,422	-	3,422
Debt Service:				
0071	Principal on long-term debt	131,555	455,000	586,555
0072	Interest on long-term debt	4,872	191,582	196,454
Capital outlay:				
0081	Facilities acquisition and construction	344,368	-	344,368
Intergovernmental:				
0093	Payments related to shared service arrangements	699,353	-	699,353
0099	Other intergovernmental	39,796	-	39,796
6030	Total expenditures	<u>11,528,076</u>	<u>2,745,599</u>	<u>14,273,675</u>
1200	NET CHANGE IN FUND BALANCES	691,390	399,215	1,090,605
0100	FUND BALANCES, BEGINNING	<u>4,887,755</u>	<u>499,802</u>	<u>5,387,557</u>
3000	FUND BALANCES, ENDING	<u>\$ 5,579,145</u>	<u>\$ 899,017</u>	<u>\$ 6,478,162</u>

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 TEN MONTHS ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$ 1,090,605
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful live as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,046,865)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(17,120)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	543,406
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$260,875. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$206,184. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$141,437. The net result is a decrease in the change in net position.	(86,746)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$61,608. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$55,426. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$266,448. The net result is an increase in the change in net position.	<u>272,630</u>
Change in net position of governmental activities	<u>\$ 755,910</u>

KEENE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2023

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 98,193
Total assets	<u>98,193</u>
LIABILITIES	
Accounts payable	<u>1,837</u>
Total liabilities	<u>1,837</u>
NET POSITION	
Restricted for student scholarships and other activities	<u>96,356</u>
Total net position	<u>\$ 96,356</u>

KEENE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

FOR THE TEN MONTHS ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS	
Revenues from student activities	\$ 123,837
Gifts and contributions	6,010
Miscellaneous operating receipts	<u>31,500</u>
Total additions	<u>161,347</u>
DEDUCTIONS	
Payments for student activities	121,413
Miscellaneous operating expenses	<u>34,175</u>
Total deductions	<u>155,588</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	5,759
NET POSITION, BEGINNING	<u>90,597</u>
NET POSITION, ENDING	<u>\$ 96,356</u>

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KEENE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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.

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.

B. Fiscal Year

The District received authorization from the Texas Education Agency to change its fiscal year-end from August 31 to June 30. Therefore, these financial statements are presented for the 10 months from September 1, 2022, to June 30, 2023. Future fiscal years will begin on July 1 and end on June 30.

C. Government-wide and Fund Financial Statements

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.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements 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 does not consider revenues collected after its year-end to be available in the current period. 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 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.

E. Fund Accounting

The government reports the following major governmental funds:

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

Additionally, the government reports the following fund types:

- The **Nonmajor Special Revenue Funds**, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.
- The **Debt Service Fund** includes debt service taxes and other revenues collected to retire bond principal and pay interest on these obligations.
- The **Custodial Fund** is 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.

F. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

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

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.

2. Receivables and Payables 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.

3. 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.

4. 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.

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are valued at acquisition cost, which is the price that would have been paid to acquire an asset with equivalent service potential on the date of acquisition. 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>Assets</u>	<u>Years</u>
Buildings and improvements	7 - 50
Infrastructure	10
Equipment	3 - 15

6. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Defined Benefit Pensions Plan*

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. 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.

8. *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.

9. *Deferred Outflows/Inflows of Resources*

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from differences between expected and actual economic experience, changes in actuarial assumptions, changes in proportion and differences between the employer's contributions and the proportionate share of contributions, and pension plan contributions made after the measurement date of the net pension liability. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from the differences between expected and actual actuarial experience, changes in actuarial assumptions, the differences between projected and actual investment earnings, changes in proportion and difference between the employer's contributions and the proportionate share of contributions, and OPEB plan contributions made after the measurement date of the net OPEB liability. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic actuarial assumptions, changes in actuarial assumptions, and changes in proportion and differences between the employer's contributions and the proportionate share of contributions.

10. Fund Balance Policies

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority).
- **Assigned:** This classification includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official who has been delegated by official Board action the authority to assign amounts.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

11. 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, as signed, 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.

12. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

13. 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 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.

14. 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.

15. Data Control Codes

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

16. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of June 30, 2023 will change.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Cash Deposits

At June 30, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,274,014. The District's cash deposits at June 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the pledging institution's agent bank in the District's name.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the FDIC or obligations of items 1-3 above at 102% of the investment's market value. TexPool is a local government investment pool under the oversight of the Texas Comptroller of Public Accounts.

The District had no investments at June 30, 2023.

Custodial Credit Risk - Deposits

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.

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.

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.

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 ten months ended, the District was not exposed to concentration of credit risk.

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.

B. Interfund Balances and Activities

The composition of interfund balances as of June 30, 2023, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 595,488
Nonmajor governmental	General	152,038
Total		<u>\$ 747,526</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.

C. Capital Assets

Capital asset activity for the ten months ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,702,676	\$ -	\$ -	\$ 1,702,676
Construction in progress	186,996	303,076	(186,996)	303,076
Total capital assets, not being depreciated	<u>1,889,672</u>	<u>303,076</u>	<u>(186,996)</u>	<u>2,005,752</u>
Capital assets, being depreciated:				
Buildings and improvements	36,183,381	186,996	-	36,370,377
Equipment	3,105,519	298,208	-	3,403,727
Infrastructure	265,318	-	-	265,318
Total capital assets, being depreciated	<u>39,554,218</u>	<u>485,204</u>	<u>-</u>	<u>40,039,422</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,433,383)	(1,380,538)	-	(18,813,921)
Equipment	(2,290,099)	(267,611)	-	(2,557,710)
Infrastructure	(265,318)	-	-	(265,318)
Total accumulated depreciation	<u>(19,988,800)</u>	<u>(1,648,149)</u>	<u>-</u>	<u>(21,636,949)</u>
Total capital assets, being depreciated, net	<u>19,565,418</u>	<u>(1,162,945)</u>	<u>-</u>	<u>18,402,473</u>
Governmental activities capital assets, net	<u>\$ 21,455,090</u>	<u>\$ (859,869)</u>	<u>\$ (186,996)</u>	<u>\$ 20,408,225</u>

Depreciation expense was charged to functions of the government as follows:

Governmental activities:

Instruction	\$ 956,528
Instructional resources and media services	15,692
Curriculum and staff development	3,129
Instructional leadership	25,791
School leadership	109,649
Guidance, counseling and evaluation services	39,634
Health services	23,437
Student (pupil) transportation	18,823
Food services	86,916
Co-curricular/extracurricular activities	54,790
General administration	86,601
Plant maintenance and operations	140,486
Security monitoring services	30,758
Data processing services	54,407
Community services	<u>1,508</u>

Total depreciation expense - governmental activities \$ 1,648,149

D. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 9,900,000	\$ -	\$ 455,000	\$ 9,445,000	\$ 475,000
Financed purchase	128,961	-	102,684	26,277	26,277
Notes from direct borrowings	1,288,871	-	28,871	1,260,000	226,000
Premium on bonds	748,886	-	46,805	702,081	-
Premium on notes	<u>17,563</u>	<u>-</u>	<u>1,952</u>	<u>15,611</u>	<u>-</u>
Total long-term debt	<u>12,084,281</u>	<u>-</u>	<u>635,312</u>	<u>11,448,969</u>	<u>727,277</u>
Net pension liability	1,245,776	2,151,927	247,599	3,150,104	-
Net OPEB liability	<u>2,813,735</u>	<u>(789,428)</u>	<u>67,136</u>	<u>1,957,171</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,143,792</u>	<u>\$ 1,362,499</u>	<u>\$ 950,047</u>	<u>\$ 16,556,244</u>	<u>\$ 727,277</u>

The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

The General Fund is typically used to liquidate the net pension and OPEB liabilities.

General Obligation Bonds

The District issued Series 2020 Unlimited Tax Refund Bond in an original amount of \$10,765,000. Interest rates range from 2.125% to 5.000%, and it matures on February 15, 2038.

The future service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 475,000	\$ 308,618	\$ 783,618
2025	490,000	294,368	784,368
2026	510,000	274,768	784,768
2027	535,000	254,368	789,368
2028-2032	3,090,000	849,590	3,939,590
2033-2037	3,580,000	342,958	3,922,958
2038	<u>765,000</u>	<u>19,132</u>	<u>784,132</u>
Total	<u>\$ 9,445,000</u>	<u>\$ 2,343,802</u>	<u>\$ 11,788,802</u>

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 June 30, 2023.

Notes from Direct Borrowings

Notes from direct borrowings consisted of the following at June 30, 2023:

Note	Date of Issue	Date of Maturity	Interest Rate	Outstanding at 6/30/2023	Due in One Year
Maintenance Tax Note, Series 2015	10/20/2015	08/15/2025	2.17%	\$ 362,000	\$ 118,000
Maintenance Tax Note, Series 2021	06/10/2021	08/15/2031	2.75%	459,000	-
Limited Tax Refunding Note, Series 2021	06/10/2021	08/15/2026	1.20%	<u>439,000</u>	<u>108,000</u>
				<u>\$ 1,260,000</u>	<u>\$ 226,000</u>

The future service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 226,000	\$ 23,818	\$ 249,818
2025	230,000	19,922	249,922
2026	233,000	15,961	248,961
2027	112,000	13,295	125,295
2028-2032	<u>459,000</u>	<u>32,244</u>	<u>491,244</u>
Total	<u>\$ 1,260,000</u>	<u>\$ 105,239</u>	<u>\$ 1,365,239</u>

Financed Purchase

Financed purchases consisted of the following at June 30, 2023:

Financed Purchase	Date of Issue	Original Amount	Date of Maturity	Interest Rate	Outstanding at 6/30/2023	Due in One Year
Apple - 2020	06/25/2020	<u>\$ 103,320</u>	10/01/2023	2.29%	<u>\$ 26,277</u>	<u>\$ 26,277</u>
		<u>\$ 103,320</u>			<u>\$ 26,277</u>	<u>\$ 26,277</u>

Debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 26,277	\$ 602	\$ 26,879
Total	<u>\$ 26,277</u>	<u>\$ 602</u>	<u>\$ 26,879</u>

E. Deficit Fund Balance

As of June 30, 2023, the Campus Activity – Summit Fund, a nonmajor special revenue fund, reported a deficit fund balance of \$6,671. This deficit resulted from program costs incurred before the related revenues were available, and is expected to be funded by future local revenues.

F. Defined Benefit Pension Plan

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

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

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

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

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 increase by such action.

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

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

	Contribution Rates	
	2022	2023
Active Employee	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
Current fiscal year employer contributions		\$ 301,620
Current fiscal year member contributions		641,158
2022 measurement year NECE on-behalf contributions		429,184

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent 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.

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

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Payroll growth rate	3.00%
Benefit changes during the year	None
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, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2021.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent 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 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ³			-0.91%
Expected Return	100.00%		8.21%

¹ Target allocations are based on the FY2022 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2023 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability:	\$ 4,900,367	\$ 3,150,104	\$ 1,731,433

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023 the District reported a liability of \$3,150,104 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$	3,150,104
State's proportionate share that is associated with the District		<u>5,460,342</u>
Total	\$	<u>8,610,446</u>

The net pension liability was measured as of August 31, 2022 and the total pension liability used in the measurement was rolled forward from an actuarial valuation as of August 31, 2021. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0053061143% which was an increase of 0.0004142834% from its proportion measured as of August 31, 2021.

For the ten months ended June 30, 2023, the District recognized pension expense of \$869,568 and revenue of \$521,947 for support provided by the State.

At June 30, 2023, the District's reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,676	\$ 68,678
Changes in actuarial assumptions	586,967	146,289
Difference between projected and actual investment earnings	311,220	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	253,485	206,164
Contributions paid to TRS subsequent to the measurement date	<u>260,875</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 1,458,223</u>	<u>\$ 421,131</u>

The \$260,875 reported as deferred outflows related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30,	Pension Expense Amount
2024	\$ 178,770
2025	90,067
2026	29,826
2027	399,883
2028	77,672
Thereafter	(1)

G. Defined Other Post-Employment Benefit Plans

Plan Description. Keene Independent School District participates in the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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 www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees January 1, 2022 thru December 31, 2022			
	Medicare		Non-Medicare
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2022	2023
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 72,336
Current fiscal year member contributions		52,094
2022 measurement year NECE on-behalf contributions		81,895

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employees hire a TRS retiree, they 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 \$83 million in fiscal year 2022 from the American Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

Actuarial Assumptions. The total OPEB liability in the August 31, 2021 actuarial valuation was rolled forward to August 31, 2022. 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 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 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).

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.91%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	3.05% to 9.05%
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96 percent in the discount rate since the previous year. The Discount Rate can be found in the 2022 TRS ACFR on page 76. 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, 2022 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% more than the discount rate that was used 3.91% in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Proportionate share of net OPEB liability	\$ 2,307,660	\$ 1,957,171	\$ 1,673,230

Healthcare Cost Trend Rates Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of net OPEB liability	\$ 1,612,718	\$ 1,957,171	\$ 2,403,711

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the District reported a liability of \$1,957,171 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	\$ 1,957,171
State's proportionate share that is associated with the District	2,387,442
Total	<u>\$ 4,344,613</u>

The Net OPEB Liability was measured as of August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2021. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the District's proportion of the collective Net OPEB Liability was 0.0081739514%, which was an increase of 0.0008796577% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

For the ten months ended June 30, 2023, the District recognized OPEB expense of (\$549,819) and revenue of (\$338,797) for support provided by the State.

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 108,812	\$ 1,630,499
Changes in actuarial assumptions	298,116	1,359,726
Differences between projected and actual investment earnings	5,830	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	644,420	250,428
Contributions paid to OPEB subsequent to the measurement date	61,608	-
Total as of fiscal year-end	<u>\$ 1,118,786</u>	<u>\$ 3,240,653</u>

The \$61,608 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year June 30,	OPEB Expense
2024	\$ (433,001)
2025	(432,980)
2026	(349,984)
2027	(237,619)
2028	(291,126)
Thereafter	(438,765)

H. **Employee Health Care Coverage**

During the ten months ended June 30, 2023, 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.

I. Medicare Part D – On-behalf Payments.

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. These on-behalf payments of \$44,062, \$31,352 and \$30,406 were recognized for the years ended June 30, 2023, 2022 and 2021, respectively, as equal revenues and expenditures.

J. Commitments and Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired.

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

K. 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 2023, 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 June 30, 2023, 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 June 30. 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 June 30, 2023 are available on the TASB Risk Management Fund website and have been tiled with the Texas Department of Insurance in Austin.

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 \$41,454 incurred but not reported claims. Estimates of claims payable and of claims incurred, but not reported at June 30, 2023, 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:

<u>Fiscal Year</u>	<u>Beginning of Year Balance</u>	<u>Current Claims</u>	<u>Claim Payments</u>	<u>End of Year Balance</u>
2022	40,838	(6,677)	3,684	30,477
2023	30,477	28,697	9,713	49,461

L. Shared Services Arrangements

The District participates in a shared services arrangement ("SSA") for special education. Member districts include Godley ISD, Keene ISD, Grandview ISD, and 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.

M. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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KEENE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts (GAAP Basis)	Final Budget Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 2,746,075	\$ 2,746,075	\$ 2,293,337	\$ (452,738)
5800	State program revenues	10,673,788	10,983,495	9,627,807	(1,355,688)
5900	Federal program revenues	159,624	159,624	298,322	138,698
5020	Total revenues	13,579,487	13,889,194	12,219,466	(1,669,728)
EXPENDITURES					
Current:					
0011	Instruction	8,008,875	8,131,547	6,501,142	1,630,405
0012	Instructional resources and media sources	86,806	86,806	73,252	13,554
0013	Curriculum and staff development	22,000	15,000	4,310	10,690
0021	Instructional leadership	284,257	284,257	179,599	104,658
0023	School leadership	969,364	969,364	838,543	130,821
0031	Guidance, counseling, and evaluation services	285,068	285,094	261,612	23,482
0033	Health services	170,990	170,990	165,765	5,225
0034	Student (pupil) transportation	39,300	39,300	20,606	18,694
0036	Cocurricular/Extracurricular activities	497,867	564,626	514,196	50,430
0041	General administration	616,620	724,620	680,368	44,252
0051	Facilities maintenance and operations	823,082	823,082	609,667	213,415
0052	Security and monitoring services	221,032	221,749	198,190	23,559
0053	Data processing services	421,392	327,916	257,460	70,456
0061	Community services	6,500	6,500	3,422	3,078
Debt Service:					
0071	Principal on long-term debt	250,000	140,893	131,555	9,338
0072	Interest on long-term debt	10,000	11,107	4,872	6,235
Capital outlay:					
0081	Facilities acquisition and construction	57,000	344,368	344,368	-
Intergovernmental:					
0093	Payments to fiscal agent/member dist.-SSA	699,354	699,353	699,353	-
0099	Other intergovernmental	70,000	70,000	39,796	30,204
6030	Total expenditures	13,539,507	13,916,572	11,528,076	2,388,496
1100	Excess (deficiency) of revenues over (under) expenditures	39,980	(27,378)	691,390	718,768
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	-	(45,000)	-	45,000
7080	Total other financing sources (uses)	-	(45,000)	-	45,000
1200	NET CHANGE IN FUND BALANCES	39,980	(72,378)	691,390	763,768
0100	FUND BALANCE, BEGINNING	4,887,755	4,887,755	4,887,755	-
3000	FUND BALANCES, ENDING	\$ 4,927,735	\$ 4,815,377	\$ 5,579,145	\$ 763,768

KEENE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM****FOR THE TEN MONTHS ENDED JUNE 30, 2023**

Plan Year Ended August 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability (asset)	0.005306114.%	0.00489183%	0.00456466%
District's proportionate share of the net pension liability (asset)	\$ 3,150,104	\$ 1,245,776	\$ 2,444,737
State's proportionate share of the net pension liability (asset) associated with the District	<u>5,460,342</u>	<u>2,421,415</u>	<u>5,048,722</u>
Total	<u>\$ 8,610,446</u>	<u>\$ 3,667,191</u>	<u>\$ 7,493,459</u>
District's covered payroll	\$ 7,404,547	\$ 6,960,918	\$ 6,597,867
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.54%	17.90%	37.05%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2014 is not available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.00525348%	0.00550350%	0.00560982%	0.00571972%	0.00597990%	0.00280880%
\$ 2,730,921	\$ 3,029,260	\$ 1,793,718	\$ 2,161,397	\$ 2,113,815	\$ 750,269
<u>4,660,195</u>	<u>5,191,858</u>	<u>3,092,604</u>	<u>3,691,915</u>	<u>3,618,720</u>	<u>3,117,948</u>
<u>\$ 7,391,116</u>	<u>\$ 8,221,118</u>	<u>\$ 4,886,322</u>	<u>\$ 5,853,312</u>	<u>\$ 5,732,535</u>	<u>\$ 3,868,217</u>
\$ 6,290,580	\$ 6,315,100	\$ 6,190,526	\$ 6,065,619	\$ 5,946,759	\$ 5,345,166
43.41%	47.97%	28.98%	35.63%	35.55%	14.04%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

KEENE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE TEN MONTHS ENDED JUNE 30, 2023

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended August 31, 2022	Fiscal Year Ended August 31, 2021
Contractually required contribution	\$ 301,620	\$ 246,928	\$ 208,525
Contributions in relation to the contractually required contribution	<u>(301,620)</u>	<u>(246,928)</u>	<u>(208,525)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,026,513	\$ 7,404,547	\$ 6,959,206
Contribution as a percentage of covered payroll	3.76%	3.33%	3.00%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2015 is not available.

Fiscal Year Ended August 31,					
2020	2019	2018	2017	2016	2015
\$ 188,265	\$ 194,934	\$ 184,768	\$ 183,857	\$ 181,730	\$ 177,067
<u>(188,265)</u>	<u>(194,934)</u>	<u>(184,768)</u>	<u>(183,857)</u>	<u>(181,730)</u>	<u>(177,067)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,597,867	\$ 6,290,580	\$ 6,315,100	\$ 6,190,526	\$ 6,065,619	\$ 5,946,749
2.85%	3.10%	2.93%	2.97%	3.00%	2.98%

KEENE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM****FOR THE TEN MONTHS ENDED JUNE 30, 2023**

Plan Year Ended August 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability (asset)	0.00817395%	0.00729429%	0.00708593%
District's proportionate share of the net OPEB liability (asset)	\$ 1,957,171	\$ 2,813,735	\$ 2,693,681
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>2,387,442</u>	<u>3,769,778</u>	<u>3,619,662</u>
Total	<u>\$ 4,344,613</u>	<u>\$ 6,583,513</u>	<u>\$ 6,313,343</u>
District's covered employee payroll	\$ 7,404,547	\$ 6,960,918	\$ 6,597,867
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	26.43%	40.42%	40.83%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2017 is not available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.00746502%	0.00772667%	0.00744257%
\$ 3,530,302	\$ 3,857,999	\$ 3,236,494
<u>4,690,980</u>	<u>5,295,141</u>	<u>4,763,378</u>
<u>\$ 8,221,282</u>	<u>\$ 9,153,140</u>	<u>\$ 7,999,872</u>
\$ 6,290,580	\$ 6,315,100	\$ 6,190,526
56.12%	61.09%	52.28%
2.66%	1.57%	0.91%

KEENE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE TEN MONTHS ENDED JUNE 30, 2023

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended August 31, 2022	Fiscal Year Ended August 31, 2021
Contractually required contribution	\$ 72,336	\$ 66,154	\$ 56,404
Contributions in relation to the contractually required contribution	<u>(72,336)</u>	<u>(66,154)</u>	<u>(56,404)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 8,026,513	\$ 7,404,547	\$ 6,959,206
Contribution as a percentage of covered employee payroll	0.90%	0.89%	0.81%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2018 is not available.

EXHIBIT G-6

Fiscal Year Ended August 31,		
2020	2019	2018
\$ 55,166	\$ 52,991	\$ 53,183
<u>(55,166)</u>	<u>(52,991)</u>	<u>(53,183)</u>
\$ -	\$ -	\$ -
\$ 6,597,867	\$ 6,290,580	\$ 6,315,100
0.84%	0.84%	0.84%

KEENE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

Budgetary Information

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Fund, National Breakfast and Lunch Program 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 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.

Expenditures Exceeding Appropriations

The National Breakfast and Lunch Program Fund expenditures exceed appropriations in the facilities maintenance and operations function.

COMBINING STATEMENTS

KEENE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	263 ESEA III, A English Language Acquisition
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ 57,533	\$ -	\$ -
1225	Taxes receivable	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	245,398	135,214	27,546	8,035
1260	Due from other funds	-	92,759	-	-
1000	Total assets	<u>245,398</u>	<u>285,506</u>	<u>27,546</u>	<u>8,035</u>
LIABILITIES					
2110	Accounts payable	-	5,010	-	-
2160	Accrued wages payable	12,836	6,519	6,698	3,243
2170	Due to other funds	229,669	-	19,768	3,795
2200	Accrued expenditures	2,893	1,627	1,080	997
2300	Unearned revenue	-	-	-	-
2000	Total liabilities	<u>245,398</u>	<u>13,156</u>	<u>27,546</u>	<u>8,035</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable property tax revenues	-	-	-	-
2600	Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted:					
3450	Federal funds grant restrictions	-	272,350	-	-
3480	Retirement of long-term debt	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>272,350</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 245,398</u>	<u>\$ 285,506</u>	<u>\$ 27,546</u>	<u>\$ 8,035</u>

EXHIBIT H-1

281 ESSER II CRRSA	282 ESSER III ARPA	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	429 Other State Special Revenue Funds	481 Campus Activity - Junior High	482 Campus Activity - High School
\$ -	\$ -	\$ 10,011	\$ 24	\$ -	\$ 21,971	\$ 35,226
-	-	-	-	-	-	-
-	-	-	-	-	-	-
241,087	88,291	21,724	-	8,547	-	-
-	-	-	-	-	-	-
<u>241,087</u>	<u>88,291</u>	<u>31,735</u>	<u>24</u>	<u>8,547</u>	<u>21,971</u>	<u>35,226</u>
-	-	10,011	-	-	2,646	3,474
-	22,224	2,088	-	-	-	-
241,087	61,393	14,283	-	8,547	-	-
-	4,674	446	-	-	-	-
-	-	4,907	-	-	-	-
<u>241,087</u>	<u>88,291</u>	<u>31,735</u>	<u>-</u>	<u>8,547</u>	<u>2,646</u>	<u>3,474</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	24	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	19,325	31,752
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>19,325</u>	<u>31,752</u>
<u>\$ 241,087</u>	<u>\$ 88,291</u>	<u>\$ 31,735</u>	<u>\$ 24</u>	<u>\$ 8,547</u>	<u>\$ 21,971</u>	<u>\$ 35,226</u>

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KEENE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2023

Data Control Codes		483 Campus Activity - Elementary	485 Campus Activity - Athletics	486 Campus Activity - Summit	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS						
1110	Cash and cash equivalents	\$ 45,072	\$ 34,398	\$ -	\$ 500,988	\$ 705,223
1225	Taxes receivable	-	-	-	39,549	39,549
1230	Allowance for uncollectible taxes	-	-	-	(23,729)	(23,729)
1240	Due from other governments	-	-	-	-	775,842
1260	Due from other funds	-	-	-	59,279	152,038
1000	Total assets	<u>45,072</u>	<u>34,398</u>	<u>-</u>	<u>576,087</u>	<u>1,648,923</u>
LIABILITIES						
2110	Accounts payable	499	-	-	-	21,640
2160	Accrued wages payable	-	-	-	-	53,608
2170	Due to other funds	-	-	6,671	10,275	595,488
2200	Accrued expenditures	-	-	-	-	11,717
2300	Unearned revenue	-	-	-	49,178	54,085
2000	Total liabilities	<u>499</u>	<u>-</u>	<u>6,671</u>	<u>59,453</u>	<u>736,538</u>
DEFERRED INFLOWS OF RESOURCES						
2601	Unavailable property tax revenues	-	-	-	13,368	13,368
2600	Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,368</u>	<u>13,368</u>
FUND BALANCES						
Restricted:						
3450	Federal funds grant restrictions	-	-	-	-	272,374
3480	Retirement of long-term debt	-	-	-	503,266	503,266
Committed:						
3545	Campus activities	44,573	34,398	-	-	130,048
3600	Unassigned	-	-	(6,671)	-	(6,671)
3000	Total fund balances	<u>44,573</u>	<u>34,398</u>	<u>(6,671)</u>	<u>503,266</u>	<u>899,017</u>
4000	Total liabilities and fund balances	<u>\$ 45,072</u>	<u>\$ 34,398</u>	<u>\$ -</u>	<u>\$ 576,087</u>	<u>\$ 1,648,923</u>

KEENE INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	263 ESEA III, A English Language Acquisition
REVENUES					
5700	Local and intermediate sources	\$ -	\$ 17,772	\$ -	\$ -
5800	State program revenues	-	9,457	-	-
5900	Federal program revenues	<u>359,168</u>	<u>622,408</u>	<u>46,243</u>	<u>19,744</u>
5020	Total revenues	<u>359,168</u>	<u>649,637</u>	<u>46,243</u>	<u>19,744</u>
EXPENDITURES					
	Current:				
0011	Instruction	359,168	-	43,104	19,744
0013	Curriculum and instructional staff development	-	-	3,139	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0035	Food service	-	619,554	-	-
0036	Extracurricular activities	-	-	-	-
0051	Facilities maintenance and operations	-	42,880	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
	Debt Service:				
0071	Principal	-	-	-	-
0072	Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>359,168</u>	<u>662,434</u>	<u>46,243</u>	<u>19,744</u>
1200	NET CHANGE IN FUND BALANCES	-	(12,797)	-	-
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>285,147</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 272,350</u>	<u>\$ -</u>	<u>\$ -</u>

281 ESSER II CRRSA	282 ESSER III ARPA	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	429 Other State Special Revenue Funds	481 Campus Activity - Junior High	482 Campus Activity - High School
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,166	\$ 7,203
-	-	-	-	8,547	-	-
<u>365,128</u>	<u>568,306</u>	<u>35,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>365,128</u>	<u>568,306</u>	<u>35,293</u>	<u>-</u>	<u>8,547</u>	<u>2,166</u>	<u>7,203</u>
55,850	506,077	24,282	-	2,172	-	-
-	-	-	-	-	-	-
-	59,921	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,126	5,043
129,392	2,308	-	-	-	-	-
-	-	11,011	-	6,375	-	-
179,886	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>365,128</u>	<u>568,306</u>	<u>35,293</u>	<u>-</u>	<u>8,547</u>	<u>2,126</u>	<u>5,043</u>
-	-	-	-	-	40	2,160
<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>19,285</u>	<u>29,592</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 19,325</u>	<u>\$ 31,752</u>

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KEENE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		483 Campus Activity - Elementary	485 Campus Activity - Athletics	486 Campus Activity - Summit	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES						
5700	Local and intermediate sources	\$ 27,984	\$ 19,160	\$ -	\$ 774,527	\$ 848,812
5800	State program revenues	-	-	-	261,708	279,712
5900	Federal program revenues	-	-	-	-	2,016,290
5020	Total revenues	<u>27,984</u>	<u>19,160</u>	<u>-</u>	<u>1,036,235</u>	<u>3,144,814</u>
EXPENDITURES						
	Current:					
0011	Instruction	-	-	-	-	1,010,397
0013	Curriculum and instructional staff development	-	-	-	-	3,139
0031	Guidance, counseling, and evaluation services	-	-	-	-	59,921
0035	Food service	-	-	-	-	619,554
0036	Extracurricular activities	10,389	11,370	5,226	-	34,154
0051	Facilities maintenance and operations	-	-	-	-	174,580
0052	Security and monitoring services	-	-	-	-	17,386
0053	Data processing services	-	-	-	-	179,886
	Debt Service:					
0071	Principal	-	-	-	455,000	455,000
0072	Interest	-	-	-	191,582	191,582
6030	Total expenditures	<u>10,389</u>	<u>11,370</u>	<u>5,226</u>	<u>646,582</u>	<u>2,745,599</u>
1200	NET CHANGE IN FUND BALANCES	17,595	7,790	(5,226)	389,653	399,215
0100	FUND BALANCE, BEGINNING	<u>26,978</u>	<u>26,608</u>	<u>(1,445)</u>	<u>113,613</u>	<u>499,802</u>
3000	FUND BALANCE, ENDING	<u>\$ 44,573</u>	<u>\$ 34,398</u>	<u>\$ (6,671)</u>	<u>\$ 503,266</u>	<u>\$ 899,017</u>

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**REQUIRED TEXAS EDUCATION
AGENCY SCHEDULES**

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE TEN MONTHS ENDED JUNE 30, 2023

Last Ten Years Ended August 31,	1	2	3
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose
	Maintenance	Debt Service	
2014 and prior years	various	various	various
2015	1.170000	0.320900	157,074,116
2016	1.170000	0.260000	152,859,650
2017	1.170000	0.260000	147,037,996
2018	1.170000	0.260000	149,640,533
2019	1.170000	0.231100	165,730,606
2020	1.068300	0.231100	177,644,908
2021	1.054700	0.231100	197,411,376
2022	1.008700	0.222600	213,762,121
2023 (School year under audit)	0.942900	0.222600	247,638,181
1000 Totals			

**

8000 Taxes Refunded under 26.1115

**7/1/2023 to 8/31/2023 activity after new fiscal year end pertaining to Tax Year 2022

EXHIBIT J-1

10	20	31	32	40	50	
<u>Beginning Balance 09/01/2022</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 06/30/2023</u>	
\$ 113,457	\$ -	\$ 37	\$ 10	\$ (73,568)	\$ 39,842	
10,603	-	187	51	-	10,365	
8,018	-	67	15	-	7,936	
10,798	-	110	24	(68)	10,596	
8,752	-	172	38	-	8,542	
12,186	-	253	50	-	11,884	
15,405	-	2,360	511	(401)	12,133	
22,608	-	2,660	583	(2,184)	17,181	
44,466	-	9,787	2,160	(10,836)	21,683	
-	2,886,223	2,281,264	538,489	-	66,471	
<u>\$ 246,293</u>	<u>\$ 2,886,223</u>	<u>\$ 2,296,897</u>	<u>\$ 541,931</u>	<u>\$ (87,057)</u>	<u>\$ 206,631</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,716</u>	<u>\$ 3,944</u>	<u>\$ (8,668)</u>	<u>\$ 177,303</u>	Ending balance at 8/31/2023
		<u>\$ 25,938</u>				

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE TEN MONTHS ENDED JUNE 30, 2023

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.	\$1,082,942
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)	\$1,057,447

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.	\$ 125,094
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 225,570

KEENE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 14,509	\$ 14,509	\$ 17,772	\$ 3,263
5800	State program revenues	-	-	9,457	9,457
5900	Federal program revenues	470,000	470,000	622,408	152,408
5020	Total revenues	484,509	484,509	649,637	165,128
EXPENDITURES					
0035	Food services	663,177	663,177	619,554	43,623
0051	Facilities maintenance and operations	26,800	26,800	42,880	(16,080)
6030	Total expenditures	689,977	689,977	662,434	27,543
1100	Excess (deficiency) of revenues over (under) expenditures	(205,468)	(205,468)	(12,797)	192,671
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	45,000	45,000	-	(45,000)
7080	Total other financing sources (uses)	45,000	45,000	-	(45,000)
1200	NET CHANGE IN FUND BALANCES	(160,468)	(160,468)	(12,797)	147,671
0100	FUND BALANCE, BEGINNING	285,147	285,147	285,147	-
3000	FUND BALANCES, ENDING	\$ 124,679	\$ 124,679	\$ 272,350	\$ 147,671

KEENE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 447,074	\$ 447,074	\$ 774,527	\$ 327,453
5800	State program revenues	<u>309,707</u>	<u>309,707</u>	<u>261,708</u>	<u>(47,999)</u>
5020	Total revenues	<u>756,781</u>	<u>756,781</u>	<u>1,036,235</u>	<u>279,454</u>
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	540,000	540,000	455,000	85,000
0072	Interest on long-term debt	<u>361,000</u>	<u>361,000</u>	<u>191,582</u>	<u>169,418</u>
6030	Total expenditures	<u>901,000</u>	<u>901,000</u>	<u>646,582</u>	<u>254,418</u>
1200	NET CHANGE IN FUND BALANCES	(144,219)	(144,219)	389,653	533,872
0100	FUND BALANCE, BEGINNING	<u>113,613</u>	<u>113,613</u>	<u>113,613</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ (30,606)</u>	<u>\$ (30,606)</u>	<u>\$ 503,266</u>	<u>\$ 533,872</u>

COMPLIANCE SECTION

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**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
Keene, Texas

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 ten months ended June 30, 2023, 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 November 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keene Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keene Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 13, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Keene Independent School District
Keene, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Keene Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Keene Independent School District's major federal programs for the ten months ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 13, 2023

KEENE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE TEN MONTHS ENDED JUNE 30, 2023

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
<u>Passed through Texas Education Agency:</u>			
School Breakfast Program	10.553	71402301	127,805
National School Lunch Program	10.555	71302301	410,876
Total Passed through Texas Education Agency			538,681
<u>Passed through Texas Department of Agriculture:</u>			
Commodity Supplemental Food Program (Non-cash)	10.555	806780706	47,645
Subtotal Assistance Listing 10.555			458,521
Total Child Nutrition Cluster (10.553, 10.555)			586,326
COVID-19 - Supply Chain Assistance	10.542	NT4XL1YGLGC5	35,454
COVID-19 - Pandemic-EBT Food Benefits Program	10.649	NT4XL1YGLGC5	628
Total Passed through Texas Department of Agriculture			83,727
TOTAL U. S. DEPARTMENT OF AGRICULTURE			622,408
U. S. DEPARTMENT OF EDUCATION			
<u>Passed through Texas Education Agency:</u>			
ESEA Title I, Part A	84.010A	23610101126906	359,168
Title III, Part A	84.365A	23671001126906	19,744
ESEA Title II, Part A - Teacher/Principal Training	84.367A	23694501126906	46,243
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	23680101126906	35,293
COVID-19 - CRRSA ESSER II	84.425D	21521001126906	365,128
COVID-19 - ARP ESSER III	84.425U	21528001126906	568,306
Subtotal Assistance Listing 84.425			933,434
Total Passed through Texas Education Agency			1,393,882
TOTAL U. S. DEPARTMENT OF EDUCATION			1,393,882
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,016,290

KEENE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

FOR THE TEN MONTHS ENDED JUNE 30, 2023

1. GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of Keene Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

2. BASIS OF ACCOUNTING

The SEFA is presented using the modified accrual basis of accounting. The District's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

5. RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 2,314,612
Less:	
School Health And Related Services	<u>(298,322)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$ 2,016,290</u>

KEENE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TEN MONTHS ENDED JUNE 30, 2023

Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
--	------

Identification of major programs:

Assistance Listing Number(s):	Name of Federal Program or Cluster:
84.425D, 84.425U	COVID-19 - ESSER I, II & III

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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Findings Relating to the Financial Statements
Which are Required to be Reported in
Accordance With Generally Accepted
Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

KEENE INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE TEN MONTHS ENDED JUNE 30, 2023

Financial Statement Findings

Finding 2022-001

Finding Type:	Material Weakness
Criteria:	According to Texas Education Code (TEC) 44.008, a Texas independent school district's Annual Financial Report is due no later than 150 days after the close of a district's fiscal year. 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:	Significant audit adjustments were necessary to correct and adjust balances and transactions reported in the general ledger in order to prepare accurate financial statements. Duplicate invoice payments for construction and lease payments were discovered during the audit.
Cause:	Turnover in the finance department caused a delay in several of the year-end adjustment processes, as well as monthly bank reconciliations.
Effect:	The District missed the deadline for submitting its Annual Financial Report, and therefore received a substandard rating on its Financial Integrity Rating System of Texas (FIRST) rating. Further, due to audit adjustments to various accounts, financial reports prepared throughout the fiscal year could have been relied upon in error.
Status:	Implemented

Finding 2022-002

Finding Type:	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:	Debt Service Fund expenditures exceeded appropriations in total for the year ended August 31, 2022.
Cause:	In the Debt Service Fund, the District did not properly approve budget amendments for the additional expenditure incurred.
Effect:	Due to the excess of actual expenditures compared to appropriations, the District was out of compliance with Education Code Sec 44.006.
Status:	Implemented

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