

**KENEDY  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021**

KENEDY INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>Introductory Section</b>		
Certificate of Board.....	4	
<b>Financial Section</b>		
Independent Auditors’ Report.....	6	
Management’s Discussion and Analysis (Unaudited) (Required Supplementary Information) .....	10	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position .....	18	A-1
Statement of Activities.....	19	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	20	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position .....	22	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	23	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	25	C-4
Statement of Fiduciary Net Position - Fiduciary Funds.....	27	E-1
Statement of Changes in Fiduciary Fund Net Position - Fiduciary Funds..	28	E-2
Notes to the Financial Statements .....	29	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance		
Budget and Actual - General Fund .....	57	G-1
Schedule of the District’s Proportionate Share of the Net Pension Liability ....	58	G-6
Schedule of District Contributions for Pensions .....	60	G-7
Schedule of the District’s Proportionate Share of the Net OPEB Liability.....	62	G-8
Schedule of District Contributions for Other Post-Employment Benefits .....	63	G-9
Notes to Required Supplementary Information.....	64	
<b>Other Supplementary Information</b>		
Schedule of Delinquent Taxes Receivable.....	67	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance		
Budget and Actual:		
Child Nutrition Program.....	69	J-2
Debt Service Fund.....	70	J-3

KENEDY INDEPENDENT SCHOOL DISTRICT  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>	<u>Exhibit</u>
<b>Other Supplementary Information (Concluded)</b>		
State Compensatory Education and Bilingual Education Program Expenditures....	71	J-4
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 <i>Government Auditing Standards</i> .....	72	
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	74	
Schedule of Findings and Questioned Costs .....	76	
Summary Schedule of Prior Audit Findings .....	77	
Corrective Action Plan.....	78	
Schedule of Expenditures of Federal Awards.....	79	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	80	

## **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, 2021, at a meeting of the board of trustees of such school district on the 13th day of December, 2021.

*Oscar Garcia*

\_\_\_\_\_  
Signature of Board Secretary

*Veronica 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 Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note O to the financial statements, during the year ended August 31, 2021, the District adopted new accounting guidance prescribed by GASB Statement No. 84, *Fiduciary Activities*. Because GASB 84 implements new measurement criteria and reporting provisions, significant information has been added to the accompanying statement of fiduciary net position and statement of changes in fiduciary fund net position. The accompanying statement of fiduciary net position discloses the District's custodial funds and the statement of changes in fiduciary fund net position discloses an adjustment to the District's custodial funds beginning net position as a result of the implementation of GASB 84. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 16, the budgetary comparison information on page 57, the information related to the District's pension plan on pages 58 through 61, and the information related to the District's other post-employment benefits on pages 62 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenedy Independent School District's basic financial statements. The accompanying supplementary information on pages 67 through 71 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



The information on pages 67 through 71 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, 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, and 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 2, 2021

## **Management's Discussion and Analysis (Unaudited)**

KENEDY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021. 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, 2021 was \$19,179,979. Of this amount, \$4,634,666 is unrestricted.
- The District's total net position increased \$3,136,124, or 20%, from the prior year.
- The general fund had a fund balance of \$10,904,368 at August 31, 2021, an increase of \$95,692, or 1%, 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 *agent* 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, 2021

**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 agent for someone else’s resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in 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, 2021

### **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, 2021

**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 2021 by \$19,179,979. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2021 and 2020.

	Governmental Activities		\$ Change	% Change
	2021	2020	2021 - 2020	2021 - 2020
<b>Assets:</b>				
Current Assets	\$ 17,814,465	\$ 18,981,956	\$ (1,167,491)	(6%)
Capital Assets	36,680,665	35,168,742	1,511,923	4%
Total Assets	<u>54,495,130</u>	<u>54,150,698</u>	<u>344,432</u>	1%
<b>Deferred Outflows of Resources</b>	<u>3,401,340</u>	<u>2,211,367</u>	<u>1,189,973</u>	54%
<b>Liabilities:</b>				
Current Liabilities	1,653,297	1,259,841	393,456	31%
Non-Current Liabilities	32,571,402	35,592,431	(3,021,029)	(8%)
Total Liabilities	<u>34,224,699</u>	<u>36,852,272</u>	<u>(2,627,573)</u>	(7%)
<b>Deferred Inflows of Resources</b>	<u>4,491,792</u>	<u>3,465,938</u>	<u>1,025,854</u>	30%
<b>Net Position:</b>				
Net Investment in Capital Assets	13,813,810	13,275,292	538,518	4%
Restricted	731,503	162,467	569,036	350%
Unrestricted	4,634,666	2,606,096	2,028,570	78%
Total Net Position	<u>\$ 19,179,979</u>	<u>\$ 16,043,855</u>	<u>\$ 3,136,124</u>	20%

A portion of the District's net position (\$19,179,979) 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 (\$731,503) is used for debt service. The remaining balance of unrestricted net position (\$4,634,666) 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, 2021

**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, 2021 and 2020.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>	<u>2021 - 2020</u>	<u>2021 - 2020</u>
<b>Program Revenues:</b>				
Charges for Services	\$ 89,022	\$ 92,920	\$ (3,898)	(4%)
Operating Grants and Contributions	1,708,686	2,211,710	(503,024)	(23%)
<b>General Revenues:</b>				
Property Taxes	14,586,733	17,285,021	(2,698,288)	(16%)
State Aid-Formula	752,152	920,221	(168,069)	(18%)
Investment Earnings	28,506	121,550	(93,044)	(77%)
Misc. Local and Intermediate Revenue	370,031	492,105	(122,074)	(25%)
Loss on Disposition of Capital Assets	-	(710,113)	710,113	(100%)
Total Revenues	<u>17,535,130</u>	<u>20,413,414</u>	<u>(2,878,284)</u>	(14%)
<b>Expenses:</b>				
Instruction	5,704,049	5,661,139	42,910	1%
Instructional Resources and Media Services	55,984	54,917	1,067	2%
Curriculum and Staff Development	292,013	202,685	89,328	44%
School Leadership	598,294	633,402	(35,108)	(6%)
Guidance, Counseling, and Evaluation Services	251,258	237,524	13,734	6%
Health Services	184,280	169,130	15,150	9%
Student (Pupil) Transportation	509,817	501,074	8,742	2%
Food Services	603,049	683,836	(80,787)	(12%)
Extracurricular Activities	550,807	662,188	(111,381)	(17%)
General Administration	911,478	815,525	95,953	12%
Facilities Maintenance and Operations	1,276,290	1,663,259	(386,969)	(23%)
Security and Monitoring Services	94,496	71,766	22,730	32%
Data Processing Services	271,042	328,580	(57,538)	(18%)
Interest on Long-Term Debt	143,064	1,150,096	(1,007,032)	(88%)
Bond Issuance Cost and Fees	284,504	3,500	281,004	8,029%
Contracted Instructional Svcs. Between Schools	2,271,759	5,734,326	(3,462,567)	(60%)
Payments Related to Shared Svcs. Arrangements	236,491	206,138	30,353	15%
Payments to Juvenile Justice Altern. Ed. Pgms.	27,967	34,566	(6,599)	(19%)
Other Intergovernmental Charges	132,364	139,397	(7,033)	(5%)
Total Expenses	<u>14,399,006</u>	<u>18,953,049</u>	<u>(4,554,043)</u>	(24%)
<b>Increase (Decrease) in Net Position</b>	<u>\$ 3,136,124</u>	<u>\$ 1,460,365</u>	<u>\$ 1,675,759</u>	

The District's total revenues and expenses decreased by 14% and 24%, respectively. The District experienced a significant increase in revenues from the loss on disposition of capital assets, while there were significant decreases from operating grants and contributions, property taxes, state aid-formula, investment earnings, and miscellaneous local and intermediate revenue. There were significant increases in expenses in the functional categories of curriculum and staff development, general administration, and bond issuance costs and fees while there were significant decreases in the functional categories of extracurricular activities, facilities maintenance and operations, interest on long-term debt, and contracted instructional services between schools. The fiscal year operations resulted in an increase in net position of \$3,136,124.

KENEDY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2021

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$17,462,153, a decrease of approximately 15% from the preceding year. Local revenues decreased by approximately 16% while the state and federal revenues decreased in total by approximately 12%. Expenditures from governmental fund types totaled \$19,061,269, a decrease of approximately 26% from the preceding year. The decrease in expenditures was primarily due to significant increases in the functional categories of instruction, general administration, principal on long-term debt combined with significant decreased in the functional categories of facilities maintenance and operations, 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 one time. Budgeted revenues and expenditures were significantly changed by the amendments as follows:

- Local and Intermediate Revenue Sources, State Program Revenue, Function 11 (Instruction), Function 41 (General Administration), Function 51 (Facilities Maintenance and Operations), Function 81 (Facilities Acquisition and Construction), and Function 91 (Contracted Instructional Services Between Schools) – Property taxes and state aid-formula revenues were more than anticipated and the budget was significantly increased to accommodate additional functional expenditures.

Total actual revenues were \$130,704 less than the final budgeted amount primarily due to revenues from state program revenues being less than anticipated. Total actual expenditures were \$103,092 more than the final budget amounts due primarily to a significant unfavorable variance in Function 91 (Contracted Instructional Services Between Schools) combined with other less significant favorable budget variances. The unfavorable variance in Function 91 is primarily attributable to Chapter 49 WADA costs being more than anticipated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of August 31, 2021 was \$36,680,665 (net of accumulated depreciation). This investment in capital assets includes school facilities, machinery and equipment, furniture, vehicles and construction-in-progress. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$1,511,923 from fiscal year 2020. 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, 2021 and 2020.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>	<u>2021 - 2020</u>	<u>2021 - 2020</u>
Land	\$ 372,015	\$ 372,015	\$ -	0%
Buildings and Improvements	31,475,622	31,283,772	191,850	1%
Vehicles, Furniture and Equipment	2,213,936	2,260,107	(46,171)	(2%)
Construction in Progress	12,949,488	10,756,085	2,193,403	20%
Totals at Historical Cost	47,011,061	44,671,979	2,339,082	5%
Total Accumulated Depreciation	(10,330,396)	(9,503,237)	(827,159)	9%
Net Capital Assets	<u>\$ 36,680,665</u>	<u>\$ 35,168,742</u>	<u>\$ 1,511,923</u>	4%



KENEDY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2021

**Long-term Debt**

As of August 31, 2021, the District had long-term debt outstanding of \$26,726,161. 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, 2021 and 2020.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>	<u>2021 - 2020</u>	<u>2021 - 2020</u>
General Obligation Bonds	<u>\$ 26,726,161</u>	<u>\$ 28,023,811</u>	<u>\$ (1,297,650)</u>	(5%)

**ECONOMIC OUTLOOK**

The District has adopted a property tax rate of \$1.245367 for the fiscal year ending 2022 based on its approved budget and total assessed taxable property values. Of the total tax rate, \$0.9634 per \$100 is for the purpose of maintenance and operations and \$0.281967 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 2022. These factors were taken into consideration when adopting the general fund budget for fiscal year ending 2022. The District has a balanced budget for fiscal year ending 2022.

**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, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 5,061,517
1120 Current Investments	11,932,508
1220 Property Taxes - Delinquent	1,151,263
1230 Allowance for Uncollectible Taxes	(424,570)
1240 Due from Other Governments	93,747
Capital Assets:	
1510 Land	372,015
1520 Buildings, Net	22,656,106
1530 Furniture and Equipment, Net	703,056
1580 Construction in Progress	12,949,488
1000 Total Assets	54,495,130
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,742,158
1702 Deferred Outflow - State Foundation Program	11,218
1705 Deferred Outflow Related to TRS Pension	1,087,195
1706 Deferred Outflow Related to TRS OPEB	560,769
1700 Total Deferred Outflows of Resources	3,401,340
<b>LIABILITIES</b>	
2110 Accounts Payable	59,439
2140 Interest Payable	41,840
2160 Accrued Wages Payable	405,313
2180 Due to Other Governments	1,136,376
2200 Accrued Expenses	10,329
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc. QEDue in More than One Year:	1,835,808
2502 Bonds, Notes, Leases, etc.	24,890,353
2540 Net Pension Liability (District's Share)	2,344,826
2545 Net OPEB Liability (District's Share)	3,500,415
2000 Total Liabilities	34,224,699
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	855,200
2606 Deferred Inflow Related to TRS OPEB	3,636,592
2600 Total Deferred Inflows of Resources	4,491,792
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	13,813,810
3850 Restricted for Debt Service	731,503
3900 Unrestricted	4,634,666
3000 Total Net Position	\$ 19,179,979

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, 2021

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		
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 5,704,049	\$ -	\$ 1,039,532	\$ (4,664,517)
12	Instructional Resources and Media Services	55,984	-	2,480	(53,504)
13	Curriculum and Instructional Staff Development	292,013	-	33,321	(258,692)
23	School Leadership	598,294	-	36,708	(561,586)
31	Guidance, Counseling, and Evaluation Services	251,258	-	17,273	(233,985)
33	Health Services	184,280	-	11,041	(173,239)
34	Student (Pupil) Transportation	509,817	-	17,675	(492,142)
35	Food Services	603,049	25,392	441,793	(135,864)
36	Extracurricular Activities	550,807	57,630	18,578	(474,599)
41	General Administration	911,478	6,000	34,101	(871,377)
51	Facilities Maintenance and Operations	1,276,290	-	31,868	(1,244,422)
52	Security and Monitoring Services	94,496	-	5,716	(88,780)
53	Data Processing Services	271,042	-	15,798	(255,244)
72	Debt Service - Interest on Long-Term Debt	143,064	-	2,802	(140,262)
73	Debt Service - Bond Issuance Cost and Fees	284,504	-	-	(284,504)
91	Contracted Instructional Services Between Schools	2,271,759	-	-	(2,271,759)
93	Payments Related to Shared Services Arrangements	236,491	-	-	(236,491)
95	Payments to Juvenile Justice Alternative Ed. Prg.	27,967	-	-	(27,967)
99	Other Intergovernmental Charges	132,364	-	-	(132,364)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 14,399,006	\$ 89,022	\$ 1,708,686	(12,601,298)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	10,535,623
DT	Property Taxes, Levied for Debt Service	4,051,110
SF	State Aid - Formula Grants	752,152
IE	Investment Earnings	28,506
MI	Miscellaneous Local and Intermediate Revenue	370,031
TR	Total General Revenues	15,737,422
CN	Change in Net Position	3,136,124
NB	Net Position - Beginning	16,043,855
NE	Net Position - Ending	\$ 19,179,979

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

KENEDY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 1,087,356	\$ 41,766	\$ 3,918,745
1120 Investments - Current	11,345,232	587,276	-
1220 Property Taxes - Delinquent	983,738	167,525	-
1230 Allowance for Uncollectible Taxes	(362,789)	(61,781)	-
1240 Due from Other Governments	-	-	-
1260 Due from Other Funds	73,036	83,599	-
1000 Total Assets	<u>\$ 13,126,573</u>	<u>\$ 818,385</u>	<u>\$ 3,918,745</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ -	\$ 59,439
2160 Accrued Wages Payable	373,314	-	-
2170 Due to Other Funds	83,599	-	-
2180 Due to Other Governments	1,136,376	-	-
2200 Accrued Expenditures	7,967	-	-
2000 Total Liabilities	<u>1,601,256</u>	<u>-</u>	<u>59,439</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	620,949	105,744	-
2600 Total Deferred Inflows of Resources	<u>620,949</u>	<u>105,744</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	136,394	-
Committed Fund Balance:			
3510 Construction	3,077,556	-	3,859,306
3530 Capital Expenditures for Equipment	1,000,000	-	-
3545 Other Committed Fund Balance	3,000,000	-	-
3600 Unassigned Fund Balance	3,826,812	576,247	-
3000 Total Fund Balances	<u>10,904,368</u>	<u>712,641</u>	<u>3,859,306</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,126,573</u>	<u>\$ 818,385</u>	<u>\$ 3,918,745</u>

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

Other Funds	Total Governmental Funds
\$ 13,650	\$ 5,061,517
-	11,932,508
-	1,151,263
-	(424,570)
93,747	93,747
-	156,635
<u>\$ 107,397</u>	<u>\$ 17,971,100</u>
\$ -	\$ 59,439
31,999	405,313
73,036	156,635
-	1,136,376
2,362	10,329
<u>107,397</u>	<u>1,768,092</u>
-	726,693
-	<u>726,693</u>
-	136,394
-	6,936,862
-	1,000,000
-	3,000,000
-	4,403,059
-	<u>15,476,315</u>
<u>\$ 107,397</u>	<u>\$ 17,971,100</u>

KENEDY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	15,476,315
1 Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		36,680,665
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 \$24,579,985, the related unamortized premium on bonds payable of \$2,146,176, and the deferred charge on refunding of \$1,742,158.		(24,984,003)
3 Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(41,840)
4 Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		726,693
5 State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.		11,218
6 The District's proportionate share of the net pension liability of \$2,344,826, deferred inflow of resources of \$855,200, and deferred outflow of resources of \$1,087,195 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.		(2,112,831)
7 The District's proportionate share of the net OPEB liability of \$3,500,415, deferred inflow of resource of \$3,636,592, and deferred outflow of resources of \$560,769 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.		(6,576,238)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>19,179,979</b>

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, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 10,978,586	\$ 4,045,270	\$ 22,273
5800 State Program Revenues	1,195,896	2,802	-
5900 Federal Program Revenues	254,705	-	-
5020 Total Revenues	<u>12,429,187</u>	<u>4,048,072</u>	<u>22,273</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	4,812,256	-	-
0012 Instructional Resources and Media Services	51,504	-	-
0013 Curriculum and Instructional Staff Development	244,860	-	-
0023 School Leadership	552,438	-	-
0031 Guidance, Counseling, and Evaluation Services	231,662	-	-
0033 Health Services	169,844	-	-
0034 Student (Pupil) Transportation	379,438	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	502,767	-	-
0041 General Administration	840,844	-	-
0051 Facilities Maintenance and Operations	1,171,349	-	-
0052 Security and Monitoring Services	83,412	-	-
0053 Data Processing Services	250,060	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	2,825,000	-
0072 Interest on Long-Term Debt	-	604,200	-
0073 Bond Issuance Cost and Fees	-	284,504	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	214,264	-	2,293,328
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	2,271,759	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	236,491	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	27,967	-	-
0099 Other Intergovernmental Charges	132,364	-	-
6030 Total Expenditures	<u>12,173,279</u>	<u>3,713,704</u>	<u>2,293,328</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>255,908</u>	<u>334,368</u>	<u>(2,271,055)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued	-	19,489,984	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,130,196	-
8911 Transfers Out (Use)	(160,216)	-	-
8949 Other (Uses)	-	(21,378,301)	-
7080 Total Other Financing Sources (Uses)	<u>(160,216)</u>	<u>241,879</u>	<u>-</u>
1200 Net Change in Fund Balances	95,692	576,247	(2,271,055)
0100 Fund Balance - September 1 (Beginning)	<u>10,808,676</u>	<u>136,394</u>	<u>6,130,361</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,904,368</u>	<u>\$ 712,641</u>	<u>\$ 3,859,306</u>

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



	Other Funds	Total Governmental Funds
\$	25,392	\$ 15,071,521
	13,529	1,212,227
	923,700	1,178,405
	962,621	17,462,153
	487,659	5,299,915
	-	51,504
	25,086	269,946
	-	552,438
	-	231,662
	-	169,844
	-	379,438
	606,301	606,301
	-	502,767
	-	840,844
	-	1,171,349
	3,791	87,203
	-	250,060
	-	2,825,000
	-	604,200
	-	284,504
	-	2,507,592
	-	2,271,759
	-	236,491
	-	27,967
	-	132,364
	1,122,837	19,303,148
	(160,216)	(1,840,995)
	-	19,489,984
	160,216	160,216
	-	2,130,196
	-	(160,216)
	-	(21,378,301)
	160,216	241,879
	-	(1,599,116)
	-	17,075,431
\$	-	\$ 15,476,315

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, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(1,599,116)
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, depreciation expense, and loss on dispositions totaled \$2,512,902, \$970,030, and \$30,949, respectively, for a net effect of \$1,511,923.		1,511,923
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.		2,825,000
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.		4,449
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.		456,687
The activity related to the issuance of the Series 2020A and 2020B Unlimited Tax Refunding Bonds are reported as other financing sources and uses in the governmental funds, but are reported as additions and reductions to the long-term liabilities in the Statement of Net Position.		(241,879)
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.		33,720
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.		11,218
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 \$577,119, deferred inflow of resources increased by \$248,159, and deferred outflow of resources decreased by \$463,548, for a net effect of \$134,588.		(134,588)

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

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, 2021

EXHIBIT C-4

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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 \$1,146,260, deferred inflow of resources increased by \$777,695, and deferred outflow of resources decreased by \$99,855, for a net effect of \$268,710.	268,710
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,136,124</b>

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, 2021

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 576,353	\$ 143,254
Investments - Current	-	45,455
Total Assets	<u>576,353</u>	<u>\$ 188,709</u>
<b>NET POSITION</b>		
Restricted for Scholarships	576,353	-
Restricted for Other Purposes	-	188,709
Total Net Position	<u>\$ 576,353</u>	<u>\$ 188,709</u>

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

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

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Cocurricular Services or Activities	\$ -	\$ 98,506
Earnings from Temporary Deposits	455	142
Total Additions	<u>455</u>	<u>98,648</u>
<b>DEDUCTIONS:</b>		
Supplies and Materials	-	85,456
Scholarships Awarded	35,000	-
Total Deductions	<u>35,000</u>	<u>85,456</u>
Change in Fiduciary Net Position	(34,545)	13,192
Total Net Position - September 1 (Beginning)	610,898	-
Prior Period Adjustment	<u>-</u>	<u>175,517</u>
Total Net Position - August 31 (Ending)	<u>\$ 576,353</u>	<u>\$ 188,709</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, 2021

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, 2021

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 an agent 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 others in a custodial capacity in the custodial funds. These funds are used to account for assets held by the District as an agent for student and other organizations.

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, 2021

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, 2021.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated 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, 2021

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, 2021

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, 2021

B. Deposits and Investments (Continued)

Cash Deposits

At August 31, 2021, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,781,124 and the bank balance was \$5,943,503. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2021

B. Deposits and Investments (Continued)

The District’s investments as of August 31, 2021 consist entirely of certificates of deposit and investments pools) that are not subject to fair value measurements as follows:

Investment or Investment Type	Reported Amount
TexPool	\$ 9,422,548
Texas CLASS	440,957
Lone Star Government Overnight Fund	2,114,458
Total Investments	\$ 11,977,963

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, 2021, 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, 2021

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, 2021

C. Capital Assets

Capital asset activity for the year ended August 31, 2021, 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	10,756,085	2,193,403	-	12,949,488
Capital Assets Being Depreciated				
Building and Improvements	31,283,772	220,171	28,321	31,475,622
Vehicles, Furniture and Equipment	2,260,107	99,328	145,499	2,213,936
Total Capital Assets at Historical Cost	<u>44,671,979</u>	<u>2,512,902</u>	<u>173,820</u>	<u>47,011,061</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,035,858	798,960	15,302	8,819,516
Vehicles, Furniture and Equipment	1,467,379	171,070	127,569	1,510,880
Total Accumulated Depreciation	<u>9,503,237</u>	<u>970,030</u>	<u>142,871</u>	<u>10,330,396</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,168,742</u>	<u>\$ 1,542,872</u>	<u>\$ 30,949</u>	<u>\$ 36,680,665</u>

Depreciation was charged to functions as follows:

Instruction	\$ 462,619
Instructional Resources and Media Services	4,466
Curriculum and Staff Development	23,409
School Leadership	47,905
Guidance, Counseling and Evaluation Services	20,089
Health Services	14,728
Student (Pupil) Transportation	132,774
Food Services	9,298
Extracurricular Activities	51,008
General Administration	72,914
Facilities Maintenance and Operations	101,574
Security and Monitoring Services	7,562
Data Processing Services	21,684
Total	<u>\$ 970,030</u>

D. Interfund Balances and Activities

Due to and From Other Funds

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

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Other Funds	\$ 73,036	Short-term Loans
Debt Service	General Fund	83,599	Short-term Loans
Total		<u>\$ 156,635</u>	

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

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, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Funds	<u>\$ 160,216</u>	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, 2021

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, 2021, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds					
Series 2010	\$ 1,235,000	\$ -	\$ 1,235,000	\$ -	\$ -
Series 2013	12,275,000	-	10,710,000	1,565,000	770,000
Series 2018	13,925,000	-	9,735,000	4,190,000	340,000
Series 2020A	-	1,205,000	180,000	1,025,000	155,000
Series 2020B	-	18,284,985	485,000	17,799,985	410,000
Unamortized Premium	588,811	2,130,196	572,831	2,146,176	160,808
Total Governmental Activities	<u>\$ 28,023,811</u>	<u>\$ 21,620,181</u>	<u>22,917,831</u>	<u>\$ 26,726,161</u>	<u>\$ 1,835,808</u>

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

Year Ending August 31,	Principal	Interest	Total
2022	\$ 1,835,808	\$ 418,673	\$ 2,254,481
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 - 2031	8,929,604	2,399,857	11,329,461
2032 - 2036	8,053,461	249,268	8,302,729
Total	<u>\$ 26,726,161</u>	<u>\$ 4,172,785</u>	<u>\$ 30,898,946</u>



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

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, 2021 for governmental activities was \$143,064.

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 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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 Comprehensive Annual Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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, for whom the three highest annual salaries are then 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.

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

G. Pension Plan (Continued)

There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

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

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

Contributions

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

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

	Contribution Rates	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current Fiscal Year Employer Contributions		\$ 218,463
Current Fiscal Year Member Contributions		\$ 453,608
Measurement Year NECE On-Behalf Contributions		\$ 323,716

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).

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

G. Pension Plan (Continued)

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 or charter school, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

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

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

G. Pension Plan (Continued)

Actuarial Assumptions

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%. 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)	 2119
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, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension 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, 2021

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, 2020 are summarized below:

Asset Class	Target Allocation Percentage <sup>1</sup>	Long-Term Expected Geometric Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.A.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value:			
Government Bonds	16.00%	(0.70%)	(0.05%)
Absolute Return (Including Credit Sensitive Investments)	-	1.80%	-
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return:			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	-	0.80%	-
Risk Parity:			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage:			
Cash	2.00%	(1.50%)	(0.03%)
Asset Allocation Leverage	(6.00%)	(1.30%)	0.08%
Inflation Expectation			2.00%
Volatility Drag <sup>3</sup>	-		(0.67%)
	100.00%		7.33%

<sup>1</sup> Target allocations are based on the FY 2020 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

<sup>3</sup> 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, 2021

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	\$ 3,615,680	\$ 2,344,826	\$ 1,312,285

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

At August 31, 2021, the District reported a liability of \$2,344,826 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	\$ 2,344,826
State's Proportionate Share that is Associated with the District	4,202,012
Total	\$ 6,546,838

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

At August 31, 2020, the employer's proportionate share of the collective net pension liability was 0.0043781096%, a decrease of 0.0012428397% from its proportionate share measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$858,460 and revenue of \$505,409 for support provided by the State.

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

G. Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experiences	\$ 4,281	\$ 65,438
Changes in Actuarial Assumptions	544,083	231,340
Difference Between Projected and Actual Investment Earnings	47,469	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	272,899	558,422
Contributions Paid to TRS Subsequent to the Measurement Date	218,463	-
Total as of August 31, 2021	<u>\$ 1,087,195</u>	<u>\$ 855,200</u>

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 pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$ 72,097
2023	77,556
2024	56,073
2025	(59,770)
2026	(106,304)
Thereafter	(26,120)

For the year ended August 31, 2021, the changes to the TRS net pension liability were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Net Pension Liability	<u>\$ 2,921,945</u>	<u>\$ (396,477)</u>	<u>\$ 180,642</u>	<u>\$ 2,344,826</u>

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, 2021

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 Comprehensive Annual 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](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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-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, 2021

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

	Contribution Rates	
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 66,643
Current Fiscal Year Member Contributions		\$ 38,291
Measurement Year NECE On-Behalf Contributions		\$ 94,046

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

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial: rates of mortality, rates of retirement, rates of termination, rates of disability, general inflation, wage inflation, and salary increases.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
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

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- The 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

Discount Rate

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

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

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

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's Proportionate Share of the Net OPEB Liability	\$ 4,200,490	\$ 3,500,415	\$ 2,947,456

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

At August 31, 2021, the District reported a liability of \$3,500,415 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	\$ 3,500,415
State's Proportionate Share that is Associated with the District	4,703,719
Total	\$ 8,204,134

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportionate share of the collective Net OPEB Liability was 0.0092081008%, a decrease of 0.0006175609% from its proportionate share measured as of August 31, 2019.

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare costs trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point less than and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Proportionate Share of the Net OPEB Liability	\$ 2,859,391	\$ 3,500,415	\$ 4,354,169

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

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

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for post-65 retirees was decreased from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate health care trend rate assumption was decreased from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

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

For the year ended August 31, 2021, the District recognized OPEB expense of (\$234,728) and revenue of (\$32,661) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 183,280	\$ 1,601,969
Changes in Actuarial Assumptions	215,903	961,232
Difference Between Projected and Actual Investment Earnings	1,138	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	93,805	1,073,391
Contributions Paid to TRS Subsequent to the Measurement Date	66,643	-
Total as of August 31, 2021	\$ 560,769	\$ 3,636,592

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
2022	\$ (510,277)
2023	(510,429)
2024	(510,516)
2025	(510,492)
2026	(416,996)
Thereafter	(683,756)

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

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

For the year ended August 31, 2021, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 4,646,675	\$ (1,076,272)	\$ 69,988	\$ 3,500,415

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](http://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, 2021, 2020, and 2019. The contribution rate for the State was 1.25% for the years ended August 31, 2021, 2020, and 2019. The contribution rate for the District was 0.75% for the years ended August 31, 2021, 2020, and 2019. 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.

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, 2021, 2020, and 2019 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2019	0.65%	36,802	1.25%	58,153	0.75%	42,463

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

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

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, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$25,840, \$22,869, and \$23,386, 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.

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, 2020, from the fiscal agent.

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

L. Local and Intermediate Revenue

During the year ended August 31, 2021, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 10,516,316
Interest Income from Temporary Investments	General Fund	5,723
Extracurricular Activities	General Fund	57,630
Oil and Gas Leases	General Fund	91,050
Insurance Recoveries	General Fund	51,548
Tax Abatement	General Fund	132,173
Miscellaneous	General Fund	124,146
Total General Fund		<u>10,978,586</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	4,036,698
Interest Income from Temporary Investments	Debt Service Fund	510
Miscellaneous	Debt Service Fund	8,062
Total Debt Service		<u>4,045,270</u>
Interest Income from Temporary Investments	Capital Projects Fund	<u>22,273</u>
Revenues from Meals Served	Other Funds	<u>25,392</u>
Total Governmental Funds		<u>15,071,521</u>
Interest Income from Temporary Investments	Private Purpose Trust	455
Interest Income from Temporary Investments	Custodial Funds	142
		<u>597</u>
Total Local and Intermediate Revenue		<u>\$ 15,072,118</u>

M. Significant Taxpayers

The District's two largest taxpayers accounted for approximately 12% each on an individual basis, and approximately 24% on an aggregate basis, of the total 2020 tax levy. No delinquent amounts from these taxpayers existed as August 31, 2021. No other individual taxpayer accounted for more than 7% of the total 2020 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, 2021, 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.

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

N. Tax Abatement (Concluded)

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.

The gross dollar amount the District's revenues were reduced in tax year 2020 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. Prior Period Adjustment

During the year ended August 31, 2021, the District adopted GASB Statement No. 84, Fiduciary Activities. In order to improve the accounting and financial reporting, the District must report the activity of its custodial funds. As a result of this implementation, the District was required to report this retroactively with a prior period adjustment of \$175,517. The restated beginning net position is \$175,517.



### **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, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 10,103,513	\$ 10,703,513	\$ 10,978,586	\$ 275,073
5800 State Program Revenues	1,042,378	1,596,378	1,195,896	(400,482)
5900 Federal Program Revenues	260,000	260,000	254,705	(5,295)
5020 Total Revenues	11,405,891	12,559,891	12,429,187	(130,704)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,673,606	4,823,606	4,812,256	11,350
0012 Instructional Resources and Media Services	49,065	54,065	51,504	2,561
0013 Curriculum and Instructional Staff Development	228,880	248,880	244,860	4,020
0023 School Leadership	555,093	555,093	552,438	2,655
0031 Guidance, Counseling, and Evaluation Services	244,663	244,663	231,662	13,001
0033 Health Services	141,618	176,618	169,844	6,774
0034 Student (Pupil) Transportation	339,590	404,590	379,438	25,152
0036 Extracurricular Activities	556,567	556,567	502,767	53,800
0041 General Administration	668,264	848,264	840,844	7,420
0051 Facilities Maintenance and Operations	1,087,035	1,227,035	1,171,349	55,686
0052 Security and Monitoring Services	89,162	89,162	83,412	5,750
0053 Data Processing Services	270,220	270,220	250,060	20,160
Capital Outlay:				
0081 Facilities Acquisition and Construction	20,000	220,000	214,264	5,736
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	1,950,000	2,050,000	2,271,759	(221,759)
0093 Payments to Fiscal Agent/Member Districts of SSA	242,434	242,434	236,491	5,943
0095 Payments to Juvenile Justice Alternative Ed. Prg.	34,000	34,000	27,967	6,033
0099 Other Intergovernmental Charges	155,694	155,694	132,364	23,330
6030 Total Expenditures	11,305,891	12,200,891	12,173,279	27,612
1100 Excess of Revenues Over Expenditures	100,000	359,000	255,908	(103,092)
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(100,000)	(260,000)	(160,216)	99,784
1200 Net Change in Fund Balances	-	99,000	95,692	(3,308)
0100 Fund Balance - September 1 (Beginning)	10,808,676	10,808,676	10,808,676	-
3000 Fund Balance - August 31 (Ending)	\$ 10,808,676	\$ 10,907,676	\$ 10,904,368	\$ (3,308)

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.00437811%	0.005620949%	0.005506766%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,344,826	\$ 2,921,945	\$ 3,031,057
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,202,012	4,251,372	5,137,127
Total	<u>\$ 6,546,838</u>	<u>\$ 7,173,317</u>	<u>\$ 8,168,184</u>
District's Covered Payroll	\$ 5,390,031	\$ 5,651,681	\$ 6,049,639
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	43.50%	51.70%	50.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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, 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 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.006039635%		0.00482552%		0.0050566%		0.0031029%	
\$	1,931,150	\$	1,823,492	\$	1,787,440	\$	828,827
2,906,537		3,491,701		3,099,422		2,575,981	
\$	4,837,687	\$	5,315,193	\$	4,886,862	\$	3,404,808
\$	5,758,355	\$	5,309,626	\$	4,911,426	\$	4,705,525
33.54%		34.34%		36.39%		17.61%	
82.17%		78.00%		78.43%		83.25%	

KENEY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020	2019
Contractually Required Contribution	\$ 218,463	\$ 183,244	\$ 184,458
Contribution in Relation to the Contractually Required Contribution	(218,463)	(183,244)	(184,458)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,891,002	\$ 5,390,031	\$ 5,651,681
Contributions as a Percentage of Covered Payroll	3.71%	3.40%	3.26%

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.

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

KENEDY 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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.009208101%	0.009825661%	0.009631995%	\$ 0.011398898%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,500,415	\$ 4,646,675	\$ 4,809,343	\$ 4,956,953
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,703,719	6,174,393	5,184,493	\$ 4,496,754
Total	<u>\$ 8,204,134</u>	<u>\$ 10,821,068</u>	<u>\$ 9,993,836</u>	<u>\$ 9,453,707</u>
District's Covered Payroll	\$ 5,390,031	\$ 5,651,681	\$ 6,049,639	\$ 5,758,355
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	64.94%	82.22%	79.50%	\$ 86.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore 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 of 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.

KENEDY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 66,643	\$ 66,935	\$ 66,697	\$ 75,031
Contribution in Relation to the Contractually Required Contribution	(66,643)	(66,935)	(66,697)	(75,031)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,891,002	\$ 5,390,031	\$ 5,651,681	\$ 6,049,639
Contributions as a Percentage of Covered Payroll	1.13%	1.24%	1.18%	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.



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

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, except for the item discussed in the accompanying schedule of findings and questioned costs on page 76.

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*

In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the State, participating employers, and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound and the Legislature approved funding for a 13<sup>th</sup> check.

All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

*Changes of Assumptions*

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

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

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

### **Other Supplementary Information**

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, 2021

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.022000	551,795,251
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 (School year under audit)	0.966400	0.337392	1,123,573,225
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 49,673	\$ -	\$ 482	\$ 17	\$ (4,954)	\$ 44,220
14,222	-	934	20	-	13,268
44,528	-	669	90	-	43,769
36,187	-	750	58	107,372	142,751
349,854	-	(51,627)	(4,965)	(58,288)	348,158
58,112	-	878	119	(2,512)	54,603
47,127	-	5,797	806	(2,518)	38,006
102,041	-	14,507	3,044	(2,729)	81,761
282,752	-	112,412	27,717	(4,101)	138,522
-	14,649,058	10,331,899	3,982,356	(88,598)	246,205
<u>\$ 984,496</u>	<u>\$ 14,649,058</u>	<u>\$ 10,416,701</u>	<u>\$ 4,009,262</u>	<u>\$ (56,328)</u>	<u>\$ 1,151,263</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, 2021

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	\$ 30,000	\$ 30,000	\$ 25,392	\$ (4,608)
5800 State Program Revenues	30,885	5,885	4,073	(1,812)
5900 Federal Program Revenues	457,488	327,488	416,620	89,132
5020 Total Revenues	<u>518,373</u>	<u>363,373</u>	<u>446,085</u>	<u>82,712</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>618,373</u>	<u>618,373</u>	<u>606,301</u>	<u>12,072</u>
6030 Total Expenditures	<u>618,373</u>	<u>618,373</u>	<u>606,301</u>	<u>12,072</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(255,000)	(160,216)	94,784
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>100,000</u>	<u>260,000</u>	<u>160,216</u>	<u>(99,784)</u>
1200 Net Change in Fund Balances	-	5,000	-	(5,000)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ (5,000)</u>

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, 2021

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	\$ 3,426,456	\$ 4,026,456	\$ 4,045,270	\$ 18,814
5800 State Program Revenues	4,500	2,802	2,802	-
5020 Total Revenues	3,430,956	4,029,258	4,048,072	18,814
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,274,000	2,825,000	2,825,000	-
0072 Interest on Long-Term Debt	1,116,356	645,956	604,200	41,756
0073 Bond Issuance Cost and Fees	40,600	5,000	284,504	(279,504)
6030 Total Expenditures	3,430,956	3,475,956	3,713,704	(237,748)
1100 Excess of Revenues Over Expenditures	-	553,302	334,368	(218,934)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	-	19,489,984	19,489,984
7916 Premium or Discount on Issuance of Bonds	-	-	2,130,196	2,130,196
8949 Other (Uses)	-	-	(21,378,301)	(21,378,301)
7080 Total Other Financing Sources (Uses)	-	-	241,879	241,879
1200 Net Change in Fund Balances	-	553,302	576,247	22,945
0100 Fund Balance - September 1 (Beginning)	-	136,394	136,394	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 689,696	\$ 712,641	\$ 22,945

## STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

Kenedy Independent School District

Fiscal Year 2021

**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$899,444
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$1,065,676

**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$24,492
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$21,718





# 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, 2021, 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 2, 2021.

### **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 may exist that have not been identified.

## 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 determination of financial statement. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as reference number 2021-001.

## 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 2, 2021



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

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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**

We have audited Kenedy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kenedy Independent School District's major federal programs for the year ended August 31, 2021. 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.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

## Opinion on Each Major Federal Program

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, 2021.

## Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



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

December 2, 2021

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

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: Child Nutrition Cluster, CFDA Nos. 10.553 and 10.555
- \* 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.

Finding 2021-001:

Condition: There were two instances in which the District did not properly amend its budget during the year resulting in over-expenditures in function 91 in the general fund and function 73 in the debt service fund as reflected in the accompanying statement of revenues, expenditures, and changes in fund balance, budget and actual, general fund on page 57 and statement of revenues, expenditures, and changes in fund balance, budget and actual, debt service fund on page 70.

Criteria: Section 44.0006 of the Texas Education Code requires the District to adopt and amend its budget for the expenditures of public funds as necessary throughout the year.

Cause: The District did not take into consideration additional Chapter 49 WADA costs and bond issue costs.

Effect: The District's budgets in the general fund for function 91 and in the debt service fund for function 73 were inadequate to accommodate the actual expenditures for the entire fiscal year.

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

Views of Responsible Officials and Planned Corrective Actions: The District's management agrees with the finding and will implement the recommendations as soon as possible.

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, 2021

There were no findings and/or questioned costs noted during the prior year audit.

KENEDY INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021

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

Reference Number 2021-001:

Description of Finding: There was one instance in which the District did not properly amend its budget during the year resulting in over-expenditures in function 91 in the general fund and function 73 in the debt service fund as reflected in the accompanying statement of revenues, expenditures, and changes in fund balance, budget and actual, general fund on page 57 and statement of revenues, expenditures, and changes in fund balance, budget and actual, debt service fund on page 70.

Corrective Action Plan: The District will implement additional procedures for monitoring the budget on a periodic basis to develop and approve any necessary amendments.

Official Responsible for Corrective Action Plan:

Stephanie Timms, Business Manager  
Kenedy Independent School District  
401 Highway 719  
Kenedy, Texas 78119  
(830) 583-4100

Anticipated Completion Date of Corrective Action Plan: January 31, 2022.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101128902	\$ 300,310
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101128902	22,274
Total Assistance Listing Number 84.010A			322,584
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001128902	15,415
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001128902	13,319
Total Assistance Listing Number 84.358B			28,734
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501128902	30,198
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501128902	35,508
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501128902	1,448
Total Assistance Listing Number 84.367A			67,154
COVID-19 - CARES Act Stimulus Grant - ESSER	84.425D	20521001128902	7,520
COVID-19 - CARES Act Stimulus Grant - ESSER III	84.425U	21528001128902	32,986
Total Assistance Listing Number 84.425			40,506
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	20680101128902	23,264
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	21680101128902	23,390
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	22680101128902	1,448
Total Assistance Listing Number 84.424A			48,102
Total Passed Through State Department of Education			507,080
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			507,080
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*COVID-19 - CARES Act - Sch Pgms Emerg Op Cost Pgm	10.555	17460014875	47,650
Total Passed Through the State Department of Agriculture			47,650
<u>Passed Through State Department of Education</u>			
*School Breakfast Program	10.553	71402001	83,302
*National School Lunch Program - Cash Assistance	10.555	71302001	245,344
*National School Lunch Prog. - Non-Cash Assistance	10.555	128-902	40,324
Total Assistance Listing Number 10.555			285,668
Total Child Nutrition Cluster			416,620
Total Passed Through State Department of Education			368,970
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			416,620
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 923,700

\*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, 2021

- 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, 2021, was \$40,324 all of which received under the National School Lunch Program, CFDA 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	\$ 923,700
Plus: SHARS/Medicaid Reimbursements	254,705
Total Federal Program Revenues - Exhibit C-3	<u>\$ 1,178,405</u>