

**KENEDY
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022**

KENEDY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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Introductory Section

CERTIFICATE OF BOARD

Kenedy Independent School District
Name of School District

Karnes
County

128-902
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, 2022, at a meeting of the board of trustees of such school district on the 12th day of December, 2022.

Oscar Garcia

Signature of Board Secretary

Antonio Garcia

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)

Financial Section



Roloff, Hnatek & Co., L.L.P.

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Independent Auditors' Report

Board of Trustees
Kenedy Independent School District
401 Highway 719
Kenedy, Texas 78119

Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenedy Independent School District as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Kenedy Independent School District, as of August 31, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kenedy Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 10 through 16, the budgetary comparison information on page 56, the information related to the District's pension plan on pages 57 through 60, and the information related to the District's other post-employment benefits on pages 61 through 64, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenedy Independent School District's basic financial statements. The accompanying supplementary information on pages 67 through 71 and the schedule of expenditures of federal awards on page 80, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note O to the financial statements, during the year ended August 31, 2022, the District adopted new accounting guidance prescribed by GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of Kenedy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kenedy Independent School 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 Kenedy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

December 9, 2022

Management's Discussion and Analysis (Unaudited)

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

As management of Kenedy Independent School District (“District”), we offer readers as an introduction to the District’s financial statements, this narrative overview and analysis of the District’s activities and financial performance for the year ended August 31, 2022. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2022 was \$20,533,358. Of this amount, \$4,675,533 is unrestricted.
- The District’s total net position increased \$1,353,379, or 7%, from the prior year.
- The general fund had a fund balance of \$10,427,891 at August 31, 2022, a decrease of \$476,477, or 4%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report of the District consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and 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 the general government services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements*, if any, offer *short-term* 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 *custodian* for the benefit of others, to whom the resources in question belong.

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.

The table on the following page summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

Major Features of the District's Government-wide and Fund Financial Statements

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or custodian 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 fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary 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, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the fiduciary funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or position.

- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services are included here, such as instruction, curriculum, staff development, general administration, extracurricular activities and health services. Property taxes and grants finance most of these activities.

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* and not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for specific purposes.

- Some funds are required by State law and by bond covenants, if any.
- The Board of Trustees establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain taxes and grants.

The District has the following kinds of 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 into cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. 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 government funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for certain funds such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, indirect costs, fund balance, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position (the difference between assets and liabilities) can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2022 by \$20,533,358. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2022 and 2021.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022 - 2021</u>	<u>2022 - 2021</u>
Assets:				
Current Assets	\$ 16,248,767	\$ 17,814,465	\$ (1,565,698)	(9%)
Capital Assets	36,278,723	36,680,665	(401,942)	(1%)
Total Assets	<u>52,527,490</u>	<u>54,495,130</u>	<u>(1,967,640)</u>	(4%)
Deferred Outflows of Resources	<u>3,466,074</u>	<u>3,401,340</u>	<u>64,734</u>	2%
Liabilities:				
Current Liabilities	574,595	1,653,297	(1,078,702)	(65%)
Non-Current Liabilities	29,486,271	32,571,402	(3,085,131)	(9%)
Total Liabilities	<u>30,060,866</u>	<u>34,224,699</u>	<u>(4,163,833)</u>	(12%)
Deferred Inflows of Resources	<u>5,399,340</u>	<u>4,491,792</u>	<u>907,548</u>	20%
Net Position:				
Net Investment in Capital Assets	14,738,739	13,813,810	924,929	7%
Restricted	1,119,086	731,503	387,583	53%
Unrestricted	4,675,533	4,634,666	40,867	1%
Total Net Position	<u>\$ 20,533,358</u>	<u>\$ 19,179,979</u>	<u>\$ 1,353,379</u>	7%

A portion of the District's net position (\$14,738,739) reflects its investment in capital assets (e.g., land, buildings, vehicles, and furniture and equipment) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. The restricted portion of the District's net position (\$1,119,086) is used for debt service and food service. The remaining balance of unrestricted net position (\$4,675,533) may be used to meet the District's ongoing obligations to employees and vendors.

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2022 and 2021.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022 - 2021</u>	<u>2022 - 2021</u>
Program Revenues:				
Charges for Services	\$ 95,715	\$ 89,022	\$ 6,693	8%
Operating Grants and Contributions	2,299,458	1,708,686	590,772	35%
General Revenues:				
Property Taxes	10,464,755	14,586,733	(4,121,978)	(28%)
State Aid-Formula	1,035,505	752,152	283,353	38%
Investment Earnings	82,540	28,506	54,034	190%
Misc. Local and Intermediate Revenue	233,207	370,031	(136,824)	(37%)
Total Revenues	<u>14,211,180</u>	<u>17,535,130</u>	<u>(3,323,950)</u>	<u>(19%)</u>
Expenses:				
Instruction	6,000,662	5,704,049	296,613	5%
Instructional Resources and Media Services	54,754	55,984	(1,230)	(2%)
Curriculum and Staff Development	329,345	292,013	37,332	13%
School Leadership	573,982	598,294	(24,312)	(4%)
Guidance, Counseling, and Evaluation Services	252,325	251,258	1,067	0%
Health Services	170,128	184,280	(14,152)	(8%)
Student (Pupil) Transportation	548,531	509,817	38,714	8%
Food Services	607,519	603,049	4,470	1%
Extracurricular Activities	647,276	550,807	96,469	18%
General Administration	902,084	911,478	(9,394)	(1%)
Facilities Maintenance and Operations	1,178,877	1,276,290	(97,413)	(8%)
Security and Monitoring Services	107,968	94,496	13,472	14%
Data Processing Services	528,458	271,042	257,416	95%
Interest on Long-Term Debt	515,679	143,064	372,615	260%
Bond Issuance Cost and Fees	29,502	284,504	(255,002)	(90%)
Contracted Instructional Svcs. Between Schools	144	2,271,759	(2,271,615)	(100%)
Payments Related to Shared Svcs. Arrangements	265,518	236,491	29,027	12%
Payments to Juvenile Justice Altern. Ed. Pgms.	28,504	27,967	537	2%
Other Intergovernmental Charges	116,545	132,364	(15,819)	(12%)
Total Expenses	<u>12,857,801</u>	<u>14,399,006</u>	<u>(1,541,205)</u>	<u>(11%)</u>
Increase (Decrease) in Net Position	<u>\$ 1,353,379</u>	<u>\$ 3,136,124</u>	<u>\$ (1,782,745)</u>	

The District's total revenues and expenses decreased by 19% and 11%, respectively. The District experienced a significant increase in operating grants and contributions and state-aid formula, while there were significant decreases from property taxes and miscellaneous local and intermediate revenue. There were significant increases in expenses in the functional categories of instruction, extracurricular activities, data processing services, and interest on long-term debt, while there were significant decreases in the functional categories of facilities maintenance and operations, bond issuance cost and fees, and contracted instructional services between schools. The fiscal year operations resulted in an increase in net position of \$1,353,379.

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$14,681,015, a decrease of approximately 16% from the preceding year. Local revenues decreased by approximately 29% while the state and federal revenues increased in total by approximately 64%. Expenditures from governmental fund types totaled \$15,300,846, a decrease of approximately 20% from the preceding year. The decrease in expenditures was primarily due to significant increases in the functional categories of instruction, student (pupil) transportation, extracurricular activities, and data processing services combined with significant decreases in the functional categories of principal on long-term debt, interest on long-term debt, facilities acquisition and construction, and contracted instructional services between schools.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. The following budgeted expenditures were significantly changed by budget amendments to accommodate unanticipated increases and decreases in expenditures subsequent to the adoption of the original budget.

- Function 11 (Instruction)
- Function 23 (School Leadership)
- Function 34 (Student (Pupil) Transportation)
- Function 36 (Extracurricular Activities)
- Function 51 (Facilities Maintenance and Operations)

Total actual revenues were \$289,815 less than the final budgeted amount due primarily to local and intermediate sources being less than anticipated. Total actual expenditures were \$838,664 below final budget amounts due primarily to significant favorable variances in functions 11 (Instruction), 51 (Facilities Maintenance and Operations), and 91 (Contracted Instructional Services Between Schools) combined with other insignificant favorable variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2022 was \$36,278,723 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, furniture and equipment. This amount represents a net decrease (including additions, deletions, and depreciation expense) of \$401,942 from fiscal year 2021. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of August 31, 2022 and 2021.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022 - 2021</u>	<u>2022 - 2021</u>
Land	\$ 372,015	\$ 372,015	\$ -	0%
Buildings and Improvements	44,799,666	31,475,622	13,324,044	42%
Vehicles, Furniture and Equipment	2,267,024	2,213,936	53,088	2%
Construction in Progress	-	12,949,488	(12,949,488)	(100%)
Totals at Historical Cost	<u>47,438,705</u>	<u>47,011,061</u>	<u>427,644</u>	<u>1%</u>
Total Accumulated Depreciation	<u>(11,159,982)</u>	<u>(10,330,396)</u>	<u>(829,586)</u>	<u>8%</u>
Net Capital Assets	<u>\$ 36,278,723</u>	<u>\$ 36,680,665</u>	<u>\$ (401,942)</u>	<u>(1%)</u>

KENEDY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2022

Long-term Debt

As of August 31, 2022, the District had long-term debt outstanding of \$24,890,353. This amount is comprised of general obligation bonds. Additional information regarding the District’s long-term debt can be found in Note E to the financial statements. The following table summarizes the District’s long-term debt outstanding at August 31, 2022 and 2021.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022 - 2021</u>	<u>2022 - 2021</u>
General Obligation Bonds	<u>\$ 24,890,353</u>	<u>\$ 26,726,161</u>	<u>\$ (1,835,808)</u>	(7%)

ECONOMIC OUTLOOK

The District has adopted a property tax rate of \$1.027357 for the fiscal year ending 2023 based on its approved budget and total assessed taxable property values. Of the total tax rate, \$0.854600 per \$100 is for the purpose of maintenance and operations and \$0.172757 per \$100 is for the payment of principal and interest on debt.

The District’s average daily attendance is expected to be approximately 670 for the fiscal year ending 2023. These factors were taken into consideration when adopting the general fund budget for fiscal year ending 2023. The District has a balanced budget for fiscal year ending 2023.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Administrative Office.

Basic Financial Statements

KENEDY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,101,189
1120 Current Investments	9,788,281
1220 Property Taxes - Delinquent	1,143,970
1230 Allowance for Uncollectible Taxes	(303,579)
1240 Due from Other Governments	518,906
Capital Assets:	
1510 Land	372,015
1520 Buildings, Net	35,301,552
1530 Furniture and Equipment, Net	605,156
1000 Total Assets	52,527,490
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,626,014
1702 Deferred Outflow - State Foundation Program	27,785
1705 Deferred Outflow Related to TRS Pension	1,156,038
1706 Deferred Outflow Related to TRS OPEB	656,237
1700 Total Deferred Outflows of Resources	3,466,074
LIABILITIES	
2110 Accounts Payable	12,507
2140 Interest Payable	22,702
2160 Accrued Wages Payable	523,682
2200 Accrued Expenses	15,704
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,890,808
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	22,999,545
2540 Net Pension Liability (District's Share)	1,303,771
2545 Net OPEB Liability (District's Share)	3,292,147
2000 Total Liabilities	30,060,866
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,830,164
2606 Deferred Inflow Related to TRS OPEB	3,569,176
2600 Total Deferred Inflows of Resources	5,399,340
NET POSITION	
3200 Net Investment in Capital Assets	14,738,739
Restricted:	
3850 Restricted for Debt Service	1,037,798
3890 Restricted for Other Purposes	81,288
3900 Unrestricted	4,675,533
3000 Total Net Position	\$ 20,533,358

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Net (Expense)
Revenue and
Changes in Net
Position

6
Primary Gov.
Governmental
Activities

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 6,000,662	\$ -	\$ 1,280,707	\$ (4,719,955)
12	Instructional Resources and Media Services	54,754	-	(501)	(55,255)
13	Curriculum and Instructional Staff Development	329,345	-	21,744	(307,601)
23	School Leadership	573,982	-	(1,150)	(575,132)
31	Guidance, Counseling, and Evaluation Services	252,325	-	5,239	(247,086)
33	Health Services	170,128	-	863	(169,265)
34	Student (Pupil) Transportation	548,531	-	1,481	(547,050)
35	Food Services	607,519	21,290	663,418	77,189
36	Extracurricular Activities	647,276	68,425	(4,307)	(583,158)
41	General Administration	902,084	6,000	1,050	(895,034)
51	Facilities Maintenance and Operations	1,178,877	-	2,440	(1,176,437)
52	Security and Monitoring Services	107,968	-	5,012	(102,956)
53	Data Processing Services	528,458	-	309,298	(219,160)
72	Debt Service - Interest on Long-Term Debt	515,679	-	14,164	(501,515)
73	Debt Service - Bond Issuance Cost and Fees	29,502	-	-	(29,502)
91	Contracted Instructional Services Between Schools	144	-	-	(144)
93	Payments Related to Shared Services Arrangements	265,518	-	-	(265,518)
95	Payments to Juvenile Justice Alternative Ed. Prg.	28,504	-	-	(28,504)
99	Other Intergovernmental Charges	116,545	-	-	(116,545)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,857,801	\$ 95,715	\$ 2,299,458	(10,462,628)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	7,899,618
DT	Property Taxes, Levied for Debt Service	2,565,137
SF	State Aid - Formula Grants	1,035,505
IE	Investment Earnings	82,540
MI	Miscellaneous Local and Intermediate Revenue	233,207
TR	Total General Revenues	11,816,007
CN	Change in Net Position	1,353,379
NB	Net Position - Beginning	19,179,979
NE	Net Position - Ending	\$ 20,533,358

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,738,879	\$ 11,893	\$ 3,350,369
1120 Investments - Current	8,803,238	985,043	-
1220 Property Taxes - Delinquent	970,456	173,514	-
1230 Allowance for Uncollectible Taxes	(257,533)	(46,046)	-
1240 Due from Other Governments	223,038	-	-
1260 Due from Other Funds	134,748	-	-
1000 Total Assets	<u>\$ 11,612,826</u>	<u>\$ 1,124,404</u>	<u>\$ 3,350,369</u>
LIABILITIES			
2110 Accounts Payable	\$ 7,007	\$ -	\$ -
2160 Accrued Wages Payable	455,458	-	-
2170 Due to Other Funds	-	-	-
2200 Accrued Expenditures	9,548	-	-
2000 Total Liabilities	<u>472,013</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	712,922	127,468	-
2600 Total Deferred Inflows of Resources	<u>712,922</u>	<u>127,468</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	996,936	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	3,077,556	-	3,350,369
3530 Capital Expenditures for Equipment	1,000,000	-	-
3545 Other Committed Fund Balance	3,000,000	-	-
3600 Unassigned Fund Balance	3,350,335	-	-
3000 Total Fund Balances	<u>10,427,891</u>	<u>996,936</u>	<u>3,350,369</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,612,826</u>	<u>\$ 1,124,404</u>	<u>\$ 3,350,369</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 48	\$ 5,101,189
-	9,788,281
-	1,143,970
-	(303,579)
295,868	518,906
-	134,748
<u>\$ 295,916</u>	<u>\$ 16,383,515</u>
\$ 5,500	\$ 12,507
68,224	523,682
134,748	134,748
6,156	15,704
<u>214,628</u>	<u>686,641</u>
-	840,390
<u>-</u>	<u>840,390</u>
-	996,936
81,288	81,288
-	6,427,925
-	1,000,000
-	3,000,000
-	3,350,335
<u>81,288</u>	<u>14,856,484</u>
<u>\$ 295,916</u>	<u>\$ 16,383,515</u>

KENEDY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	14,856,484
1 Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		36,278,723
2 Long-term debt obligations are not due and payable in the current period, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of: bonds payable of \$22,904,985, the related unamortized premium on bonds payable of \$1,985,368, and the deferred charge on refunding of \$1,626,014.		(23,264,339)
3 Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(22,702)
4 Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		840,390
5 State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.		27,785
6 The District's proportionate share of the net pension liability of \$1,303,771, deferred inflow of resources of \$1,830,164, and deferred outflow of resources of \$1,156,038 related to the net pension liability do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.		(1,977,897)
7 The District's proportionate share of the net OPEB liability of \$3,292,147, deferred inflow of resources of \$3,569,176, and deferred outflow of resources of \$656,237 related to the net OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.		(6,205,086)
19 Net Position of Governmental Activities	\$	20,533,358

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 8,173,653	\$ 2,554,114	\$ 13,463
5800 State Program Revenues	1,513,342	14,164	-
5900 Federal Program Revenues	241,782	-	-
5020 Total Revenues	<u>9,928,777</u>	<u>2,568,278</u>	<u>13,463</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,125,946	-	-
0012 Instructional Resources and Media Services	54,467	-	-
0013 Curriculum and Instructional Staff Development	299,518	-	-
0023 School Leadership	588,391	-	-
0031 Guidance, Counseling, and Evaluation Services	253,335	-	-
0033 Health Services	171,718	-	-
0034 Student (Pupil) Transportation	462,631	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	643,965	-	-
0041 General Administration	888,596	-	-
0051 Facilities Maintenance and Operations	1,138,848	-	-
0052 Security and Monitoring Services	98,627	-	-
0053 Data Processing Services	215,057	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	1,675,000	-
0072 Interest on Long-Term Liabilities	-	579,481	-
0073 Bond Issuance Cost and Fees	-	29,502	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	11,118	-	522,400
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	144	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	265,518	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	28,504	-	-
0099 Other Intergovernmental Charges	116,545	-	-
6030 Total Expenditures	<u>10,362,928</u>	<u>2,283,983</u>	<u>522,400</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(434,151)</u>	<u>284,295</u>	<u>(508,937)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(42,326)	-	-
7080 Total Other Financing Sources (Uses)	<u>(42,326)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(476,477)	284,295	(508,937)
0100 Fund Balance - September 1 (Beginning)	<u>10,904,368</u>	<u>712,641</u>	<u>3,859,306</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,427,891</u>	<u>\$ 996,936</u>	<u>\$ 3,350,369</u>

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	21,290	\$ 10,762,520
	15,122	1,542,628
	2,134,085	2,375,867
	2,170,497	14,681,015
	1,100,247	6,226,193
	-	54,467
	23,242	322,760
	6,087	594,478
	8,694	262,029
	3,044	174,762
	6,087	468,718
	649,724	649,724
	-	643,965
	8,005	896,601
	9,130	1,147,978
	5,413	104,040
	311,862	526,919
	-	1,675,000
	-	579,481
	-	29,502
	-	533,518
	-	144
	-	265,518
	-	28,504
	-	116,545
	2,131,535	15,300,846
	38,962	(619,831)
	42,326	42,326
	-	(42,326)
	42,326	-
	81,288	(619,831)
	-	15,476,315
\$	81,288	\$ 14,856,484

KENEDY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(619,831)
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Current year capital outlay and depreciation expense totaled \$552,556 and \$954,498, respectively, for a net effect of \$401,942.		(401,942)
Repayment of principal for long-term obligations is an expenditure in the governmental funds, but is reported as a reduction to the long-term liabilities in the Statement of Net Position.		1,675,000
The change in accrued interest payable is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		19,138
The amortization of bond premiums and the accretion of deferred charges on refunding are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		44,664
The change in deferred tax revenue is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		113,697
The change in State Foundation Program revenue receivable, but not yet available, is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		16,567
The net change in the net pension liability, deferred inflow of resources and deferred outflow of resources related to the net pension liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net pension liability decreased by \$1,041,055, deferred inflow of resources increased by \$974,964, and deferred outflow of resources increased by \$68,843, for a net effect of \$134,934.		134,934
The net change in the net OPEB liability, deferred inflow of resources and deferred outflow of resources related to the net OPEB liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net OPEB liability decreased by \$208,268, deferred inflow of resources decreased by \$67,416, and deferred outflow of resources increased by \$95,468, for a net effect of \$371,152.		371,152
Change in Net Position of Governmental Activities	\$	1,353,379

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2022

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 671,832	\$ 132,272
Investments - Current	<u>-</u>	<u>45,685</u>
Total Assets	<u>671,832</u>	<u>\$ 177,957</u>
NET POSITION		
Restricted for Scholarships	671,832	-
Restricted for Other Purposes	<u>-</u>	<u>177,957</u>
Total Net Position	<u>\$ 671,832</u>	<u>\$ 177,957</u>

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Cocurricular Services or Activities	\$ -	\$ 86,992
Earnings from Temporary Deposits	479	303
Contributions, Gifts and Donations	135,000	-
Total Additions	<u>135,479</u>	<u>87,295</u>
DEDUCTIONS:		
Supplies and Materials	-	98,047
Scholarships Awarded	40,000	-
Total Deductions	<u>40,000</u>	<u>98,047</u>
Change in Fiduciary Net Position	95,479	(10,752)
Total Net Position - September 1 (Beginning)	<u>576,353</u>	<u>188,709</u>
Total Net Position - August 31 (Ending)	<u>\$ 671,832</u>	<u>\$ 177,957</u>

The notes to the financial statements are an integral part of this statement.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account of the receipt of property tax revenues, and related penalties and interest, state facilities allotment grant revenues, and the payment of long-term debt financed by such revenues.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Continued)

Capital Projects Fund: This fund is used to account for the expenditure of debt proceeds for construction and renovation projects on the District facilities.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted, committed, or assigned for specific purposes by a grantor or Board. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the programs.

Fiduciary Funds: These funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals, private organizations and/or other funds.

- Private-Purpose Trust Funds - Private-purpose trust funds are used to account for resources legally held in trust under which the principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds, if any, represent scholarship funds being held in trust for students.
- Custodial Funds - The District accounts for resources held for students and other organizations in a custodial capacity in the custodial funds.

b. Measurement Focus, Basis of Accounting

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

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Continued)

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

Other Post-Employment Benefits: The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, 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 a pay-as-you-go plan and all cash is held in a cash account.

Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2022.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Continued)

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

Asset Class	Estimated Useful Lives
Buildings	50
Building Improvements	20
Furniture and Equipment	5-10
Vehicles	10

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. 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 expenses during the reporting period. Actual results could differ from those estimates.

g. Data Control codes

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Concluded)

Fund Balance Policy

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or “must be maintained in tact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

Committed fund balance includes amounts that can only be used for specific purposes, and is reported pursuant to resolutions passed by the Board of Trustees, the District’s highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by Board of Trustees.

Assigned fund balance includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance. Under the District’s adopted policy, amounts may be assigned by the Superintendent and the Chief Financial Officer.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

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

The District has also adopted a policy to strive to maintain a minimum fund balance in the General Fund of 25% of the total operating expenditures.

B. Deposits and Investments

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

B. Deposits and Investments (Continued)

Cash Deposits

At August 31, 2022, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,905,293 and the bank balance was \$6,166,675. The District's cash deposits at August 31, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

B. Deposits and Investments (Continued)

The District's investments as of August 31, 2022 consist entirely of investment pools that are not subject to fair value measurements as follows:

Investment or Investment Type	Reported Amount
TexPool	\$ 3,773,720
Texas CLASS	443,593
Lone Star:	
Government Overnight Fund	3,487,413
Corporate Overnight Fund	2,129,240
Total Investments	\$ 9,833,966

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2022, the District's investments, other than those which are obligations or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Description	Rating	Organization
TexPool	AAAm	Standard & Poor's
Texas Class	AAAm	Standard & Poor's
Lone Star Government Overnight Fund	AAAm	Standard & Poor's

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

B. Deposits and Investments (Continued)

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Investment pools are measured at amortized cost and are exempt from fair value reporting. The TexPool, Texas CLASS, and the Lone Star Government Overnight Fund are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions.

The investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

C. Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 372,015	\$ -	\$ -	\$ 372,015
Construction in Progress	12,949,488	-	12,949,488	-
Capital Assets Being Depreciated				
Building and Improvements	31,475,622	13,448,956	124,912	44,799,666
Vehicles, Furniture and Equipment	2,213,937	53,087	-	2,267,024
Total Capital Assets at Historical Cost	<u>47,011,062</u>	<u>13,502,043</u>	<u>13,074,400</u>	<u>47,438,705</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,819,516	803,510	124,912	9,498,114
Vehicles, Furniture and Equipment	1,510,880	150,988	-	1,661,868
Total Accumulated Depreciation	<u>10,330,396</u>	<u>954,498</u>	<u>124,912</u>	<u>11,159,982</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,680,666</u>	<u>\$ 12,547,545</u>	<u>\$ 12,949,488</u>	<u>\$ 36,278,723</u>

Depreciation was charged to functions as follows:

Instruction	\$ 472,350
Instructional Resources and Media Services	4,132
Curriculum and Staff Development	24,486
School Leadership	45,100
Guidance, Counseling and Evaluation Services	19,879
Health Services	13,258
Student (Pupil) Transportation	115,142
Food Services	8,317
Extracurricular Activities	48,854
General Administration	68,021
Facilities Maintenance and Operations	87,091
Security and Monitoring Services	7,893
Data Processing Services	39,975
Total	<u>\$ 954,498</u>

D. Interfund Balances and Activities

Due to and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Other Funds	<u>\$ 134,748</u>	Short-term Loans

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

D. Interfund Balances and Activities (Concluded)

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

Transfers to and from other funds during the year ended August 31, 2022, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Funds	\$ 42,326	Supplement other funds

E. Long-Term Obligations

During the year ended August 31, 2010, general obligation bonds and capital appreciation bonds, Series 2010, totaling \$2,185,000, were issued to advance refund a portion of existing general obligation bonds. The refunding bonds were issued to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,185,000 of previously issued general obligation bonds. As a result, the refunded bonds were considered to have been defeased, and the liability associated with the refunded bonds was removed from the governmental activities column of the accompanying statement of net position. The proceeds of the refunding bonds included a premium of \$238,774, which is being amortized through the year ending August 31, 2027, using the straight-line method, which did not differ significantly from the effective-interest method. The Series 2010 general obligation bonds were defeased in their entirety during the fiscal year ended August 31, 2021.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$186,775. This difference (as adjusted for accumulated accretion) was reported in the accompanying statement of net position as a reduction to bonds payable and was being charged to interest expense through the fiscal year ended August 31, 2013 using the straight-line method, which did not differ significantly from the effective-interest method. The District completed the advance refunding to reduce its total debt service payments through fiscal year 2027 by approximately \$115,462, and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$93,828.

During the year ended August 31, 2013, the District held a bond election in which voters approved the issuance of \$16,805,000 in general obligation bonds, Series 2013. The bonds were issued in September 2013 with a net premium of \$268,915, that is being amortized through the year ended August 31, 2023 using the straight-line method, which does not differ significantly from the effective-interest method. The proceeds of the bond issue were utilized for the construction and improvement of District facilities. The bonds are payable annually with the final maturity date of August 31, 2023, and have stated interest rates ranging from 3.00% to 5.00%. \$9,970,000 of the Series 2013 general obligation bonds were defeased during the year ended August 31, 2021.

During the year ended August 31, 2018, the District held a bond election in which voters approved the issuance of \$16,620,000 in general obligation bonds, Series 2018. The bonds were issued in September 2018 with a net premium of \$523,786, which is being amortized through the year ended August 31, 2038 using the straight-line method, that does not differ significantly from the effective-interest method. The proceeds of the bond issue were used for the construction and improvement of district facilities. The bonds are payable annually with the final maturity date of August 31, 2038, and have stated interest rates ranging from 3.375% to 5.00%. \$8,315,000 of the Series 2018 general obligation bonds were defeased during the year ended August 31, 2021.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

E. Long-Term Obligations (Continued)

During the year ended August 31, 2021, general obligation bonds, Series 2020A, totaling \$1,205,000, and Series 2020B, totaling \$18,284,985, were issued to advance refund a portion of existing general obligation bonds. The refunding bonds were issued to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$19,520,000 of previously issued general obligation bonds. As a result, the refunded bonds were considered to have been defeased, and the liability associated with the refunded bonds was removed from the governmental activities column of the accompanying statement of net position. The proceeds of the refunding bonds included a premium of \$2,130,196, which is being amortized through the year ending August 31, 2036, using the straight-line method, which did not differ significantly from the effective-interest method. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,858,302. This difference (as adjusted for accumulated accretion) is reported in the accompanying statement of net position as a reduction to bonds payable and is being charged to interest expense through the fiscal year ended August 31, 2036 using the straight-line method, which does not differ significantly from the effective-interest method. The District completed the advance refunding to reduce its total debt service payments through fiscal year 2036 by approximately \$2,805,442, and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$1,878,521.

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

Long-Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2022, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds					
Series 2013	1,565,000	-	770,000	795,000	795,000
Series 2018	4,190,000	-	340,000	3,850,000	350,000
Series 2020A	1,025,000	-	155,000	870,000	160,000
Series 2020B	17,799,985	-	410,000	17,389,985	425,000
Unamortized Premium	2,146,176	-	160,808	1,985,368	160,808
Total Governmental Activities	<u>\$ 26,726,161</u>	<u>-</u>	<u>\$ 1,835,808</u>	<u>\$ 24,890,353</u>	<u>\$ 1,890,808</u>

Debt service requirements on long-term debt at August 31, 2022, are as follows:

Year Ending August 31,	Principal	Interest	Total
2023	1,890,808	360,923	2,251,731
2024	1,947,160	304,921	2,252,081
2025	2,022,160	234,971	2,257,131
2026	2,047,160	204,172	2,251,332
2027	2,082,160	169,362	2,251,522
2028 - 2032	9,019,280	2,331,079	11,350,359
2033 - 2036	5,881,625	148,684	6,030,309
Total	<u>\$ 24,890,353</u>	<u>\$ 3,754,112</u>	<u>\$ 28,644,465</u>

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

E. Long-Term Obligations (Concluded)

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The interest rate on the general obligation bonds range from 1.9% to 5%. Total interest expense for the year ended August 31, 2022 for governmental activities was \$515,679.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, 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.

G. Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan 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

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx, 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.

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

G. Pension Plan (Continued)

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 this manner are determined by the System's actuary.

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	
	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current Fiscal Year Employer Contributions		\$ 267,559
Current Fiscal Year Member Contributions		\$ 508,609
Measurement Year NECE On-Behalf Contributions		\$ 343,317

Contributors to the Plan include members, employers, and the State of Texas as the only non-employer contributing entity. 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, 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 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.

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

G. Pension Plan (Continued)

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member’s salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after-retirement surcharge.

Actuarial Assumptions

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

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index”
Last Year Ending August 31 in Projection Period (100 Years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
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 9, 2020.

Discount Rate

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

G. Pension Plan (Continued)

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class*	Target Allocation Percentage**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.A.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value:			
Government Bonds	16.00%	(0.20%)	0.01%
Absolute Return	-	1.10%	-
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return:			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	-	1.70%	-
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage:			
Cash	2.00%	(0.70%)	(0.01%)
Asset Allocation Leverage	(6.00%)	(0.50%)	0.03%
Inflation Expectation			2.20%
Volatility Drag****	-		(0.95%)
	<u>100.00%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2021 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/21).

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

G. Pension Plan (Continued)

Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using the discount rate of 7.25% and what the net pension liability would be if it were calculated using a discount rate that was 1% less (6.25%) or 1% greater (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate Share of the Net Pension Liability	\$ 2,848,945	\$ 1,303,771	\$ 50,165

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

At August 31, 2022, the District reported a liability of \$1,303,771 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	\$ 1,303,771
State's Proportionate Share that is Associated with the District	2,048,770
Total	\$ 3,352,541

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, 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, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportionate share of the collective net pension liability was 0.0051195590%, an increase of 0.0007414494% from its proportionate share measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$140,816 and revenue of \$8,191 for support provided by the State.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

G. Pension Plan (Continued)

At August 31, 2022, 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 Experiences	\$ 2,182	\$ 91,786
Changes in Actuarial Assumptions	460,857	200,894
Difference Between Projected and Actual Investment Earnings	-	1,093,194
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	425,440	444,290
Contributions Paid to TRS Subsequent to the Measurement Date	267,559	-
Total as of August 31, 2022	\$ 1,156,038	\$ 1,830,164

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

Year ended August 31:	Pension Expense Amount
2023	\$ (148,688)
2024	(170,984)
2025	(300,108)
2026	(356,910)
2027	20,581
Thereafter	14,424

For the year ended August 31, 2022, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 2,344,826	\$ -	\$ 1,041,055	\$ 1,303,771

H. Defined Other Post-Employment Benefit Plan

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

H. Defined Other Post-Employment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed 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 http://www.trs.texas.gov/Pages/about_publications.aspx, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

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

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

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

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

Contributions

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

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

H. Defined Other Post-Employment Benefit Plan (Continued)

	Contribution Rates	
	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 65,809
Current Fiscal Year Member Contributions		\$ 41,325
Measurement Year NECE On-Behalf Contributions		\$ 89,328

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 hiring a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021: rates of mortality, rates of retirement, rates of termination, rates of disability, general inflation, and wage inflation.

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases	3.05% - 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

H. Defined Other Post-Employment Benefit Plan (Continued)

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District’s Proportionate Share of the Net OPEB Liability	\$ 3,971,087	\$ 3,292,147	\$ 2,757,798

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

At August 31, 2022, the District reported a liability of \$3,292,147 for its proportionate share of the TRS’s Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 3,292,147
State's Proportionate Share that is Associated with the District	4,410,743
Total	\$ 7,702,890

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportionate share 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, 2020 through August 31, 2021.

At August 31, 2021, the employer’s proportionate share of the collective Net OPEB Liability was 0.0085345220%, a decrease of 0.0006735788% from its proportionate share measured as of August 31, 2020.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

H. Defined Other Post-Employment Benefit Plan (Continued)

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Proportionate Share of the Net OPEB Liability	\$ 2,666,530	\$ 3,292,147	\$ 4,131,569

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 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

There were no changes of benefit terms since the prior measurement date.

For the year ended August 31, 2022, the District recognized OPEB Expense of (\$468,133) and revenue of (\$162,790) for support provided by the State.

At August 31, 2022, 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 Actuarial Experiences	\$ 141,742	\$ 1,593,629
Changes in Actuarial Assumptions	364,644	696,228
Difference Between Projected and Actual Investment Earnings	3,574	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	80,468	1,279,319
Contributions Paid to TRS Subsequent to the Measurement Date	65,809	-
Total as of August 31, 2022	\$ 656,237	\$ 3,569,176

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

H. Defined Other Post-Employment Benefit Plan (Concluded)

The net amounts of the employer’s balances of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2023	\$ (542,256)
2024	(542,336)
2025	(542,314)
2026	(455,657)
2027	(338,337)
Thereafter	(557,848)

For the year ended August 31, 2022, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 3,500,415	\$ -	\$ 208,268	\$ 3,292,147

I. Health Care Coverage – Retirees and Active Employees

Retiree Health Care Coverage

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who have retired under the Teacher Retirement System of Texas.

The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. The report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The contribution rate for the active employees was 0.65% for the years ended August 31, 2022, 2021, and 2020. The contribution rate for the State was 1.25% for the years ended August 31, 2022, 2021, and 2020. The contribution rate for the District was 0.75% for the years ended August 31, 2022, 2021, and 2020. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Health Care Coverage – Retirees and Active Employees (Concluded)

Contributions

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District’s employees as well as the Member’s and District’s required contributions for the years ended August 31, 2022, 2021, and 2020 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2022	0.65%	\$ 41,347	1.25%	\$ 68,667	0.75%	\$ 47,709
2021	0.65%	\$ 38,278	1.25%	\$ 64,995	0.75%	\$ 44,168
2020	0.65%	\$ 35,036	1.25%	\$ 63,403	0.75%	\$ 40,426

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$25,994, \$25,840, and \$22,869, respectively.

Active Employee Health Care Coverage

Plan Description

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium based plan. Payments are made on a monthly basis for all covered employees.

J. Commitments and Contingencies

Contingencies

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

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, Goliad I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2021, from the fiscal agent.

L. Local and Intermediate Revenue

During the year ended August 31, 2022, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 7,807,644
Interest Income from Temporary Investments	General Fund	59,147
Extracurricular Activities	General Fund	68,425
Oil and Gas Royalties	General Fund	187,635
Gifts and Bequests	General Fund	5,000
Miscellaneous	General Fund	45,802
Total General Fund		<u>8,173,653</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	2,543,414
Interest Income from Temporary Investments	Debt Service Fund	9,930
Miscellaneous	Debt Service Fund	770
Total Debt Service		<u>2,554,114</u>
Interest Income from Temporary Investments	Capital Projects Fund	<u>13,463</u>
Revenues from Meals Served	Other Funds	<u>21,290</u>
Total Governmental Funds		<u>10,762,520</u>
Interest Income from Temporary Investments	Private Purpose Trust	479
Gifts and Bequests	Private Purpose Trust	135,000
Interest Income from Temporary Investments	Custodial Funds	303
Revenues from Enterprising Activities	Custodial Funds	86,992
		<u>222,774</u>
Total Local and Intermediate Revenue		<u>\$ 10,985,294</u>

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

M. Significant Taxpayers

The District's largest taxpayers accounted for approximately 10% of the total 2021 tax levy. No delinquent amounts from these taxpayers existed as August 31, 2022. No other individual taxpayer accounted for more than 6% of the total 2021 tax levy.

N. Tax Abatement

In accordance with Government Accounting Standards Board Statement No. 77 (GASB 77), which is effective for the year ended August 31, 2022, the District is providing the following disclosures.

During the year ended August 31, 2013, the District entered into a property tax abatement agreement (Agreement) with ETC Texas Pipeline, Ltd. (ETC) under the authority of Texas Tax Code Chapter 313, the Texas Economic Development Act. The term of the Agreement is from September 17, 2012 through December 31, 2025. The tax years in which the limitation applies are 2015 through 2022. Under the Act, business entities qualify for a tax abatement agreement provided they meet certain property usage and economic impact requirements.

The taxes being abated consist of maintenance and operations taxes only. ETC qualifies for a tax abatement because it is owned by an entity subject to Texas Tax Code 171 (313.024(a)); the property is used for manufacturing (313.024(b)(1)); and the Agreement required ETC to create the number of required new qualifying jobs and pay the average weekly wages required by section 313.024(d). The mechanism by which ETC's taxes are abated is through a reduction in assessed value.

The conditions under which the abated taxes may become eligible for recapture are set out in Texas Tax Code sections 313.0275, 313.0276 and 313.032. These include: failure to make the minimum qualifying investment of \$10,000,000 during the qualifying time period; failure to satisfy the job creation requirement in any year of the Agreement; failure to pay the minimum wages required; and failure to make certain payments to the District set out in Articles III and IV of the Agreement. In addition, ETC is required to file certain annual and biennial reports to the District and the Comptroller of the State of Texas (Comptroller) as described in Texas Tax Code section 313.032. Provisions for recapture of abated taxes by the District or the Comptroller are set out in Tax Code sections 313.0275 and 313.0276 and Sections 7.5 and 7.6 of the Agreement. If ETC materially fails to comply with the conditions for eligibility, the District is entitled to recapture all ad valorem tax revenue lost as well as the payment of penalty and interest calculated in accordance with the methodology set out in Texas Tax Code Chapter 33.

As part of the Agreement, ETC has made the following commitments to the District:

- Protection against loss of future District revenues – this payment is required by Texas Tax Code section 313.027(f)(1) and described in Article III of the Agreement. The loss, if any, is calculated annually by a consultant engaged by the District and submitted to the recipient for payment not later than January 31 of the following tax year.
- Supplemental payments – these payments are authorized by Texas Tax Code section 313.027(i) and described in Article IV of the Agreement. The amount is the greater of (i) \$100 per student per year in average daily attendance or (ii) \$50,000 per year.

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

N. Tax Abatement (Concluded)

The gross dollar amount the District's revenues were reduced in tax year 2021 as a result of the Agreement was \$1,571,335. No amounts were received or are receivable from other governments in association with the forgone tax revenue. However, revenue received from the State is modified as set out in Government Code Chapter 402, Subchapter M. The District made no commitments other than to reduce taxes as part of the Agreement. The District has no other tax abatement agreements required to be disclosed. The District has not omitted any specific information required by GASB 77 that it is legally prohibited from being disclosed. The District is the only government entity in the Agreement with ETC.

O. New GASB Pronouncements

For the year ended August 31, 2022, the District adopted GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District had no material leases or subscription-based information technology arrangements, either individually or in the aggregate, requiring any revisions to, or additional disclosures in, the accompanying basic financial statements.

P. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS retirement and TRS Care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the accompanying statement of activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to significant changes in benefits within the TRS plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenues for some of the operating grants and contributions amounts reported on the accompanying statement of activities. According to guidance provided directly from GASB, this is the proper reporting for these negative revenues and expenses.

Following are the effects on the operating grants and contributions on the accompanying statement of activities as a result of the negative on-behalf accruals recorded:

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

P. Negative Operating Grants and Contributions – Statement of Activities (Concluded)

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
<u>Governmental Activities:</u>			
11 - Instruction	\$ 1,280,707	\$ (348,149)	\$ 1,628,856
12 - Instructional Resources and Media Services	(501)	(2,850)	2,349
13- Curriculum and Instructional Staff Development	21,744	(8,505)	30,249
23 - School Leadership	(1,150)	(41,087)	39,937
31 - Guidance, Counseling, and Evaluation Services	5,239	(19,615)	24,854
33 - Health Services	863	(12,384)	13,247
34 - Student (Pupil) Transportation	1,481	(26,154)	27,635
35 - Food Services	663,418	(22,586)	686,004
36 - Extracurricular Activities	(4,307)	(24,462)	20,155
41 - General Administration	1,050	(39,484)	40,534
51 - Facilities Maintenance and Operations	2,440	(37,988)	40,428
52 - Security and Monitoring Services	5,012	(2,274)	7,286
53 - Data Processing Services	309,298	(14,561)	323,859
72 - Debt Service – Interest on Long-Term Debt	14,164	-	14,164
Total Governmental Activities	<u>\$ 2,299,458</u>	<u>\$ (600,099)</u>	<u>\$ 2,899,557</u>

Required Supplementary Information

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

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,871,176	\$ 8,871,176	\$ 8,173,653	\$ (697,523)
5800 State Program Revenues	1,087,416	1,087,416	1,513,342	425,926
5900 Federal Program Revenues	260,000	260,000	241,782	(18,218)
5020 Total Revenues	10,218,592	10,218,592	9,928,777	(289,815)
EXPENDITURES:				
Current:				
0011 Instruction	5,090,085	5,490,085	5,125,946	364,139
0012 Instructional Resources and Media Services	52,472	58,472	54,467	4,005
0013 Curriculum and Instructional Staff Development	249,265	301,265	299,518	1,747
0023 School Leadership	522,881	602,881	588,391	14,490
0031 Guidance, Counseling, and Evaluation Services	255,304	265,304	253,335	11,969
0033 Health Services	158,337	193,337	171,718	21,619
0034 Student (Pupil) Transportation	339,266	479,266	462,631	16,635
0036 Extracurricular Activities	533,294	653,294	643,965	9,329
0041 General Administration	871,941	896,941	888,596	8,345
0051 Facilities Maintenance and Operations	1,183,619	1,323,619	1,138,848	184,771
0052 Security and Monitoring Services	90,709	110,709	98,627	12,082
0053 Data Processing Services	221,062	221,062	215,057	6,005
Capital Outlay:				
0081 Facilities Acquisition and Construction	25,000	25,000	11,118	13,882
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	140,000	140,000	144	139,856
0093 Payments to Fiscal Agent/Member Districts of SSA	212,669	267,669	265,518	2,151
0095 Payments to Juvenile Justice Alternative Ed. Prg.	34,000	34,000	28,504	5,496
0099 Other Intergovernmental Charges	138,688	138,688	116,545	22,143
6030 Total Expenditures	10,118,592	11,201,592	10,362,928	838,664
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	100,000	(983,000)	(434,151)	548,849
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(100,000)	-	(42,326)	(42,326)
1200 Net Change in Fund Balances	-	(983,000)	(476,477)	506,523
0100 Fund Balance - September 1 (Beginning)	10,904,368	10,904,368	10,904,368	-
3000 Fund Balance - August 31 (Ending)	\$ 10,904,368	\$ 9,921,368	\$ 10,427,891	\$ 506,523

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.005119559%	0.00437811%	0.005620949%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,303,771	\$ 2,344,826	\$ 2,921,945
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,048,770	4,202,012	4,251,372
Total	<u>\$ 3,352,541</u>	<u>\$ 6,546,838</u>	<u>\$ 7,173,317</u>
District's Covered Payroll	\$ 5,891,002	\$ 5,390,031	\$ 5,651,681
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	22.13%	43.50%	51.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.005506766%	0.006039635%	0.00482552%	0.0050566%	0.0031029%
\$ 3,031,057	\$ 1,931,150	\$ 1,823,492	\$ 1,787,440	828,827
5,137,127	2,906,537	3,491,701	3,099,422	2,575,981
<u>\$ 8,168,184</u>	<u>\$ 4,837,687</u>	<u>\$ 5,315,193</u>	<u>\$ 4,886,862</u>	<u>\$ 3,404,808</u>
\$ 6,049,639	\$ 5,758,355	\$ 5,309,626	\$ 4,911,426	4,705,525
50.10%	33.54%	34.34%	36.39%	17.61%
73.74%	82.17%	78.00%	78.43%	83.25%

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021	2020
Contractually Required Contribution	\$ 267,559	\$ 218,463	\$ 183,244
Contribution in Relation to the Contractually Required Contribution	(267,559)	(218,463)	(183,244)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,357,610	\$ 5,891,002	\$ 5,390,031
Contributions as a Percentage of Covered Payroll	4.21%	3.71%	3.40%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2019	2018	2017	2016	2015
\$	184,458	\$ 192,256	\$ 188,205	\$ 165,559	\$ 149,728
	(184,458)	(192,256)	(188,205)	(165,559)	(149,728)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	5,651,681	\$ 6,049,639	\$ 5,758,355	\$ 5,309,626	\$ 4,911,426
	3.26%	3.18%	3.27%	3.12%	3.05%

KENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.008534522%	0.009208101%	0.009825661%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,292,147	\$ 3,500,415	\$ 4,646,675
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,410,743	4,703,719	6,174,393
Total	<u>\$ 7,702,890</u>	<u>\$ 8,204,134</u>	<u>\$ 10,821,068</u>
District's Covered Payroll	\$ 5,891,002	\$ 5,390,031	\$ 5,651,681
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	55.88%	64.94%	82.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2019</u>		<u>FY 2018</u>	
<u>Plan Year 2018</u>		<u>Plan Year 2017</u>	
	0.009631995%		0.011398898%
\$	4,809,343	\$	4,956,953
	5,184,493		4,496,754
<u>\$</u>	<u>9,993,836</u>	<u>\$</u>	<u>9,453,707</u>
\$	6,049,639	\$	5,758,355
	79.50%		86.08%
	1.57%		0.91%

KENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021	2020
Contractually Required Contribution	\$ 65,809	\$ 66,643	\$ 66,935
Contribution in Relation to the Contractually Required Contribution	(65,809)	(66,643)	(66,935)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,357,610	\$ 5,891,002	\$ 5,390,031
Contributions as a Percentage of Covered Payroll	1.04%	1.13%	1.24%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

<hr/>	
2019	2018
<hr/>	<hr/>
\$ 66,697	\$ 75,031
(66,697)	(75,031)
<hr/>	<hr/>
\$ -	\$ -
<hr/> <hr/>	<hr/> <hr/>
\$ 5,651,681	\$ 6,049,639
1.18%	1.24%

KENEDY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Budgetary Data

The official budget was prepared for adoption for the General Fund, the Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. 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.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made during the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary within all material respects.

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

TRS Pension Plan

Changes of Benefit Terms

There were no changes of benefit terms since the prior measurement date.

Changes of Assumptions

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

TRS OPEB Plan

Changes of Benefit Terms

There were no changes in benefit terms since the prior measurement date.

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 single discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

Other Supplementary Information

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

KENEDY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
2014	1.040000	0.139900	1,445,685,071
2015	1.040000	0.080000	1,773,309,045
2016	1.040000	0.101330	1,425,977,863
2017	1.040000	0.145500	954,986,760
2018	1.040000	0.144357	1,032,927,887
2019	1.040000	0.218380	1,223,864,349
2020	0.970000	0.237300	1,440,147,397
2021	0.966400	0.337392	1,123,573,225
2022 (School year under audit)	0.963400	0.281967	831,702,654
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 57,488	\$ -	\$ 888	\$ 29	\$ (3,496)	\$ 53,075
43,769	-	890	120	(16,572)	26,187
142,751	-	607	48	(15,270)	126,826
348,158	-	1,666	160	(15,506)	330,826
54,603	-	1,583	221	-	52,799
38,006	-	7,219	1,002	-	29,785
81,761	-	7,507	1,573	-	72,681
138,522	-	33,756	8,254	(1,759)	94,753
246,205	-	67,744	23,868	(8,849)	145,744
-	10,357,750	7,607,031	2,485,998	(53,427)	211,294
<u>\$ 1,151,263</u>	<u>\$ 10,357,750</u>	<u>\$ 7,728,891</u>	<u>\$ 2,521,273</u>	<u>\$ (114,879)</u>	<u>\$ 1,143,970</u>

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 32,955	\$ 32,955	\$ 21,290	\$ (11,665)
5800 State Program Revenues	30,885	30,885	8,909	(21,976)
5900 Federal Program Revenues	420,000	420,000	652,400	232,400
5020 Total Revenues	483,840	483,840	682,599	198,759
EXPENDITURES:				
Current:				
0035 Food Services	583,840	663,840	643,637	20,203
6030 Total Expenditures	583,840	663,840	643,637	20,203
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(180,000)	38,962	218,962
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	100,000	-	42,326	42,326
1200 Net Change in Fund Balances	-	(180,000)	81,288	261,288
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ (180,000)	\$ 81,288	\$ 261,288

KENEDY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,297,581	\$ 2,297,581	\$ 2,554,114	\$ 256,533
5800 State Program Revenues	-	-	14,164	14,164
5020 Total Revenues	2,297,581	2,297,581	2,568,278	270,697
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	1,675,000	1,675,000	1,675,000	-
0072 Interest on Long-Term Liabilities	579,481	579,481	579,481	-
0073 Bond Issuance Cost and Fees	43,100	43,100	29,502	13,598
6030 Total Expenditures	2,297,581	2,297,581	2,283,983	13,598
1200 Net Change in Fund Balances	-	-	284,295	284,295
0100 Fund Balance - September 1 (Beginning)	712,641	712,641	712,641	-
3000 Fund Balance - August 31 (Ending)	\$ 712,641	\$ 712,641	\$ 996,936	\$ 284,295

KENEDY INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$903,996
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$1,058,049
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$26,689
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$15,833
<hr/>		



Roloff, Hnatek & Co., L.L.P.

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

Board of Trustees
Kenedy Independent School District
401 Highway 719
Kenedy, Texas 78119

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenedy Independent School District as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Kenedy Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

December 9, 2022



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
Financial Consultants
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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Kenedy Independent School District
401 Highway 719
Kenedy, Texas 78119

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kenedy Independent School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kenedy Independent School District's major federal programs for the year ended August 31, 2022. Kenedy Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kenedy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

December 9, 2022

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Auditors' Results

- * The auditors' report expresses an unmodified opinion on whether the financial statements of Kenedy Independent School District were prepared in accordance with U.S. general accepted accounting principles.
- * No significant deficiencies in internal control were disclosed by the audit.
- * No material instances of noncompliance were disclosed by the audit.
- * No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed by the audit.
- * The auditors' report on compliance for the major federal award programs for Kenedy Independent School District expresses an unmodified opinion on all major federal programs.
- * No findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- * Major Programs tested: COVID-19 – CARES Stimulus Act Grant - ESSER III, FAL No. 84.425U.
- * The threshold used to distinguish between Type A and Type B programs was \$750,000.
- * Kenedy Independent School District was determined to be a low-risk auditee.

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Awards

NONE

KENEDY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

Finding 2021-001:

Finding: There were two instances in which the District did not properly amend its budget that resulted in over-expenditures in function 91 in the general fund and function 73 in the debt service fund as reflected in the statement of revenues, expenditures, and changes in fund balance – general fund and the statement of revenues, expenditures, and changes in fund balance – debt service fund for the year ended August 31, 2021.

Recommendation: We recommended that the District implement additional procedures for monitoring the budget on a periodic basis to develop and approve any necessary amendments.

District's Response: The District's management agreed with the finding and consulted with a third-party specialist to ensure it properly amended its budget in the future.

KENEDY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

No corrective action plan is required as there were no findings and/or questions costs noted.

KENEDY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education:</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101128902	\$ 280,171
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101128902	<u>21,535</u>
Total Assistance Listing Number 84.010A			<u>301,706</u>
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	22696001128902	<u>16,694</u>
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501128902	39,158
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501128902	<u>1,552</u>
Total Assistance Listing Number 84.367A			<u>40,710</u>
COVID-19 - CARES Act Stimulus Grant - ESSER II	84.425D	21521001128902	34,148
COVID-19 - CARES Act Stimulus Grant - TCLAS - ESSER III	84.425U	21528042128902	88,995
COVID-19 - CARES Act Stimulus Grant - ESSER III	84.425U	21528001128902	<u>976,740</u>
Total Assistance Listing Number 84.425			<u>1,099,883</u>
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	22680101128902	21,140
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	23680101128902	<u>1,552</u>
Total Assistance Listing Number 84.424A			<u>22,692</u>
Total Passed Through State Department of Education			<u>1,481,685</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,481,685</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture:</u>			
*COVID-19 - CARES Act - Supply Chain Grant Reallocation	10.555	17460014875	<u>24,303</u>
Total Passed Through State Department of Agriculture			<u>24,303</u>
<u>Passed Through State Department of Education:</u>			
*School Breakfast Program	10.553	71402201	<u>113,328</u>
*National School Lunch Program - Cash Assistance	10.555	71302201	466,434
*National School Lunch Program - Non-Cash Assistance	10.555	128-902	<u>48,335</u>
Total Assistance Listing Number 10.555			<u>514,769</u>
Total Child Nutrition Cluster			<u>652,400</u>
Total Passed Through State Department of Education			<u>628,097</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>652,400</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,134,085</u>

*Clustered Programs

See accompanying Notes to the Schedule of Expenditures of Federal Awards

KENEDY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2022

- Because the schedule of expenditures of federal awards presents only a selected portion of the activities of the District, it is not intended to, and does not, present the financial position, or changes in net position, of the District.
- For all federal awards, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in the special revenue funds.
- 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 grant funds were accounted for in special revenue funds, which are governmental fund types.

With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e., both measurable and available) and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The total non-cash federal awards expended during the year ended August 31, 2022, was \$48,335 all of which received under the National School Lunch Program, FAL No. 10.555.
- The District did not elect to use the 10% de minimus cost rate as covered in section 200.414 of the Uniform Guidance.
- Reconciliation of Federal Revenues:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 2,134,085
Plus: SHARS/Medicaid Reimbursements	<u>241,782</u>
Total Federal Program Revenues - Exhibit C-3	<u><u>\$ 2,375,867</u></u>