



Financial Statements
August 31, 2021

Kerrville Independent School District

Certificate of Board	1
Financial Section	
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position (Exhibit A-1)	16
Statement of Activities (Exhibit B-1)	17
Fund Financial Statements	
Balance Sheet – Governmental Funds (Exhibit C-1)	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit C-2r)	21
Statement of Net Position – Proprietary Fund (Exhibit D-1)	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit D-2)	23
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)	24
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)	25
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit E-2)	26
Notes to Financial Statements	27
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund (Exhibit G-1)	64
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)	65
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)	66
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)	67
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)	68
Notes to Required Supplementary Information	69
Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (Exhibit H-2)	74
Required TEA Schedules	
Schedule of Delinquent Taxes Receivable (Exhibit J-1)	77
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National School Breakfast and Lunch Program (Exhibit J-2)	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund (Exhibit J-3)	79
Use of Funds Report (Exhibit J-4)	80

Federal Awards Section

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 <i>Government Auditing Standards</i>	81
Independent Auditor's Report on Compliance for Each Major Program, Report on Internal Control Over Compliance Required by the Uniform Guidance	83
Schedule of Expenditures of Federal Awards (Exhibit K-1).....	85
Notes to the Schedule of Expenditures of Federal Awards	88
Schedule of Findings and Questioned Costs	89
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)	91

Certificate of the Board

Kerrville Independent School District
Name of School District

Kerr
County

133-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved ☒ disapproved ☐ for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 13th day of December 2021.


Signature of Board Secretary


Signature of Board President

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



Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Notes 4 and 19 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position of custodial funds, fund balance of other governmental funds, and net position of governmental activities as of September 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 15 and 64 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Abilene, Texas
December 9, 2021

The management of Kerrville Independent School District ("the District") offer readers of the annual financial report this narrative discussion and analysis of the District's financial performance for the year ended August 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- At the close of the year ended August 31, 2021, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$36,864,543. Net investments in capital assets was \$47,910,072.
- The government-wide statements reported total revenues of \$61,276,056, which exceeded total expenses of \$53,951,993 and resulted in a net increase of net position of \$7,324,063.
- The governmental funds financial statements reported combined ending fund balance of \$30,506,576 for the year ending August 31, 2021. This balance includes \$16,121,894 in the General Fund which is unassigned and available for spending at the District's discretion. Restricted fund balance for grants and debt service totals \$2,307,151 and is included in the Debt Service Fund and Non-Major Funds. Restricted fund balance for capital acquisitions totals \$9,103,904 and is included in the Capital Projects Fund. Committed fund balance is \$2,690,230 and is included in the General Fund for future construction projects and other nonmajor funds for campus activity funds. Non-spendable fund balance is \$283,397.
- The General Fund had \$44,209,011 in revenues, which primarily consisted of state aid and property taxes, and \$39,032,764 in expenditures and \$101,270 in transfers to other funds, which resulted in an increase in fund balance by \$5,074,977 for the year ended August 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Major features of the District's government-wide and fund financial statements are summarized below:

Type of Statement	Government-Wide	Fund Financials		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Activities the District operates similar to private business-health insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenses, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of change in net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during the year, regardless of when cash is received or paid.	All revenue and expenses during the year, regardless of when cash is received or paid.

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$7,856,109 from the previous year as can be seen on the following table.

	Governmental Activities				
	2021		2020		Increase (Decrease)
	Amount	%	Amount	%	Amount
Current and other assets	\$35,857,351	21	\$68,593,100	40	\$ (32,735,749)
Capital assets, net of accumulated depreciation	135,225,539	79	103,733,117	60	31,492,422
Total assets	171,082,890	100	172,326,217	100	(1,243,327)
Total deferred outflows of resources	6,329,468	100	8,390,670	100	(2,061,202)
Other liabilities	4,035,415	3	9,689,086	7	(5,653,671)
Long-term liabilities outstanding	121,388,021	97	129,923,438	93	(8,535,417)
Total liabilities	125,423,436	100	139,612,524	100	(14,189,088)
Total deferred inflows of resources	15,124,379	100	12,095,929	100	3,028,450
Net position:					
Net investment in capital assets	47,910,072	130	46,278,559	160	1,631,513
Restricted	2,374,082	6	2,513,395	8	(139,313)
Unrestricted	(13,419,611)	(36)	(19,783,520)	(68)	6,363,909
Total net position	\$36,864,543	100	\$29,008,434	100	\$ 7,856,109

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 79 percent of total assets. The remaining assets consist mainly of investments, cash, grants received, property taxes receivable, inventories and prepaid assets.

The District's long-term liabilities include general obligation bonds (73%) and net pension and OPEB liability (21%). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (6%).

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

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

The change in net position is attributed to the following:

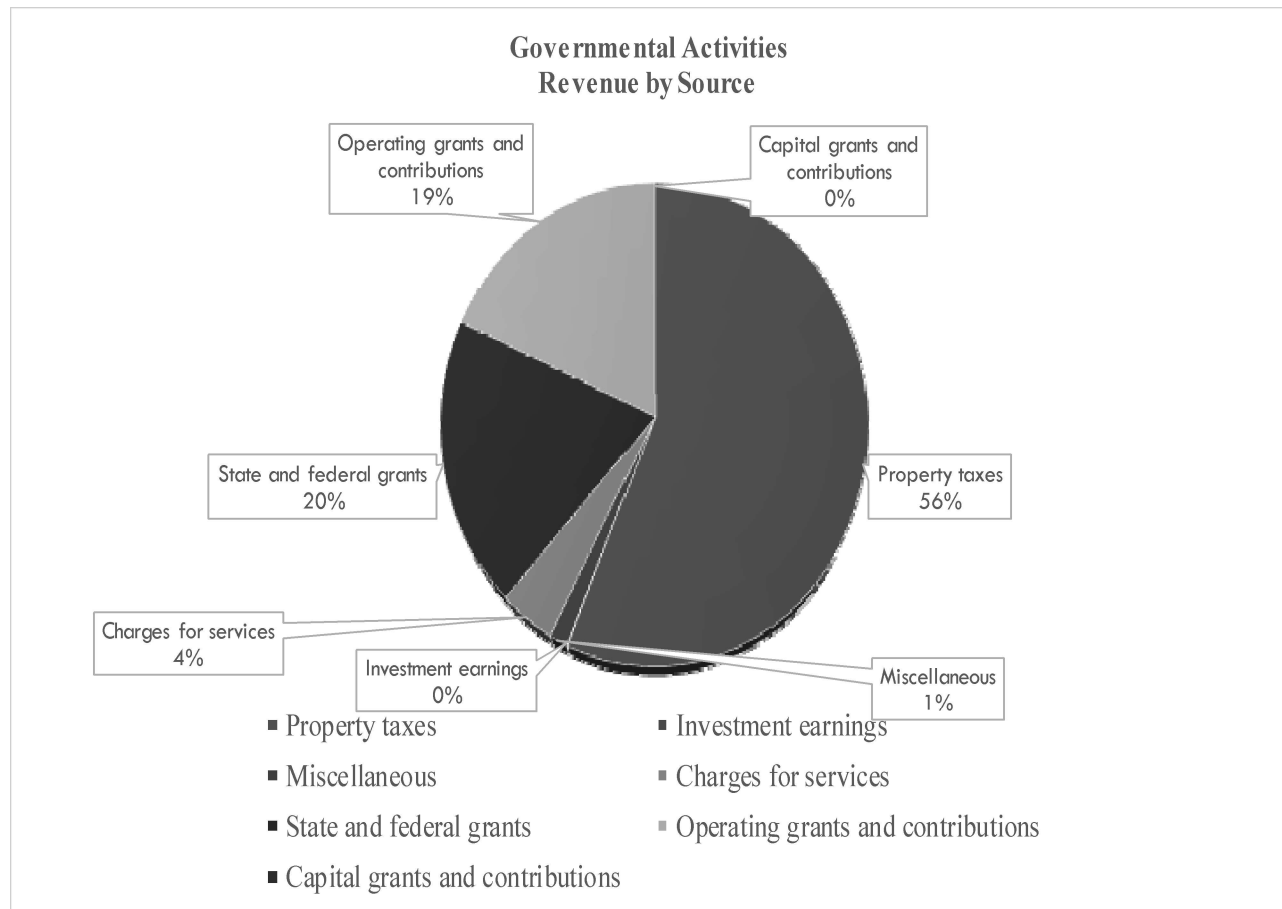
- There was an increase in the property tax base which resulted in additional property tax revenues of approximately \$1,948,854 during the current fiscal period.
- The District completed significant capital improvements during the fiscal year that included building new campus buildings. This resulted in an increase in net capital assets of \$31,492,422.

Governmental Activities

Funding for government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earnings. Revenues for the District's governmental activities increased \$3,978,219 while total expenses decreased \$428,135 which resulted in a net increase of net position of \$4,406,354.

Revenues

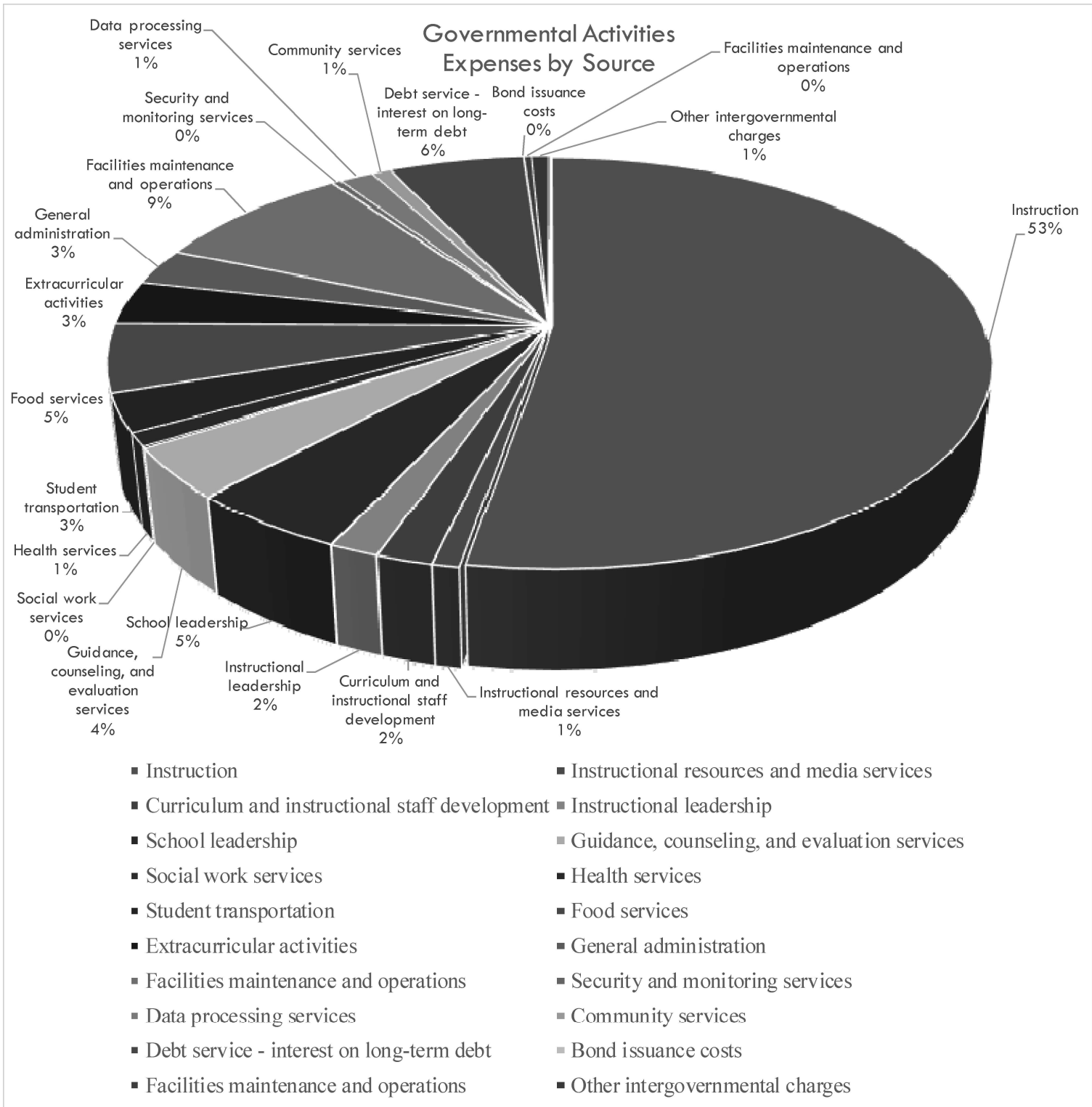
The District's total revenues were \$61,276,056, representing an increase of \$3,978,219 from the previous year. The majority of this increase is due to a \$1,948,854 increase in property tax revenue and a \$881,125 increase in State Aid. As seen below, approximately 56% of the District's revenue comes from taxes while the remaining 44% comes primarily from program revenue and state and federal sources.



Expenses

The District's total expenses were \$53,951,993, representing a decrease of \$428,135 from the previous year. The District's primary functional expenses are

- Instruction - \$28,441,480 or 53 percent of total expenses
- Facilities maintenance and operations - \$4,793,913, or 9 percent of total expenses



In total, governmental activities increased the District's net position by \$7.3 million dollars. Key elements of this change are as follows:

Kerrville Independent School District

Management's Discussion and Analysis

August 31, 2021

Kerrville Independent School District's Net Position

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 2,517,990	4	\$ 1,907,252	3	\$ 610,738	32
Operating grants and contributions	11,309,432	18	10,472,758	18	836,674	8
Capital grants and contributions	-		147,600		(147,600)	
General revenues:						
Property taxes, levied for general purpose	28,413,631	46	27,068,591	47	1,345,040	5
Property taxes, levied for debt service	6,172,666	10	5,568,852	10	603,814	11
State Aid - Formula Grants	11,784,434	19	10,903,309	19	881,125	8
Grants and contributions not restricted to specific programs	218,657	0	173,022	0	45,635	26
Investment earnings	29,679	0	756,295	1	(726,616)	-96
Miscellaneous	829,567	1	300,158	1	529,409	176
Total revenues	61,276,056	100	57,297,837	100	3,978,219	7
Expenses:						
Instruction	28,441,480	53	28,934,601	53	(493,121)	-2
Instructional resources and media services	449,944	1	477,980	1	(28,036)	-6
Curriculum and instructional staff development	952,913	2	787,022	1	165,891	21
Instructional leadership	828,369	2	782,556	1	45,813	6
School leadership	2,732,637	5	2,905,106	5	(172,469)	-6
Guidance, counseling, and evaluation services	2,100,160	4	2,126,696	4	(26,536)	-1
Social work services	75,664	0	83,403	0	(7,739)	-9
Health services	558,403	1	579,978	1	(21,575)	-4
Student transportation	1,600,850	3	1,595,959	3	4,891	0
Food service	2,817,033	5	2,772,323	5	44,710	2
Extracurricular activities	1,833,511	3	2,011,285	4	(177,774)	-9
General administration	1,553,708	3	1,636,893	3	(83,185)	-5
Facilities maintenance and operations	4,793,913	9	4,640,473	9	153,440	3
Security and monitoring services	198,437	0	235,992	0	(37,555)	-16
Data processing services	801,621	1	714,099	1	87,522	12
Community services	443,260	1	428,448	1	14,812	3
Debt service -interest on long-term debt	3,176,128	6	2,772,409	5	403,719	15
Bond issuance costs	1,316	0	324,050	1	(322,734)	0
Facilities acquisition and construction	180,608	0	171,818	0	8,790	0
Other intergovernmental charges	412,038	1	399,037	1	13,001	3
Total expenses	53,951,993	100	54,380,128	100	(428,135)	-1
Change in net position	7,324,063		2,917,709		4,406,354	
Net position, beginning of year	29,008,434		26,090,725		2,917,709	
Prior period adjustments	532,046		-		532,046	
Net position - beginning as restated	29,540,480		-		3,449,755	
Net position - ending	\$ 36,864,543		\$ 29,008,434		\$ 7,856,109	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$30,506,576, a decrease of \$27,998,875 in comparison with the prior year. Approximately 53 percent of this total amount (\$16,121,894) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase inventories and food services (\$100,479), 2) to purchase services for the next fiscal period (\$182,918), 3) committed for construction (\$610,000), 4) restricted to pay for capital acquisitions (\$9,103,904), 5) restricted to pay debt service (\$2,085,526) or 6) for a variety of other restricted purposes (\$221,625). The District's committed fund balance includes \$1,026,682 for campus activity funds. Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,121,894, while total fund balance reached \$17,996,453. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41.3 percent of total General Fund expenditures, while total fund balance represents 46.1 percent of that same amount.

The fund balance of the District's General Fund increased by \$5,074,977 during the current fiscal year. A key factor in this growth are as follows:

- Revenues totaled \$44,209,011 which is a 7 percent increase from previous year.

ESSER III Fund 282. The ESSER III Special Revenue Fund has an ending fund balance of \$0. The fund received \$1,442,575 in revenue during the year, all of which was expended according to grant requirements.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$2,085,526, all of which is restricted for the payment of debt service. The net decrease in fund balance was \$341,424.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$9,103,904, all of which is restricted for the payment of ongoing capital projects with the issuance of the 2019/2020 Bond Program.

National School Breakfast/Lunch Program Fund. The National School Breakfast/Lunch Program fund has a total fund balance of \$294,011. The net increase in fund balance during the current year in the Child Nutrition Fund was \$122,977.

Budgetary Highlights

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

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

- ***Variances of original expenditure budget compared to amended budget.***

The amended expenditure budget increased in the General Fund \$643,000 from the original budget.

- ***Variances of amended budget to actual expenditures.***

Expenditures were \$3,820,419 less than final budgeted amounts.

- ***Variances of original revenue budget compared to actual revenue***

Revenues were more than the final budget by \$1,936,828, largely attributed to State revenue and property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$135,225,539 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$31,492,422 or 30.3 percent over last year. Major capital asset events conducted during the fiscal year included completion of the new Hal Peterson Middle School, various campus renovations, a new Ag Barn and safety and security upgrades. Additional information on the District's capital assets can be found in Note 8 of this report.

Kerrville Independent School District's Capital Assets

	Governmental Activities	
	2021	2020
Land	\$ 5,922,426	\$ 5,922,426
Construction in progress	-	45,487,312
Buildings and improvements	166,954,542	89,809,328
Furniture and equipment	6,235,415	4,292,227
Total at historical cost	179,112,383	145,511,293
Less accumulated depreciation	(43,886,844)	(41,778,176)
Net capital assets	<u>\$ 135,225,539</u>	<u>\$ 103,733,117</u>

Long-Term Debt

At the end of 2021 the District had \$121,388,021 million in long-term liabilities which include general obligation bonds, net pension liability, and net OPEB liability. The District's long-term liabilities decreased by \$8.5 million.

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

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

	Governmental Activities	
	2021	2020
Bonds Payable		
General obligation bonds	\$ 88,745,000	\$ 91,790,000
Unamortized bond premium	7,674,371	8,118,503
Total debt payable	<u>\$ 121,388,021</u>	<u>\$ 129,923,438</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2021-22 appraised property values increased by approximately 8.2%. The State funding formulas currently provide that as property tax revenues increase, state funding decreases by a comparable amount.

The Maintenance and Operations (M&O) tax rate decreased to \$0.872 per \$100 valuation for the 2021-22 year. The Interest and Sinking (I&S) tax rate remained at \$.18 per \$100 valuation for an overall rate of \$1.052 for the 2021-22 year.

General Fund expenditures are budgeted to increase \$955,564 over the prior year budgeted expenditures, due to the increase in property values and Indirect Cost from ESSER funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Department at 1009 Barnett Street, Kerrville, TX 78028.

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 11,954,780
1120	Current investments	18,878,085
1220	Property taxes receivable (delinquent)	2,155,628
1230	Allowance for uncollectible taxes	(865,349)
1240	Due from other governments	3,443,486
1290	Other receivables	7,324
1300	Inventories at cost	100,479
1410	Prepayments	182,918
	Capital assets	
1510	Land	5,922,426
1520	Buildings and improvements, net	126,350,185
1530	Furniture and equipment, net	<u>2,952,928</u>
1000	Total assets	<u>171,082,890</u>
	Deferred outflows of resources	
1705	Deferred outflows - pension	4,543,564
1706	Deferred outflows - OPEB	<u>1,785,904</u>
1700	Total deferred outflows of resources	<u>6,329,468</u>
	Liabilities	
2110	Accounts payable	1,649,962
2120	Other liabilities - current	5,000
2140	Interest payable	156,365
2160	Accrued wages payable	1,780,621
2180	Due to other governments	324,708
2300	Unearned revenues	118,759
	Noncurrent liabilities	
2501	Due within one year	2,085,000
2502	Due in more than one year	86,660,000
2516	Premium on issuance of bonds	7,674,371
2540	Net pension liability	11,728,311
2545	Net OPEB liability	<u>13,240,339</u>
2000	Total liabilities	<u>125,423,436</u>
	Deferred inflows of resources	
2605	Deferred inflows - pension	3,303,760
2606	Deferred inflows - OPEB	<u>11,820,619</u>
2600	Total deferred inflows of resources	<u>15,124,379</u>

See Notes to Financial Statements

Kerrville Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2021

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Net position	
3200	Net investment in capital assets	47,910,072
3820	Restricted for federal and state programs	294,011
3850	Restricted for debt service	2,080,071
3900	Unrestricted net position	<u>(13,419,611)</u>
3000	Total net position	<u>\$ 36,864,543</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 28,441,480	\$ 693,152	\$ 5,925,760
12	Instructional resources and media services	449,944	-	43,737
13	Curriculum and instructional staff development	952,913	-	545,947
21	Instructional leadership	828,369	-	73,128
23	School leadership	2,732,637	-	366,470
31	Guidance, counseling, and evaluation services	2,100,160	-	807,331
32	Social work services	75,664	-	47,475
33	Health services	558,403	-	98,964
34	Student transportation	1,600,850	-	158,463
35	Food services	2,817,033	513,262	2,476,481
36	Extracurricular activities	1,833,511	1,251,937	78,831
41	General administration	1,553,708	-	120,441
51	Facilities maintenance and operations	4,793,913	24,038	260,744
52	Security and monitoring services	198,437	-	8,758
53	Data processing services	801,621	-	108,154
61	Community services	443,260	-	92,828
72	Debt service - interest on long-term debt	3,176,128	-	91,303
73	Bond issuance costs	1,316	-	-
81	Facilities acquisition and construction	180,608	-	4,617
99	Other intergovernmental charges	412,038	35,601	-
TG	Total governmental activities	53,951,993	2,517,990	11,309,432
TP	Total primary government	\$ 53,951,993	\$ 2,517,990	\$ 11,309,432
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - Formula grants			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning of year			
PA	Prior period adjustments			
	Beginning net position, as restated			
NE	Net position, ending			

See Notes to Financial Statements

Kerrville Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2021

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
5	6	8
Capital Grants and Contributions	Governmental Activities	Total
\$ -	\$ (21,822,568)	\$ (21,822,568)
-	(406,207)	(406,207)
-	(406,966)	(406,966)
-	(755,241)	(755,241)
-	(2,366,167)	(2,366,167)
-	(1,292,829)	(1,292,829)
-	(28,189)	(28,189)
-	(459,439)	(459,439)
-	(1,442,387)	(1,442,387)
-	172,710	172,710
-	(502,743)	(502,743)
-	(1,433,267)	(1,433,267)
-	(4,509,131)	(4,509,131)
-	(189,679)	(189,679)
-	(693,467)	(693,467)
-	(350,432)	(350,432)
-	(3,084,825)	(3,084,825)
-	(1,316)	(1,316)
-	(175,991)	(175,991)
-	(376,437)	(376,437)
-	(40,124,571)	(40,124,571)
\$ -	(40,124,571)	(40,124,571)
	28,413,631	28,413,631
	6,172,666	6,172,666
	11,784,434	11,784,434
	218,657	218,657
	29,679	29,679
	829,567	829,567
	47,448,634	47,448,634
	7,324,063	7,324,063
	29,008,434	29,008,434
	532,046	532,046
	29,540,480	29,540,480
	\$ 36,864,543	\$ 36,864,543

Data Control Codes		199 General Fund	282 ESSER III	599 Debt Service Fund
	Assets			
1110	Cash and cash equivalents	\$ 8,822,858	\$ -	\$ 525,453
1120	Current investments	9,300,282	-	1,512,764
1220	Property taxes - delinquent	1,829,584	-	326,044
1230	Allowance for uncollectible taxes (credit)	(710,129)	-	(155,220)
1240	Due from other governments	687,136	1,584,855	-
1260	Due from other funds	1,863,963	-	35,225
1290	Other receivables	7,324	-	-
1300	Inventories	28,093	-	-
1410	Prepayments	182,918	-	-
1000	Total assets	22,012,029	1,584,855	2,244,266
1000a	Total assets and deferred outflows of resources	\$22,012,029	\$ 1,584,855	\$ 2,244,266
	Liabilities			
2110	Accounts payable	\$ 328,735	\$ 774,278	\$ -
2120	Other liabilities - current	5,000	-	-
2160	Accrued wages payable	1,609,093	-	-
2170	Due to other funds	614,587	810,577	-
2180	Due to other governments	324,708	-	-
2300	Unearned revenues	101,642	-	7,830
2000	Total liabilities	2,983,765	1,584,855	7,830
	Deferred inflows of resources			
	Unavailable revenue - property taxes	1,031,811	-	150,910
2600	Total deferred inflows of resources	1,031,811	-	150,910
	Fund balance			
3410	Nonspendable - inventories	28,093	-	-
3430	Nonspendable - prepaid items	182,918	-	-
3450	Restricted - grants	-	-	-
3470	Restricted - capital acquisition	-	-	-
3480	Restricted - debt service	-	-	2,085,526
3510	Committed - construction	610,000	-	-
3545	Committed - other	1,053,548	-	-
3600	Unassigned fund balance	16,121,894	-	-
3000	Total fund balances	17,996,453	-	2,085,526
4000	Total liabilities, deferred inflows, and fund balances	\$22,012,029	\$ 1,584,855	\$ 2,244,266

See Notes to Financial Statements

Kerrville Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2021

699 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 940,126	\$1,321,195	\$ 11,609,632
8,065,039	-	18,878,085
-	-	2,155,628
-	-	(865,349)
-	1,171,495	3,443,486
363,038	-	2,262,226
-	-	7,324
-	72,386	100,479
-	-	182,918
<u>9,368,203</u>	<u>2,565,076</u>	<u>37,774,429</u>
<u>\$ 9,368,203</u>	<u>\$2,565,076</u>	<u>\$ 37,774,429</u>
\$ 264,092	\$ 238,232	\$ 1,605,337
-	-	5,000
-	160,009	1,769,102
207	836,855	2,262,226
-	-	324,708
-	9,287	118,759
<u>264,299</u>	<u>1,244,383</u>	<u>6,085,132</u>
-	-	1,182,721
-	-	1,182,721
-	72,386	100,479
-	-	182,918
-	221,625	221,625
9,103,904	-	9,103,904
-	-	2,085,526
-	-	610,000
-	1,026,682	2,080,230
-	-	16,121,894
<u>9,103,904</u>	<u>1,320,693</u>	<u>30,506,576</u>
<u>\$ 9,368,203</u>	<u>\$2,565,076</u>	<u>\$ 37,774,429</u>

Kerrville Independent School District

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

August 31, 2021

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$30,506,576
1 The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		595,827
2 Capital assets, net of accumulated depreciation, less assets held in internal service funds, are not financial resources and therefore are not reported as assets in governmental funds.		134,394,870
3 Some liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds:		
Bonds payable	\$ (88,745,000)	
Unamortized premiums on bonds payable	<u>(7,674,371)</u>	(96,419,371)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(156,365)
5 Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred resource inflow for property taxes		1,182,721
6 The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources, less amounts held in internal service funds:		
Net pension liability	\$ (11,496,618)	
Deferred outflow of resources - TRS pension	4,413,641	
Deferred inflow of resources - TRS pension	(3,269,066)	
Net OPEB liability	(12,919,483)	
Deferred outflow of resources - TRS-Care OPEB	1,750,678	
Deferred inflow of resources - TRS-Care OPEB	(11,718,867)	<u>(33,239,715)</u>
19 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		<u>\$36,864,543</u>

Data Control Codes		199 General Fund	282 ESSER III	599 Debt Service Fund
	Revenues			
5700	Local and intermediate sources	\$ 29,433,457	\$ -	\$ 6,238,595
5800	State program revenues	13,902,220	-	91,303
5900	Federal program revenues	873,334	1,442,575	-
5020	Total revenues	<u>44,209,011</u>	<u>1,442,575</u>	<u>6,329,898</u>
	Expenditures			
	Current			
0011	Instruction	22,358,596	933,613	-
0012	Instructional resources and media services	378,198	7,102	-
0013	Curriculum and instructional staff development	284,087	130,093	-
0021	Instructional leadership	797,424	16,475	-
0023	School leadership	2,488,954	50,709	-
0031	Guidance, counseling, and evaluation services	1,306,209	31,031	-
0032	Social work services	26,108	1,015	-
0033	Health services	496,760	13,601	-
0034	Student (pupil) transportation	1,622,582	66,967	-
0035	Food services	-	36,522	-
0036	Extracurricular activities	1,322,357	6,089	-
0041	General administration	1,494,697	17,018	-
0051	Facilities maintenance and operations	4,875,802	50,725	-
0052	Security and monitoring services	189,679	340	-
0053	Data processing services	658,062	71,844	-
0061	Community services	321,211	9,431	-
	Debt service			
0071	Principal on long-term debt	-	-	3,045,000
0072	Interest on long-term debt	-	-	3,625,006
0073	Bond issuance costs and fees	-	-	1,316
	Capital outlay			
0081	Facilities acquisition and construction	-	-	-
	Intergovernmental			
0099	Other intergovernmental charges	<u>412,038</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>39,032,764</u>	<u>1,442,575</u>	<u>6,671,322</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>5,176,247</u>	<u>-</u>	<u>(341,424)</u>
	Other financing sources (uses)			
7915	Transfers in	-	-	-
8911	Transfers out	<u>(101,270)</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>(101,270)</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	5,074,977	-	(341,424)
0100	Fund balances, beginning of year	12,921,476	-	2,426,950
1300	Prior period adjustment	-	-	-
	Fund balances, beginning of year, as restated	<u>12,921,476</u>	<u>-</u>	<u>2,426,950</u>
3000	Fund balances, end of year	<u>\$ 17,996,453</u>	<u>\$ -</u>	<u>\$ 2,085,526</u>

See Notes to Financial Statements

Kerrville Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)

Year Ended August 31, 2021

699 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 395,201	\$ 1,310,559	\$ 37,377,812
13,563	208,271	14,215,357
-	6,393,348	8,709,257
<u>408,764</u>	<u>7,912,178</u>	<u>60,302,426</u>
-	3,100,050	26,392,259
-	11,730	397,030
-	510,520	924,700
-	2,005	815,904
-	107,864	2,647,527
-	674,683	2,011,923
-	44,325	71,448
-	39,954	550,315
-	3,028	1,692,577
-	2,648,149	2,684,671
-	184,432	1,512,878
367	61	1,512,143
-	1,961	4,928,488
-	8,418	198,437
-	-	729,906
-	58,655	389,297
-	-	3,045,000
-	-	3,625,006
-	-	1,316
33,758,438	-	33,758,438
<u>-</u>	<u>-</u>	<u>412,038</u>
<u>33,758,805</u>	<u>7,395,835</u>	<u>88,301,301</u>
<u>(33,350,041)</u>	<u>516,343</u>	<u>(27,998,875)</u>
-	101,270	101,270
-	-	(101,270)
<u>-</u>	<u>101,270</u>	<u>-</u>
(33,350,041)	617,613	(27,998,875)
42,453,945	171,034	57,973,405
-	532,046	532,046
<u>42,453,945</u>	<u>703,080</u>	<u>58,505,451</u>
<u>\$ 9,103,904</u>	<u>\$ 1,320,693</u>	<u>\$ 30,506,576</u>

Kerrville Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities (Exhibit C-2r)
Year Ended August 31, 2021

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$(27,998,875)
The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The change in net position of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	221,179
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays of \$33,807,894 and debt principal payments of \$3,045,000 is to increase net position.	36,852,894
2021 depreciation expense, less depreciation on assets held in internal service funds, increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,271,301)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$1,182,721 as revenue and removing the prior year's tax collection of \$1,042,422.	140,299
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$4,746. The net effect is to increase net position.	4,746
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financials. This is the current year amortization.	444,132
Changes in the deferred outflow of resources, deferred inflows of resources and net pension liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$36,331. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$880,922. The net effect is a decrease in net position.	(844,591)
Changes in the deferred outflow of resources, deferred inflows of resources and net OPEB liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$8,159. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$767,421. The net effect is an increase in net position.	775,580
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	<u>\$ 7,324,063</u>

Kerrville Independent School District
Statement of Net Position – Proprietary Fund (Exhibit D-1)
August 31, 2021

Data Control Codes		Governmental Activities <u>Internal Service Fund</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 345,148
	Noncurrent assets	
1520	Buildings and improvements	223,746
1571	Depreciation on buildings	(103,661)
1530	Furniture and equipment	3,398,169
1573	Depreciation on furniture and equipment	(2,687,585)
1000	Total assets	<u>1,175,817</u>
1705	Deferred outflows - pension	129,923
1706	Deferred outflows - OPEB	35,226
1700	Total deferred outflows of resources	<u>165,149</u>
	Liabilities	
2110	Accounts payable	44,625
2160	Accrued wages payable	11,519
	Noncurrent liabilities	
2540	Net pension liability	231,693
2545	Net OPEB liability	320,856
2000	Total liabilities	<u>608,693</u>
2605	Deferred inflows - pension	34,694
2606	Deferred inflows - OPEB	101,752
2600	Total deferred inflows of resources	<u>136,446</u>
	Net position	
3200	Net investment in capital assets	830,669
3900	Unrestricted	(234,842)
3000	Total net position	<u><u>\$ 595,827</u></u>

Kerrville Independent School District

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

Year Ended August 31, 2021

Data Control Codes		Governmental Activities
		Internal Service Fund
	Operating revenues	
5700	Local and intermediate sources	\$ 1,828,706
5020	Total revenues	1,828,706
	Operating expenses	
6100	Payroll costs	1,197,802
6200	Professional and contracted services	38,465
6300	Supplies and materials	277,408
6400	Other operating costs	35,664
6440	Depreciation expense	124,030
6030	Total expenses	1,673,369
	Operating income	155,337
	Nonoperating revenues	
5800	State program revenue	65,842
1300	Change in net position	221,179
0100	Net position, beginning	374,648
3300	Net position, ending	\$ 595,827

Kerrville Independent School District
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)
Year Ended August 31, 2021

	Governmental Activities <u>Internal Service Fund</u>
Operating activities	
Cash received from user charges	\$ 1,828,706
Cash payments for employees for services	(1,221,780)
Cash payments for other operating expenses	<u>(395,361)</u>
Net cash from operating activities	<u>211,565</u>
Non-capital financing activities	
State grants received	<u>213,442</u>
Net cash from non-capital financing activities	<u>213,442</u>
Capital and related financing activities	
Acquisition of capital assets	<u>(79,859)</u>
Net cash used for capital and related financing activities	<u>(79,859)</u>
Net change in cash and cash equivalents	345,148
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 345,148</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 155,337
Depreciation expense	124,030
Changes in assets and liabilities	
Increase in accounts payable	39,470
Increase in accrued wages payable	1,666
Decrease in due to other funds	(83,294)
Increase in net pension liability	15,954
Increase in OPEB liability	47,657
Increase in deferred outflows for pension	(26,258)
Increase in deferred outflows for OPEB	(2,402)
Decrease in deferred inflows for pension	(10,792)
Decrease in deferred inflows for OPEB	<u>(49,803)</u>
Net cash from operating activities	<u><u>\$ 211,565</u></u>

Kerrville Independent School District
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)
August 31, 2021

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 10,150
Total assets	<u>10,150</u>
Liabilities	
Current liabilities	
Due to other governments	<u>1,293</u>
Total liabilities	<u>1,293</u>
Net Position	
Restricted	<u>8,857</u>
Total net position	<u><u>\$ 8,857</u></u>

Kerrville Independent School District
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit E-2)
Year Ended August 31, 2021

	Custodial Fund
Additions	
Contributions	\$ 13,266
Total additions	<u>13,266</u>
Deductions	
Instruction	16,244
Extracurricular activities	<u>10,991</u>
Total deductions	<u>27,235</u>
Change in net position	(13,969)
Net position, beginning, as restated	<u>22,826</u>
Net position, ending	<u><u>\$ 8,857</u></u>

Note 1 - Reporting Entity

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

Note 2 - Government-Wide and Fund Financial Statements

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

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

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

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

The District reports the following major governmental funds:

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

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

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

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

Additionally, the District reports the following fund types:

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

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

The fiduciary funds, the District has the following:

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

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

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

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

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

Deposits and Investments

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

Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements and in the proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Inventories

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

Long-Term Liabilities

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

Deferred Outflows/Inflows of Resources

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

Pensions

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

OPEB

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

Use of Estimates

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

Implementation of GASB Statement No. 84

As of September 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds. Additionally, certain agency funds also were reclassified as special revenue funds, resulting in a restatement of other governmental fund balance and of net position of governmental activities. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 19.

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement were implemented as of August 30, 2021.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a

nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

Note 6 - Fair Value Measurements

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

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

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

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

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

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

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

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

Note 7 - Detailed Notes on All Funds**Deposits and Investments**

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

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

Custodial Credit Risk-Deposits

At August 31, 2021, the District's deposits (cash, certificates of deposit and interest-bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

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

Concentration of Credit Risk

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

Interest Rate Risk

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

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

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

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

The investments held at August 31, 2021 are as follows:

Investment Pools	Amortized Cost	Weighted Average Maturity (Days)*	Rating
TexPool	\$ 2,657,514	37	AAAm
Lone Star/First Public	16,220,571	45	AAA
Total	<u>\$ 18,878,085</u>		

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

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2021 fiscal year was based, was \$2,983,792,137. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2021 were 97.3% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,290,279.

The tax rate to finance general governmental services was \$0.915 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.20 per \$100 for the year ended August 31, 2021.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized below:

Governmental Activities	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 687,136	\$ -	\$ 687,136
Fund 282 - ESSER III	-	1,584,855	1,584,855
Nonmajor governmental funds	80,992	1,090,503	1,171,495
	<u>\$ 768,128</u>	<u>\$ 2,675,358</u>	<u>\$ 3,443,486</u>

Interfund Receivables / Payables

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

Interfund balances at August 31, 2021, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

Due from/to other funds	Interfund Receivables	Interfund Payables
General fund	\$ 1,863,963	\$ 614,587
Fund 282 - ESSER III	-	810,577
Debt service fund	35,225	-
Capital projects fund	363,038	207
Nonmajor governmental funds	-	836,855
	<u>\$ 2,262,226</u>	<u>\$ 2,262,226</u>

Interfund transfers during the year ended August 31, 2021 consisted of the following individual balances:

Transfers in/out	Transfers In	Transfers Out
General fund	\$ -	\$ 101,270
Nonmajor governmental funds	101,270	-
	<u>\$ 101,270</u>	<u>\$ 101,270</u>

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

Related Party Transactions

For the year ended August 31, 2021, the District paid \$399,517 to a vendor that employees a member of the Board.

Note 8 - Capital Asset Activity

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

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 5,922,426	\$ -	\$ -	\$ 5,922,426
Construction in progress	45,487,312	-	(45,487,312)	-
Total capital assets not being depreciated	51,409,738	-	(45,487,312)	5,922,426
Capital assets, being depreciated				
Building and improvements	89,809,328	77,145,214	-	166,954,542
Furniture and equipment	4,292,227	2,229,851	(286,663)	6,235,415
Total capital assets being depreciated	94,101,555	79,375,065	(286,663)	173,189,957
Less accumulated depreciation for				
Building and improvements	(38,859,429)	(1,744,928)	-	(40,604,357)
Furniture and equipment	(2,918,747)	(650,403)	286,663	(3,282,487)
Total accumulated depreciation	(41,778,176)	(2,395,331)	286,663	(43,886,844)
Total capital assets, being depreciated, net	52,323,379	76,979,734	-	129,303,113
Governmental activities capital assets, net	<u>\$ 103,733,117</u>	<u>\$ 76,979,734</u>	<u>\$ (45,487,312)</u>	<u>\$ 135,225,539</u>

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

Instruction	\$ 1,563,916
Instructional resources and media services	49,477
Curriculum and staff development	6,424
School leadership	31,619
Guidance, counseling and evaluation services	14,400
Health services	394
Student transportation	124,030
Food service	93,367
Cocurricular/extracurricular activities	322,382
General administration	14,999
Facilities maintenance and operations	53,362
Data processing services	69,215
Community services	51,746
Total depreciation expense - governmental activities	<u>\$ 2,395,331</u>

Note 9 - Long-Term Debt

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

A summary of changes in general long-term debt for the year ended August 31, 2021 is as follows on the next page.

Kerrville Independent School District

Notes to Financial Statements

August 31, 2021

	Interest Rate Payable	Amounts Original Issued	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds Series 2013	2% to 3.5%	\$ 14,325,000	\$ 3,000,000	\$ -	\$ (3,000,000)	\$ -	\$ -
Unlimited Tax School Building Bonds Series 2013	2% to 4%	5,970,000	5,665,000	-	(45,000)	5,620,000	375,000
Unlimited Tax School Building Bond Series 2019	2% to 5%	49,070,000	49,070,000	-	-	49,070,000	1,060,000
Unlimited Tax School Building Bond Series 2020	2% to 5%	34,055,000	34,055,000	-	-	34,055,000	650,000
Total bonds payable			<u>\$ 91,790,000</u>	<u>\$ -</u>	<u>\$ (3,045,000)</u>	<u>\$ 88,745,000</u>	<u>\$ 2,085,000</u>

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

Year Ended August 31,	Principal	Interest	Total Requirements
2022	\$ 2,085,000	\$ 3,518,206	\$ 5,603,206
2023	2,150,000	3,449,506	5,599,506
2024	2,225,000	3,374,306	5,599,306
2025	2,275,000	3,318,931	5,593,931
2026	2,395,000	3,209,381	5,604,381
2027-2031	13,715,000	14,283,805	27,998,805
2032-2036	15,020,000	11,159,281	26,179,281
2037-2041	16,870,000	8,135,925	25,005,925
2042-2046	20,715,000	4,291,338	25,006,338
2047-2049	11,295,000	655,000	11,950,000
	<u>\$ 88,745,000</u>	<u>\$ 55,395,679</u>	<u>\$ 144,140,679</u>

Kerrville Independent School District

Notes to Financial Statements

August 31, 2021

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 91,790,000	\$ -	\$ (3,045,000)	\$ 88,745,000	\$ 2,085,000
Unamortized bond premium	8,118,503	-	(444,132)	7,674,371	-
Governmental activities long-term liabilities	<u>\$ 99,908,503</u>	<u>\$ -</u>	<u>\$ (3,489,132)</u>	<u>\$ 96,419,371</u>	<u>\$ 2,085,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2021.

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

Note 10 - Commitments Under Operating Leases

The District has six operating lease agreements for equipment. Total lease expense for the year ended August 31, 2021 was \$130,344. Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2021, as follows:

Year Ended August 31,	
2022	\$ 130,345
2023	130,346
2024	<u>64,162</u>
Totals	<u>\$ 324,853</u>

Note 11 - Contingencies

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

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

Note 12 - Defined Benefit Pension Plan**Plan Description**

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

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

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

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

Contributions

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

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

	Contribution Rates	
	2020	2021
Member	7.70%	7.70%
Non-employer contributing entity (State)	7.50%	7.50%
Employers/District	7.50%	7.50%

	2020	2021
Member contributions	\$ 2,289,149	\$ 2,285,574
NECE on-behalf contributions (State)	1,725,805	1,718,948
District contributions	903,506	939,837

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

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

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

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

- All public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and State contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees.

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

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

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2020

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.02%
Energy and Natural Resources and Infrastructure	6.0%	6.0%	0.42%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100%		7.33%

¹ Target Allocation based on the FY 2020 policy manual.

² Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).

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 was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease Discount Rate (6.25%)	Discount Rate (7.25%)	1% Decrease in Discount Rate (8.25%)
Total TRS net pension liability	\$ 82,585,415,626	\$ 53,557,959,841	\$ 29,973,787,965
District's proportionate share of the net pension liability	\$ 18,084,846	\$ 11,728,311	\$ 6,563,766

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

At August 31, 2021, the District reported a liability of \$11,728,311 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	\$ 11,728,311
State's proportionate share that is associated with the District	22,304,510
Total	<u>\$ 34,032,821</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was .0218984% which was a decrease of .0035787% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

For the fiscal year ended August 31, 2021, the District recognized pension expense of \$2,682,737 and revenue of \$1,718,304 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 21,415	\$ 327,306
Changes in actuarial assumptions	2,721,385	1,157,114
Difference between projected and actual investment earnings	237,429	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	623,498	1,819,340
Contributions paid to TRS subsequent to the measurement date	939,837	-
Total	<u>\$ 4,543,564</u>	<u>\$ 3,303,760</u>

\$939,837 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2022.

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2022	\$ 369,255
2023	346,786
2024	208,369
2025	(161,944)
2026	(386,146)
Thereafter	<u>(76,353)</u>
Total	<u>\$ 299,967</u>

Note 13 - Postemployment Health Benefits**Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf; or writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

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

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

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	2020	2021
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
	2020	2021
Employer contributions	\$ 263,482	\$ 271,641
Member contributions	193,403	192,936
NECE on-behalf contributions	419,322	332,716

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

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

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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 the TRS for the period ending August 31, 2017.

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

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

The active mortality rates were based on 90% 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 Rates, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.25% to 9.0% The initial medical trend rates were 9.00% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Expenses	Third-party administrative expense related to delivery of health care benefits are included in the age-adjusted claim costs.
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Decrease in Discount Rate (3.33%)
Total TRS Net OPEB Liability	\$ 45,617,332,072	\$ 38,014,515,883	\$ 32,009,382,286
District's proportionate share of the Net OPEB Liability	\$ 15,888,377	\$ 13,240,339	\$ 11,148,769

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total TRS net OPEB liability	\$ 31,052,989,071	\$ 38,014,515,883	\$ 47,286,285,654
District's proportionate share of the OPEB liability	\$ 10,815,661	\$ 13,240,339	\$ 16,469,668

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

At August 31, 2021, the District reported a liability of \$13,240,339 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 13,240,339
State's proportionate share that is associated with the District	17,791,842
Total	<u>\$ 31,032,181</u>

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

At August 31, 2020, the District's proportion of the collective Net OPEB Liability was 0.0348296925% compared to 0.0354635446% as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. These changes decreased the Total OPEB Liability.

- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the Total OPEB Liability.

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

For the year ended August 31, 2021, the District recognized OPEB expense of \$123,540 and revenue of \$355,729 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 693,259	\$ 6,059,456
Changes in actuarial assumptions	816,654	3,635,866
Difference between projected and actual investment earnings	4,303	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	47	2,125,297
Contributions paid to TRS subsequent to the measurement date	271,641	-
Total	<u>\$ 1,785,904</u>	<u>\$ 11,820,619</u>

\$271,641 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2022.

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

Year Ended August 31,	OPEB Expense Amount
2022	\$ (1,684,595)
2023	(1,685,170)
2024	(1,685,499)
2025	(1,685,409)
2026	(1,331,758)
Thereafter	(2,233,925)
Total	<u>\$ (10,306,356)</u>

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from federal governments to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenue and expenditures by the District in the amount of \$142,372, \$127,737, and \$110,582, for the years ended August 31, 2021, 2020 and 2019, respectively.

Note 14 - Health Care and Workers' Compensation Coverage

During the year ended August 31, 2021, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the TRS, with Aetna as the health plan administrator and Caremark as the pharmacy benefits manager. The District contributes \$352 per month per active employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

Note 15 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2021, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 28,275,449	\$ 6,170,549	\$ -	\$ -	\$ 34,445,998
Penalties, interest, and other tax related income	370,201	66,468	-	-	436,669
Food service sales	-	-	-	246,263	246,263
Investment income	12,857	1,578	15,201	43	29,679
Campus activity related income	-	-	-	1,064,794	1,064,794
Tuition	225,027	-	-	-	225,027
Cocurricular student activities	169,343	-	-	-	169,343
Other	380,580	-	380,000	(541)	760,039
Total	<u>\$ 29,433,457</u>	<u>\$ 6,238,595</u>	<u>\$ 395,201</u>	<u>\$ 1,310,559</u>	<u>\$ 37,377,812</u>

Note 16 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 17 - Fund Balance

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

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2021, \$9,325,529 was restricted for capital acquisition and Federal grants. Fund balance restricted for the retirement of funded indebtedness totaled \$2,085,526 as of August 31, 2021.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2021, the District had fund balance committed for the following purposes:

Future turf replacement	\$ 450,000
Future track resurfacing	160,000
Committed - construction	<u>\$ 610,000</u>
Future band uniforms	\$ 50,000
Future E-rate match	111,000
IDEA-B Special Ed set aside	215,000
IMA-Future Use	197,818
Instrument Replacement	35,000
STEM/FFE	45,000
Vehicle Replacement	65,000
Technology Replacement	70,000
Capital Projects	189,530
Campus Activities	1,026,682
Instructional Technology	<u>75,200</u>
Committed - other	<u>\$ 2,080,230</u>

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At August 31, 2021, the District had no assigned funds.

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

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

Note 18 - General Fund Federal Source Revenues

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

	CFDA	Amount
Medicaid Administrative Claiming	93.778	\$ 29,192
School of Health and Related Services	N/A	432,524
COVID-19 Coronavirus Relief Fund*	21.019	222,318
Indirect costs:		
Title I, Part A	84.010A	45,043
Career and Technical Education	84.048	2,142
COVID-19 Elementary and Secondary		
School Emergency Relief Fund	84.425U	142,115
		<u>\$ 873,334</u>

*Expenditures were recorded in the General Fund in fiscal year 2020; however, the award was finalized and reimbursement was received in fiscal year 2021. Accordingly, the revenue is recorded in the same fund that expenditures had previously been recorded.

Note 19 - Adoption of New Standard

As of September 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). The impact to the District resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds. Certain agency funds also were reclassified as special revenue funds, resulting in a restatement of other governmental fund balance and of net position of governmental activities.

In addition to the restatements of opening net position, the agency funds previously accounted for various student activity funds collected on behalf of those students. Those activities are now reported as custodial funds.

The following table describes the effects of the implementation of GASB 84 on beginning net position.

Kerrville Independent School District

Notes to Financial Statements

August 31, 2021

	<u>Custodial Fund</u>
Net position at September 1, 2020, as previously reported	\$ -
Reclassification of various student activity funds to custodial funds	22,826
Net position at September 1, 2020, as restated	<u>\$ 22,826</u>
	<u>Other</u>
	<u>Governmental Funds</u>
Fund balance at September 1, 2020, as previously reported	\$ 171,034
Reclassification of various student activity funds to special revenue funds	532,046
Net position at September 1, 2020, as restated	<u>\$ 703,080</u>
	<u>Governmental</u>
	<u>Activities</u>
Net position at September 1, 2020, as previously reported	\$ 29,008,434
Reclassification of various student activity funds to special revenue funds	532,046
Net position at September 1, 2020, as restated	<u>\$ 29,540,480</u>



Required Supplementary Information
August 31, 2021

Kerrville Independent School District

Kerrville Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 28,498,000	\$ 28,498,000	\$ 29,433,457	\$ 935,457
5800	State program revenues	13,162,183	13,224,183	13,902,220	678,037
5900	Federal program revenues	550,000	550,000	873,334	323,334
5020	Total revenues	42,210,183	42,272,183	44,209,011	1,936,828
	Expenditures				
	Current				
0011	Instruction	23,864,848	23,410,169	22,358,596	1,051,573
0012	Instructional resources and media services	393,192	416,361	378,198	38,163
0013	Curriculum and instructional staff development	372,942	442,245	284,087	158,158
0021	Instructional leadership	864,231	929,698	797,424	132,274
0023	School leadership	2,643,635	2,638,237	2,488,954	149,283
0031	Guidance, counseling, and evaluation services	1,407,539	1,433,685	1,306,209	127,476
0032	Social work services	25,461	95,461	26,108	69,353
0033	Health services	509,279	581,421	496,760	84,661
0034	Student (pupil) transportation	1,672,660	2,212,660	1,622,582	590,078
0036	Extracurricular activities	1,536,284	1,561,773	1,322,357	239,416
0041	General administration	1,752,338	1,647,718	1,494,697	153,021
0051	Facilities maintenance and operations	5,546,684	5,652,825	4,875,802	777,023
0052	Security and monitoring services	234,471	249,991	189,679	60,312
0053	Data processing services	632,642	771,862	658,062	113,800
0061	Community services	351,977	376,077	321,211	54,866
0081	Facilities acquisition and construction	-	1,000	-	1,000
0099	Intergovernmental Other intergovernmental charges	402,000	432,000	412,038	19,962
6030	Total expenditures	42,210,183	42,853,183	39,032,764	3,820,419
1100	Excess (deficiency) of revenues over (under) expenditures	-	(581,000)	5,176,247	4,595,247
	Other financing sources (uses)				
8911	Transfers out	-	(101,270)	(101,270)	-
7080	Total other financing sources	-	(101,270)	(101,270)	-
1200	Net change in fund balances	-	(682,270)	5,074,977	4,595,247
0100	Fund balances, beginning	12,921,476	12,921,476	12,921,476	-
3000	Fund balances, ending	\$ 12,921,476	\$ 12,239,206	\$ 17,996,453	\$ 5,757,247

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2021

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0218983524%	0.0254770941%	0.0266207286%	0.0276431800%	0.02771378%	0.02604410%	0.01578140%
District's proportionate share of net pension liability	\$ 11,728,311	\$ 13,243,790	\$ 14,652,695	\$ 8,838,799	\$ 10,472,626	\$ 9,206,243	\$ 4,215,430
State's proportionate share of the net pension liability associated with the District	22,304,510	19,947,028	22,459,861	13,569,437	16,482,561	17,624,966	15,513,339
Totals	\$ 34,032,821	\$ 33,190,818	\$ 37,112,556	\$ 22,408,236	\$ 26,955,187	\$ 26,831,209	\$ 19,728,769
District's covered payroll							
District's proportionate share of net pension liability as a percentage of its covered payroll	39.42%	46.94%	50.02%	31.25%	37.61%	33.55%	15.51%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.23%

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

Note: Plan information was unavailable prior to 2014.

Kerrville Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2021

	8/31/2021	8/31/2020	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015
Contractually required contribution	\$ 939,837	\$ 903,506	\$ 891,537	\$ 896,965	\$ 893,662	\$ 771,178	\$ 400,103
Contribution in relation to the contractually required contribution	(939,837)	(903,506)	(891,537)	(896,965)	(893,662)	(771,178)	(387,627)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,476
District's covered payroll	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412	\$ 27,440,718
Contributions as a percentage of covered payroll	3.17%	3.04%	3.16%	3.06%	3.16%	2.77%	1.46%

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

Note 2: Plan information was unavailable prior to 2014.

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2021

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0348297%	0.0354635%	0.0368514%	0.0395156%
District's proportionate share of net OPEB liability	\$ 13,240,339	\$ 16,771,145	\$ 18,400,242	\$ 17,183,848
State's proportionate share of the net OPEB liability associated with the District	17,791,842	22,285,100	23,382,095	21,039,605
Totals	<u>\$ 31,032,181</u>	<u>\$ 39,056,245</u>	<u>\$ 41,782,337</u>	<u>\$ 38,223,453</u>
District's covered employee payroll	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768
District's proportionate share of net OPEB liability as a percentage of its covered payroll	44.50%	59.43%	62.81%	60.75%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%

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

Note 2: Plan information was unavailable prior to 2018.

Kerrville Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2021

	2021	2020	2019	2018
Contractually required contribution	\$ 271,641	\$ 263,482	\$ 251,693	\$ 251,693
Contribution in relation to the contractually required contribution	(271,641)	(263,482)	(251,693)	(251,693)
Contributions deficiency/excess	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037
Contributions as a percentage of covered payroll	0.92%	0.89%	0.89%	0.86%

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

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

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

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

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

Note 2 - Pension

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

Note 3 - OPEB

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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



Other Supplementary Information
August 31, 2021

Kerrville Independent School District

		205	211	224
Data Control Codes		Head Start	ESEA Title I Improving Basic Programs	IDEA - B Formula
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	155,803	358,533	304,366
1300	Inventories	-	-	-
1000	Total assets	<u>\$ 155,803</u>	<u>\$ 358,533</u>	<u>\$ 304,366</u>
Liabilities				
2110	Accounts payable	\$ 7,590	\$ -	\$ 2,386
2160	Accrued wages payable	46,283	61,598	49,847
2170	Due to other funds	101,930	296,935	252,133
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>155,803</u>	<u>358,533</u>	<u>304,366</u>
Fund balances				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 155,803</u>	<u>\$ 358,533</u>	<u>\$ 304,366</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2021

225	226	240	244
IDEA - B Preschool Grant	IDEA - B Discretionary Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant
\$ -	\$ 7,119	\$ 261,522	\$ -
9,134	-	150,463	11,586
-	-	72,386	-
<u>\$ 9,134</u>	<u>\$ 7,119</u>	<u>\$ 484,371</u>	<u>\$ 11,586</u>
\$ -	\$ 2,006	\$ 190,360	\$ 323
1,917	-	-	-
7,217	-	-	11,263
-	5,113	-	-
<u>9,134</u>	<u>7,119</u>	<u>190,360</u>	<u>11,586</u>
-	-	72,386	-
-	-	221,625	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>294,011</u>	<u>-</u>
<u>\$ 9,134</u>	<u>\$ 7,119</u>	<u>\$ 484,371</u>	<u>\$ 11,586</u>

Data Control Codes		255	263	266
		ESEA Title II Training & Recruiting	English Language Acquisition and Enhancement	ESSER
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	39,159	1,000	44,533
1300	Inventories	-	-	-
1000	Total assets	<u>\$ 39,159</u>	<u>\$ 1,000</u>	<u>\$ 44,533</u>
	Liabilities			
2110	Accounts payable	\$ 1,725	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	37,434	1,000	44,533
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>39,159</u>	<u>1,000</u>	<u>44,533</u>
	Fund balances			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 39,159</u>	<u>\$ 1,000</u>	<u>\$ 44,533</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2021

270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	288 Air Force ROTC	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,932	8,994	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,932</u>	<u>\$ 8,994</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	364	-
-	-	6,932	8,630	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,932</u>	<u>8,994</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,932</u>	<u>\$ 8,994</u>	<u>\$ -</u>

		397	410	429
Data Control Codes		Advanced Placement Initiatives	State Textbook Fund	State Special Revenue
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	-	80,992	-
1300	Inventories	-	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 80,992</u>	<u>\$ -</u>
	Liabilities			
2110	Accounts payable	\$ -	\$ 12,144	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	68,848	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>-</u>	<u>80,992</u>	<u>-</u>
	Fund balances			
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 80,992</u>	<u>\$ -</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2021

461	499	Total
Campus Activity Funds	Other Local Special Revenue Funds	Nonmajor Governmental Funds (See Exhibit C-1)
<u> </u>	<u> </u>	<u> </u>
\$ 1,048,380	\$ 4,174	\$ 1,321,195
-	-	1,171,495
-	-	72,386
<u>\$ 1,048,380</u>	<u>\$ 4,174</u>	<u>\$ 2,565,076</u>
\$ 21,698	\$ -	\$ 238,232
-	-	160,009
-	-	836,855
-	4,174	9,287
<u>21,698</u>	<u>4,174</u>	<u>1,244,383</u>
-	-	72,386
-	-	221,625
<u>1,026,682</u>	<u>-</u>	<u>1,026,682</u>
<u>1,026,682</u>	<u>-</u>	<u>1,320,693</u>
<u>\$ 1,048,380</u>	<u>\$ 4,174</u>	<u>\$ 2,565,076</u>

Data Control Codes		205	211	224
		Head Start	ESEA Title I Improving Basic Programs	IDEA - IDEA - B Formula
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	857,332	1,275,472	972,873
5020	Total revenues	857,332	1,275,472	972,873
	Expenditures			
	Current			
0011	Instruction	527,707	755,697	800,091
0012	Instruction resources and media services	4,563	-	-
0013	Curriculum and instructional staff development	24,047	138,782	500
0021	Instructional leadership	1,355	-	-
0023	School leadership	101,629	-	896
0031	Guidance, counseling and evaluation services	96,664	353,995	171,386
0032	Social work services	44,325	-	-
0033	Health services	39,526	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	2,410	-	-
0061	Community services	15,106	26,998	-
6030	Total expenditures	857,332	1,275,472	972,873
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	Other financing sources (uses)			
7915	Operating transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year, as restated	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2021

225	226	240	244
IDEA - B Preschool Grant	IDEA - B Discretionary Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant
\$ -	\$ -	\$ 245,765	\$ -
-	-	57,587	-
25,408	37,676	2,366,504	60,509
25,408	37,676	2,669,856	60,509
25,408	34,430	-	58,791
-	-	-	-
-	-	-	1,718
-	-	-	-
-	-	-	-
-	218	-	-
-	-	-	-
-	-	-	-
-	3,028	-	-
-	-	2,648,149	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
25,408	37,676	2,648,149	60,509
-	-	21,707	-
-	-	101,270	-
-	-	101,270	-
-	-	122,977	-
-	-	171,034	-
\$ -	\$ -	\$ 294,011	\$ -

Data Control Codes		255	263	266
		ESEA Title II Training & Recruiting	English Language Acquisition and Enhancement	ESSER
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	149,432	31,554	78,335
5020	Total revenues	149,432	31,554	78,335
	Expenditures			
	Current			
0011	Instruction	-	6,554	44,533
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	142,160	25,000	22,000
0021	Instructional leadership	650	-	-
0023	School leadership	2,115	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	4,507	-	11,802
6030	Total expenditures	149,432	31,554	78,335
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	Other financing sources (uses)			
7915	Operating transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year, as restated	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2021

270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	288 Air Force ROTC	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,006
45,295	316,386	71,300	105,272	-
45,295	316,386	71,300	105,272	3,006
240	316,386	71,300	40,963	3,006
-	-	-	-	-
44,800	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	50,971	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	7,343	-
-	-	-	-	-
-	-	-	-	-
255	-	-	5,753	-
-	-	-	242	-
45,295	316,386	71,300	105,272	3,006
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

		397	410	429
Data Control Codes		Advanced Placement Initiatives	State Textbook Fund	Special Revenue Fund
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	414	147,203	61
5900	Federal program revenues	-	-	-
5020	Total revenues	414	147,203	61
	Expenditures			
	Current			
0011	Instruction	414	147,203	61
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
6030	Total expenditures	414	147,203	61
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	Other financing sources (uses)			
7915	Operating transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year, as restated	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2021

461	499	Nonmajor Governmental Funds (See Exhibit C-2)
Campus Activity Funds	Other Local Special Revenue Funds	
\$ 1,064,794	\$ -	\$ 1,310,559
-	-	208,271
-	-	6,393,348
<u>1,064,794</u>	<u>-</u>	<u>7,912,178</u>
267,266	-	3,100,050
7,167	-	11,730
111,513	-	510,520
-	-	2,005
3,224	-	107,864
1,449	-	674,683
-	-	44,325
428	-	39,954
-	-	3,028
-	-	2,648,149
177,089	-	184,432
61	-	61
1,961	-	1,961
-	-	8,418
-	-	58,655
<u>570,158</u>	<u>-</u>	<u>7,395,835</u>
494,636	-	516,343
-	-	101,270
-	-	101,270
494,636	-	617,613
532,046	-	703,080
<u>\$ 1,026,682</u>	<u>\$ -</u>	<u>\$ 1,320,693</u>



Required TEA Schedules
August 31, 2021

Kerrville Independent School District

<u>Year Ended August 31,</u>	<u>1 2</u> <u>Tax Rates</u>		<u>3</u> <u>Assessed/Appraised</u> <u>Value for School</u> <u>Tax Purposes</u>
	<u>Maintenance</u>	<u>Debt Service</u>	
2012 and prior years	\$ Various	\$ Various	\$ Various
2013	1.030	0.1400	2,258,294,298
2014	1.040	0.1400	2,281,057,100
2015	1.040	0.1400	2,450,340,827
2016	1.040	0.1400	2,408,664,572
2017	1.040	0.1400	2,382,594,852
2018	1.040	0.1400	2,466,390,254
2019	1.040	0.1400	2,633,361,610
2020	0.970	0.2000	2,824,652,821
2021 (school year under audit)	0.915	0.2000	2,983,792,137
1000 Totals			

Kerrville Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2021

10 Beginning Balance 9/1/2020	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2021
\$ 343,692	\$ -	\$ 21,906	\$ 3,254	\$ (11,936)	\$ 306,596
70,648	-	5,346	720	(419)	64,163
88,003	-	11,076	1,491	(401)	75,035
94,797	-	14,664	1,974	(403)	77,756
112,926	-	17,926	2,413	(2,015)	90,572
148,033	-	25,786	3,471	(2,102)	116,674
192,981	-	34,694	4,670	(416)	153,201
268,053	-	42,646	5,741	(15,067)	204,599
681,397	-	224,688	46,425	(35,712)	374,572
-	34,910,368	27,883,486	6,093,928	(240,494)	692,460
<u>\$ 2,000,530</u>	<u>\$ 34,910,368</u>	<u>\$ 28,282,218</u>	<u>\$ 6,164,087</u>	<u>\$ (308,965)</u>	<u>\$ 2,155,628</u>

Kerrville Independent School District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch Program (Exhibit J-2)
Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 601,487	\$ 601,487	\$ 245,765	\$ (355,722)
5800	State program revenues	11,928	11,928	57,587	45,659
5900	Federal program revenues	2,017,369	2,017,369	2,366,504	349,135
5020	Total revenues	2,630,784	2,630,784	2,669,856	39,072
	Expenditures				
	Current				
0035	Food service	2,630,784	2,720,784	2,648,149	72,635
6030	Total expenditures	2,630,784	2,720,784	2,648,149	72,635
1100	Excess (deficiency) of revenues over (under) expenditures	-	(90,000)	21,707	111,707
	Other financing sources (uses)				
7915	Transfers in	-	101,270	101,270	-
7080	Total other financing sources	-	101,270	101,270	-
1200	Change in fund balance	-	11,270	122,977	111,707
0100	Fund balances, beginning	171,034	171,034	171,034	-
3000	Fund balances, ending	\$ 171,034	\$ 182,304	\$ 294,011	\$ 111,707

Kerrville Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
(Exhibit J-3)
Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 6,145,322	\$ 6,145,322	\$ 6,238,595	\$ 93,273
5800	State program revenues	86,400	86,400	91,303	4,903
5020	Total revenues	6,231,722	6,231,722	6,329,898	98,176
	Expenditures				
	Debt service				
0071	Principal on long term debt	3,045,000	3,045,000	3,045,000	-
0072	Interest on long term debt	3,625,006	3,625,006	3,625,006	-
0073	Other debt service fees	50,000	50,000	1,316	48,684
6030	Total expenditures	6,720,006	6,720,006	6,671,322	48,684
1100	Excess (deficiency) of revenues over (under) expenditures	(488,284)	(488,284)	(341,424)	146,860
1200	Net change in fund balances	(488,284)	(488,284)	(341,424)	146,860
0100	Fund balances, beginning	2,426,950	2,426,950	2,426,950	-
3000	Fund balances, ending	\$ 1,938,666	\$ 1,938,666	\$ 2,085,526	\$ 146,860

Kerrville Independent School District

Use of Funds Report (Exhibit J-4)

Year Ended August 31, 2021

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the LEA's fiscal year.	\$3,949,015
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 26, 28, 29, 30, 34)	\$3,720,207
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 202,767
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 546,799



Federal Awards Section
August 31, 2021

Kerrville Independent School District



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerrville Independent School District (the District) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Abilene, Texas
December 9, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Kerrville Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

Abilene, Texas
December 9, 2021

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2021

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	U.S. Department of Defense			
	Direct Programs			
288	Air Force Junior ROTC	12.000	TX1D2063	\$ 71,300
	Total U.S. Department of Defense			<u>71,300</u>
	U.S. Department of Education			
	Passed through Texas Education Agency			
224	IDEA - Part B, Formula**	84.027A	206600011339036600	481,006
224	IDEA - Part B, Formula**	84.027A	216600011339036600	491,867
226	IDEA - Part B, Discretionary**	84.027A	2265431920033	37,676
225	IDEA - Part B, Preschool***	84.173	206610011339036610	7,658
225	IDEA - Part B, Preschool***	84.173	216600011339036610	<u>17,750</u>
	Total Special Education Cluster			1,035,957
211	ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101133903	415,641
211	ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101133903	890,474
211	Title I, 1003 School Improvement Grant	84.010A	20610141133903	<u>14,400</u>
	Total ALN 84.010A			1,320,515
244	Career and Technical Education - Basic Grants to States	84.048	20420006133903	11,586
244	Career and Technical Education - Basic Grants to States	84.048	21420006133903	<u>51,065</u>
	Total ALN 84.048			62,651
270	ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001133903	16,550
270	ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001133903	<u>28,745</u>
	Total ALN 84.358B			45,295
263	Title III, Part A - English Language Acquisition	84.365A	20671001133903	5,084
263	Title III, Part A - English Language Acquisition	84.365A	21671001133903	25,000
263	Title III, Part A - Immigrant	84.365A	21671003133903	<u>1,470</u>
	Total ALN 84.365A			31,554
255	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	20694501133903	17,287
255	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	21694501133903	<u>132,145</u>
	Total ALN 84.367A			149,432

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2021

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
289	Title IV, Part A, Subpart 1	84.424A	20680101133903	45,279
289	Title IV, Part A, Subpart 1	84.424A	21680101133903	59,993
	Total ALN 84.424A			<u>105,272</u>
266	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	20521001133903	78,335
281	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	20521001133903	316,386
282	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	21521001133903	1,584,690
	Total ALN 84.425			<u>1,979,411</u>
	Total Department of Education			4,730,087
199****	U.S. Department of Treasury COVID-19 Coronavirus Relief Fund	21.019	133-903	222,318
	Total U.S. Department of Treasury			222,318
	Total passed through Texas Education Agency			<u>4,952,405</u>
	U.S. Department of Health and Human Services Direct Programs - Head Start Cluster			
205	Head Start	93.600	06CH7136-04-00	734,758
205	COVID-19 Head Start	93.600	06HE00831-01-00	122,574
	Total Direct Programs - Head Start Cluster			<u>857,332</u>
	Passed through Texas Health and Human Services Commission			
199	Medicaid Administrative Claiming Program - MAC	93.778	133-903	29,192
	Total Medicaid Cluster			29,192
	Total passed through Texas Health and Human Services Commission			<u>29,192</u>
	Total Department of Health and Human Services			<u>886,524</u>

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2021

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	U.S. Department of Agriculture			
	Passed through Texas Education Agency			
240	School Breakfast Program	10.559	71402101	595,106
240	National School Lunch Program*	10.555	71302101	1,507,501
240	National School Lunch Program - noncash assistance*	10.555	71302101	158,342
240	COVID-19 Emergency Operational			
	Cost Reimbursement*	10.555	00693	105,555
	Total Child Nutrition Cluster			2,366,504
	Total Department of Agriculture			2,366,504
	Total Federal Financial Assistance			<u>\$ 8,276,733</u>

*Total National School Lunch Program (ALN 10.555)

\$ 1,771,398

**Total IDEA - Part B, Formula/Discretionary (ALN 84.027A)

1,010,549

***Total IDEA - Part B, Preschool (ALN 84.173)

25,408

****Expenditures were recorded in the general fund in fiscal year 2020; however, the award was finalized and reimbursement was received in fiscal year 2021. Accordingly, the expenditures had previously been recorded.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

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

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

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

Total expenditures of federal awards per Exhibit K-1	\$ 8,276,733
School Health and Related Services	<u>432,524</u>
Total federal revenues per Exhibit C-2	<u><u>\$ 8,709,257</u></u>

Note 3 - Indirect Cost Rate

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

Note 4 - Food Donation

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

<u>Name of Federal Program</u>	<u>Financial Assistance Listing Number</u>
Child Nutrition Cluster	10.555; 10.559
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D; 84.425U
COVID-19 Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

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

Kerrville Independent School District
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
Year Ended August 31, 2021

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