

KARNES CITY INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL AND COMPLIANCE REPORT*

*FOR THE YEAR ENDED JUNE 30, 2021*

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**KARNES CITY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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CERTIFICATE OF BOARD

Karnes City Independent School District  
Name of School District

Karnes  
County

128-901  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ~~dis~~ approved

-    disapproved for the year ended June 30, 2021, at a meeting of the board of school trustees of such school district on the

22<sup>nd</sup> day of November, 2021.

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

  
\_\_\_\_\_  
Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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## Independent Auditor's Report

### UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees  
Karnes City Independent School District  
P.O. Box 38  
Karnes City, Texas 78118

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Karnes City Independent School District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Karnes City Independent School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

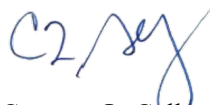
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of District's Proportionate Share of the Net Pension Liability (TRS), Schedule of District Pension Contributions to TRS, Schedule of District's Proportionate Share of the Net OPEB Liability (TRS) and Schedule of District OPEB Contributions to TRS as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, the TEA required schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, the TEA required schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 22, 2021, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Cameron L. Gulley  
Certified Public Accountant  
Eastland, Texas

November 22, 2021



# KARNES CITY INDEPENDENT SCHOOL DISTRICT

HECTOR MADRIGAL., SUPERINTENDENT

P. O. BOX 38

KARNES CITY, TEXAS 78118

Voice: (830) 780-2321 • Fax: (830) 780-1071

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Karnes City Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2021. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

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

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from \$85,404,624 to \$91,921,487. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$45,718,716 to \$46,826,435. Current and other assets decreased by \$6 million due to cash and investments used to pay of long-term debt. Capital assets decreased by \$968 thousand due to current year depreciation expense in excess of asset additions. Long-term liabilities decreased by nearly \$6.9 million due to changes in net pension (NPL) and other post-employment (OPEB) liabilities plus early pay-off of long-term debt. Other liabilities decreased by \$3.3 million due to wealth recapture cost liabilities. Deferred resource outflows and inflows related to NPL and OPEB liabilities changed by \$108 thousand and \$1.3 million, respectively.

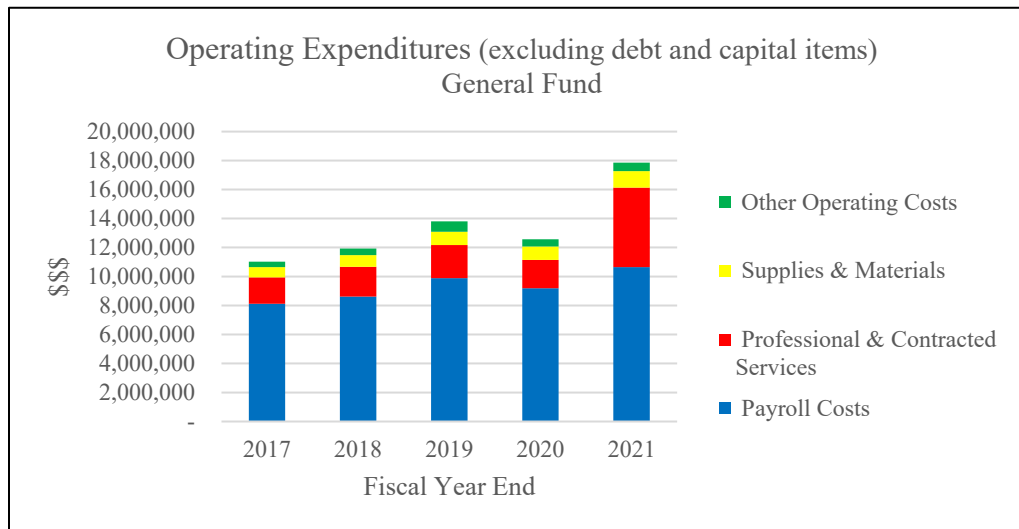
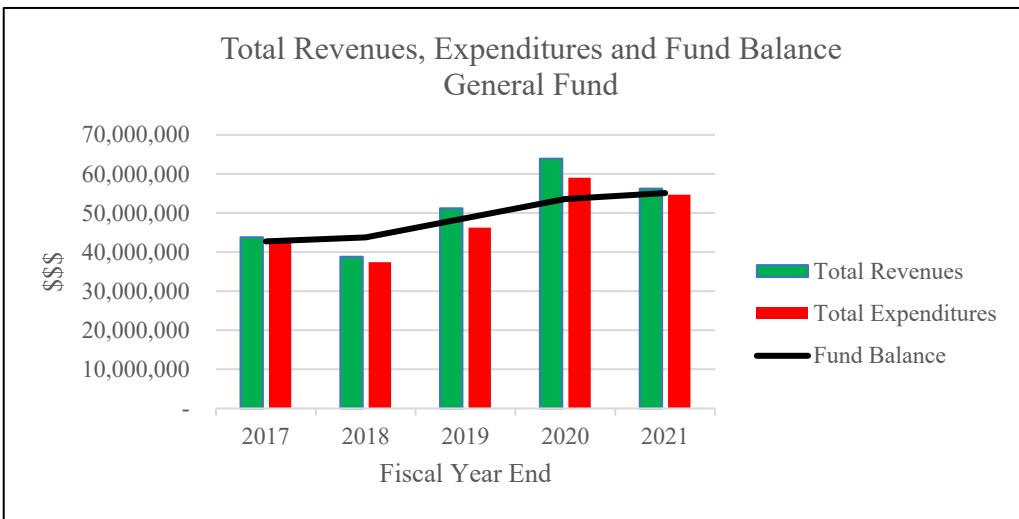
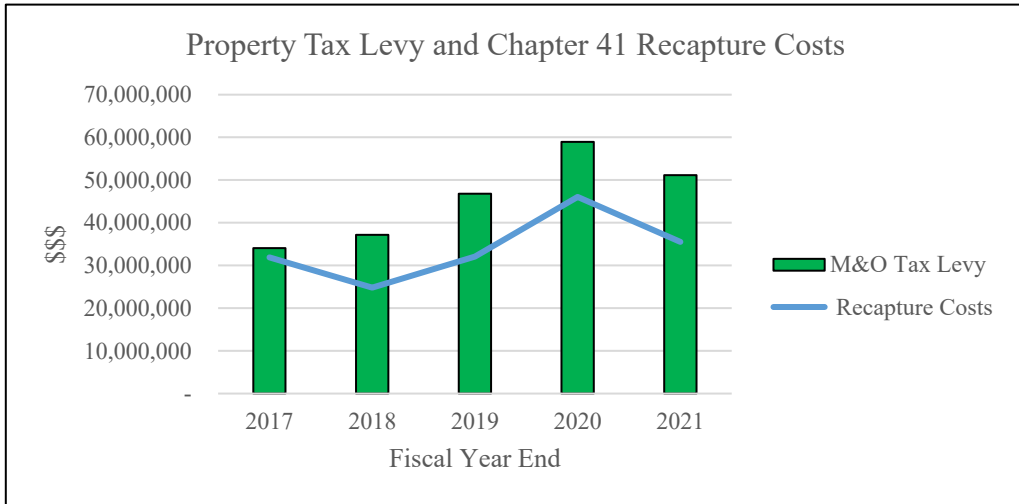
Changes in revenues and expenses for the year are not comparable to prior year due to the District's election to change its fiscal year end from August to June during the prior year. Therefore, the prior year balances are for a 10-month period and the current year are for a 12-month period.

A couple of items do stand out regardless of the change in fiscal year, however. Tax revenues declined during the current year by \$7.6 million due to property valuation decreases within the District by nearly 13%. The resulting decrease in property tax revenues also reduced wealth recapture costs in contracted instructional services between schools by \$10.5 million. Other revenues increased by approximately \$1.8 million due mostly to investment income. Other than changes in wealth recapture costs, the most significant expense variation from last year was instructional costs. That was due to the District partnering with an online virtual learning academy. The result was an increase in instructional costs by approximately \$3 million. Those increased costs and virtual students also contributed to the reduction in wealth recapture costs for the year.

	Governmental Activities 2021	Governmental Activities 2020	Variance Increase/ (Decrease)
Current and other assets	\$ 103,848,292	\$ 109,869,350	\$ (6,021,058)
Capital assets	51,427,119	52,395,338	(968,219)
Deferred resource outflows for TRS	3,758,774	3,651,175	107,599
Total assets and deferred resource outflows	159,034,185	165,915,863	(6,881,678)
Long-term liabilities	20,853,681	32,268,780	(11,415,099)
Other liabilities	41,386,837	44,673,512	(3,286,675)
Deferred resource inflows for TRS	4,872,180	3,568,947	1,303,233
Total liabilities and deferred resource inflows	67,112,698	80,511,239	(13,398,541)
Net position:			
Net investment in capital assets	40,586,082	31,083,560	9,502,522
Restricted for debt service, capital projects and other	4,508,970	8,602,348	(4,093,378)
Unrestricted	46,826,435	45,718,716	1,107,719
Total net position	\$ 91,921,487	\$ 85,404,624	\$ 6,516,863

	Governmental Activities 2021	Governmental Activities 2020	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 91,548	\$ 150,593	\$ (59,045)
Operating grants and contributions	4,587,742	4,158,593	429,149
General Revenues:			
Property taxes	58,342,091	65,945,427	(7,603,336)
State aid - formula grants	1,092,828	3,391,532	(2,298,704)
Other	1,834,389	(10,643)	1,845,032
Total Revenues	65,948,598	73,635,502	(7,686,904)
Expenses:			
Instruction, curriculum and media services	14,601,614	11,164,264	(3,437,350)
Instructional and school leadership	1,391,735	1,450,070	58,335
Student support services	1,308,689	1,172,497	(136,192)
Child nutrition	1,139,471	947,467	(192,004)
Extracurricular activities	692,705	660,889	(31,816)
General administration	1,042,863	859,779	(183,084)
Plant maintenance, security & data processing and other	2,548,615	1,477,365	(1,071,250)
Community services	32,702	33,627	925
Debt service	394,517	(74,419)	(468,936)
Contracted instructional services between schools	35,525,235	46,074,792	10,549,557
Payments related to shared service arrangements	310,574	288,464	(22,110)
Payments related to JJAEP program	74,858	72,278	(2,580)
Intergovernmental charges	444,557	405,152	(39,405)
Total Expenses	59,508,135	64,532,225	5,024,090
Increase (Decrease) in Net Position	6,440,463	9,103,277	(2,662,814)
Net Position - beginning of year	85,404,624	76,301,347	9,103,277
Prior period adjustment	76,400	0	76,400
Net Position - end of year	\$ 91,921,487	\$ 85,404,624	\$ 6,516,863

The following charts depict trend information for the past five years.



## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$59,442,564, a decrease of \$2,555,764 in the District's Governmental Funds from last year's fund balance of \$61,998,328 (net of beginning balance adjustments). The primary reasons for the net decrease are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 whose impact is only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees made numerous budget amendments for the year. The most significant amendment was for increased revenue wealth recapture costs and for increased instructional costs due to the virtual online academy contract entered into during the year.

The District's General Fund balance of \$55,095,315 reported on pages 14 and 41 differs from the General Fund's budgetary fund balance of \$49,398,084 reported in the budgetary comparison schedule on page 41. The primary variances are due to expenditures being less than budgeted (particularly in instruction and contracted instructional services between schools functional categories).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2021, the District had \$63,766,106 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Following were asset additions for the year.

RES elementary upgrades (and bond planning)	\$	482,763
Land purchase		250,402
GMC pickup		30,038
Cafeteria equipment		41,600
Building and campus improvements		39,873
Miscellaneous other equipment		106,532
Total asset additions		<u>\$ 921,170</u>

### *Debt*

The District had three long-term debt instruments outstanding at year-end in the form of bonds payable. Following is a summary of outstanding debt balances:

	2021	2020
Unlimited tax bonds, series 2011-2018	<u>\$ 11,310,000</u>	<u>\$ 20,535,070</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2021-22 reflected tax rates at \$0.9634 for maintenance and operations and \$0.1268 for debt service. Taxable valuations have decreased from the past year by approximately 35% due to oil and gas valuations. General fund revenues and expenditures were budgeted at approximately \$35 million for a projected break-even year. Therefore, the District expects that its fund balance will be remain at approximately \$55.1 million at June 30, 2022.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Karnes City Independent School District, P.O. Box 38, Karnes City, Texas 78118.

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*BASIC FINANCIAL STATEMENTS*

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 24,485,567
1120 Current Investments	74,006,096
1220 Property Taxes - Delinquent	3,068,901
1230 Allowance for Uncollectible Taxes	(959,683)
1240 Due from Other Governments	701,375
1290 Other Receivables, Net	1,258,265
1410 Prepayments	265,169
Capital Assets:	
1510 Land	482,089
1520 Buildings, Net	47,326,636
1530 Furniture and Equipment, Net	1,208,382
1560 Library Books and Media, Net	25,612
1580 Construction in Progress	527,423
1590 Infrastructure, Net	1,856,977
1910 Long Term Investments	1,022,602
1000 Total Assets	155,275,411
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,067,068
1705 Deferred Outflow Related to TRS Pension	1,745,042
1706 Deferred Outflow Related to TRS OPEB	946,664
1700 Total Deferred Outflows of Resources	3,758,774
<b>LIABILITIES</b>	
2110 Accounts Payable	656,273
2140 Interest Payable	112,929
2150 Payroll Deductions and Withholdings	121,767
2160 Accrued Wages Payable	967,999
2177 Due to Fiduciary Funds	3,000
2180 Due to Other Governments	39,486,685
2300 Unearned Revenue	38,184
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	2,798,000
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	8,997,176
2540 Net Pension Liability (District's Share)	4,521,840
2545 Net OPEB Liability (District's Share)	4,536,665
2000 Total Liabilities	62,240,518
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	1,096,299
2606 Deferred Inflow Related to TRS OPEB	3,775,881
2600 Total Deferred Inflows of Resources	4,872,180
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	40,586,082
3850 Restricted for Debt Service	4,508,970
3900 Unrestricted	46,826,435
3000 Total Net Position	\$ 91,921,487

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 14,281,339	\$ -	\$ 3,331,148	\$ (10,950,191)
12	Instructional Resources and Media Services	278,419	-	14,043	(264,376)
13	Curriculum and Instructional Staff Development	41,856	-	10,400	(31,456)
21	Instructional Leadership	524,816	-	249,288	(275,528)
23	School Leadership	866,919	-	51,690	(815,229)
31	Guidance, Counseling, and Evaluation Services	348,231	-	25,649	(322,582)
33	Health Services	229,379	-	43,791	(185,588)
34	Student (Pupil) Transportation	731,079	-	924	(730,155)
35	Food Services	1,139,471	33,549	643,574	(462,348)
36	Extracurricular Activities	692,705	48,477	26,660	(617,568)
41	General Administration	1,042,863	-	38,134	(1,004,729)
51	Facilities Maintenance and Operations	2,174,595	9,522	63,139	(2,101,934)
52	Security and Monitoring Services	52,072	-	50,672	(1,400)
53	Data Processing Services	321,948	-	9,479	(312,469)
61	Community Services	32,702	-	29,151	(3,551)
72	Debt Service - Interest on Long-Term Debt	362,444	-	-	(362,444)
73	Debt Service - Bond Issuance Cost and Fees	32,073	-	-	(32,073)
91	Contracted Instructional Services Between Schools	35,525,235	-	-	(35,525,235)
93	Payments Related to Shared Services Arrangements	310,574	-	-	(310,574)
95	Payments to Juvenile Justice Alternative Ed. Prg.	74,858	-	-	(74,858)
99	Other Intergovernmental Charges	444,557	-	-	(444,557)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 59,508,135	\$ 91,548	\$ 4,587,742	(54,828,845)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			51,574,351	
DT	Property Taxes, Levied for Debt Service			6,767,740	
SF	State Aid - Formula Grants			1,092,828	
IE	Investment Earnings			1,470,056	
MI	Miscellaneous Local and Intermediate Revenue			364,333	
TR	Total General Revenues			61,269,308	
CN	Change in Net Position			6,440,463	
NB	Net Position - Beginning			85,404,624	
PA	Prior Period Adjustment			76,400	
NE	Net Position - Ending			\$ 91,921,487	

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 20,069,053	\$ 4,275,461	\$ 141,053	\$ 24,485,567
1120 Investments - Current	74,006,096	-	-	74,006,096
1220 Property Taxes - Delinquent	2,745,601	323,300	-	3,068,901
1230 Allowance for Uncollectible Taxes	(869,398)	(90,285)	-	(959,683)
1240 Due from Other Governments	-	494	700,881	701,375
1260 Due from Other Funds	475,692	-	-	475,692
1290 Other Receivables	1,256,193	-	2,072	1,258,265
1410 Prepayments	265,169	-	-	265,169
1000 Total Assets	<u>\$ 97,948,406</u>	<u>\$ 4,508,970</u>	<u>\$ 844,006</u>	<u>\$ 103,301,382</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 461,739	\$ -	\$ 194,534	\$ 656,273
2150 Payroll Deductions and Withholdings Payable	121,767	-	-	121,767
2160 Accrued Wages Payable	903,697	-	64,302	967,999
2170 Due to Other Funds	3,000	-	475,692	478,692
2180 Due to Other Governments	39,486,685	-	-	39,486,685
2300 Unearned Revenue	-	-	38,184	38,184
2000 Total Liabilities	<u>40,976,888</u>	<u>-</u>	<u>772,712</u>	<u>41,749,600</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	1,876,203	233,015	-	2,109,218
2600 Total Deferred Inflows of Resources	<u>1,876,203</u>	<u>233,015</u>	<u>-</u>	<u>2,109,218</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	4,275,955	-	4,275,955
Committed Fund Balance:				
3510 Construction	2,600,000	-	-	2,600,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	71,294	71,294
3600 Unassigned Fund Balance	52,495,315	-	-	52,495,315
3000 Total Fund Balances	<u>55,095,315</u>	<u>4,275,955</u>	<u>71,294</u>	<u>59,442,564</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 97,948,406</u>	<u>\$ 4,508,970</u>	<u>\$ 844,006</u>	<u>\$ 103,301,382</u>

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	59,442,564
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$62,844,936 and the accumulated depreciation was (\$10,449,598). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		31,789,067
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.		11,168,804
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,745,042, a deferred resource inflow in the amount of \$1,096,299, and a net pension liability in the amount of \$4,521,840. This resulted in a decrease in net position.		(3,873,097)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$946,664, a deferred resource inflow in the amount of \$3,775,881, and a net OPEB liability in the amount of \$4,536,665. This resulted in a decrease in net position.		(7,365,882)
5 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,889,389)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		2,649,420
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>91,921,487</b>

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 53,930,515	\$ 6,773,229	\$ 67,399	\$ 60,771,143
5800 State Program Revenues	1,750,759	4,140	119,330	1,874,229
5900 Federal Program Revenues	531,834	-	3,110,790	3,642,624
5020 Total Revenues	<u>56,213,108</u>	<u>6,777,369</u>	<u>3,297,519</u>	<u>66,287,996</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,734,220	-	2,244,475	12,978,695
0012 Instructional Resources and Media Services	241,875	-	10,473	252,348
0013 Curriculum and Instructional Staff Development	28,680	-	9,576	38,256
0021 Instructional Leadership	232,814	-	237,998	470,812
0023 School Leadership	757,194	-	23,413	780,607
0031 Guidance, Counseling, and Evaluation Services	312,676	-	-	312,676
0033 Health Services	176,161	-	31,804	207,965
0034 Student (Pupil) Transportation	612,484	-	-	612,484
0035 Food Services	-	-	1,066,488	1,066,488
0036 Extracurricular Activities	636,711	-	209	636,920
0041 General Administration	945,085	-	-	945,085
0051 Facilities Maintenance and Operations	2,192,024	-	-	2,192,024
0052 Security and Monitoring Services	1,400	-	50,672	52,072
0053 Data Processing Services	292,807	-	-	292,807
0061 Community Services	-	-	29,151	29,151
Debt Service:				
0071 Principal on Long-Term Debt	-	2,840,070	-	2,840,070
0072 Interest on Long-Term Debt	-	585,550	-	585,550
0073 Bond Issuance Cost and Fees	-	32,073	-	32,073
Capital Outlay:				
0081 Facilities Acquisition and Construction	754,888	-	-	754,888
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	35,525,235	-	-	35,525,235
0093 Payments to Fiscal Agent/Member Districts of SSA	310,574	-	-	310,574
0095 Payments to Juvenile Justice Alternative Ed. Prg.	74,858	-	-	74,858
0099 Other Intergovernmental Charges	444,557	-	-	444,557
6030 Total Expenditures	<u>54,274,243</u>	<u>3,457,693</u>	<u>3,704,259</u>	<u>61,436,195</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,938,865</u>	<u>3,319,676</u>	<u>(406,740)</u>	<u>4,851,801</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	401,634	401,634
8911 Transfers Out (Use)	(401,634)	-	-	(401,634)
8949 Other (Uses)	-	(7,407,565)	-	(7,407,565)
7080 Total Other Financing Sources (Uses)	<u>(401,634)</u>	<u>(7,407,565)</u>	<u>401,634</u>	<u>(7,407,565)</u>
1200 Net Change in Fund Balances	1,537,231	(4,087,889)	(5,106)	(2,555,764)
0100 Fund Balance - July 1 (Beginning)	53,558,084	8,363,844	-	61,921,928
1300 Increase (Decrease) in Fund Balance	-	-	76,400	76,400
3000 Fund Balance - June 30 (Ending)	<u>\$ 55,095,315</u>	<u>\$ 4,275,955</u>	<u>\$ 71,294</u>	<u>\$ 59,442,564</u>

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

KARNES CITY 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 JUNE 30, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (2,555,764)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.	11,168,804
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,889,389)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(152,268)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$322,797. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$294,447. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$318,008. The net result was a decrease in the change in net position.	(289,658)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$77,534. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$76,087. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$157,291. The net result was an increase in the change in net position.	158,738
<b>Change in Net Position of Governmental Activities</b>	\$ 6,440,463

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

EXHIBIT E-1

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 32,704	\$ 57,397
Due from Other Funds	-	3,000
Total Assets	32,704	\$ 60,397
<b>NET POSITION</b>		
Restricted for Other Purposes	32,704	60,397
Total Net Position	\$ 32,704	\$ 60,397

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

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Contributions to Student Groups	\$ -	\$ 16,309
Miscellaneous Revenue - Student Activities	-	77,722
Contributions, Gifts and Donations	30,449	-
Total Additions	<u>30,449</u>	<u>94,031</u>
<b>DEDUCTIONS:</b>		
Supplies and Materials	15,956	77,559
Other Deductions	9,250	7,405
Total Deductions	<u>25,206</u>	<u>84,964</u>
Change in Fiduciary Net Position	5,243	9,067
Total Net Position - July 1 (Beginning)	-	-
Prior Period Adjustment	<u>27,461</u>	<u>51,330</u>
Total Net Position - June 30 (Ending)	<u>\$ 32,704</u>	<u>\$ 60,397</u>

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



KARNES CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED JUNE 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Karnes City Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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, that is, when they are both measurable and available. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types, Fiduciary Funds and Custodial Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

### **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

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

2. **Debt Service Fund** - The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Additionally, the District reports the following fund type(s):

Governmental Funds:

3. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

4. **Private Purpose Trust Funds.** The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the "Karnes City ISD Scholarship Fund."
5. **Custodial Funds.** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the "Karnes City Student Activity Fund."

#### E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	39-50
Building Improvements	39
Vehicles	5-10
Equipment	7
Technology Equipment	3

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges for bond refunding	\$ 1,067,068
Deferred charges related to TRS retirement	\$ 1,745,042
Deferred charges related to TRS OPEB	\$ 946,664

10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 1,096,299
Deferred charges related to TRS OPEB	\$ 3,775,881

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other reports are in Exhibits J4 and J5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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 before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)
4. 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.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year, the District had the following functional categories that exceeded its final amended budget by more than \$2,500:

Functional Category	Amount Over Budget	Explanation
None.		

**C. DEFICIT FUND EQUITY**

None.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

District Policies and Legal and Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits.* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

*Foreign Currency Risk.* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of June 30, 2021, the following are the District's cash, cash equivalents and investments (including student activity account balances) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-3 Yrs	Maturity > 3 Yrs	Credit Rating
Cash:						
Money market and FDIC insured accounts	\$ 7,575,668	31%	\$ 7,575,668			N/A
Certificates of deposit	17,000,000	69%	17,000,000			N/A
Total Cash and Cash Equivalents	<u>\$ 24,575,668</u>	<u>100.0%</u>	<u>\$ 24,575,668</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Investments:						
Mutual fund government securities	\$ 110,402	0%	\$ 110,402			AAA
Commercial paper	29,991,498	41%	29,991,498			AA+
Investment pools	11,000,485	15%	11,000,485			AAA
Government bonds	5,444,670	7%			5,444,670	AAA
Government bonds	27,459,041	37%		6,123,846	21,335,195	A
Total Investments	<u>\$ 74,006,096</u>	<u>100.0%</u>	<u>\$ 41,102,385</u>	<u>\$ 6,123,846</u>	<u>\$ 26,779,865</u>	

## Investments

### District Policies and Legal and Contractual Provisions Governing Investments

#### Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, all of the District's investments were rated AA or higher by Standard & Poor's and/or Moody's rating agencies. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. Due to the liquidity of investments, the District was not significantly exposed to interest rate risk.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurement requires judgement and considers factors specific to each asset or liability.

	Fair Value Measurements Using			
	Balance at 06/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
Municipal bonds	\$ 32,903,711	\$ 32,903,711		
Total Debt Securities	32,903,711	32,903,711		
No-load mutual funds:				
U.S. governmental mutual fund	110,402	110,402		
Total no-load mutual funds	110,402	110,402		
Commercial paper	29,991,498	29,991,498		
Public fund investment pools	11,000,485	11,000,485		
Intangible Investments:				
Mineral interests	1,022,602			1,022,602
Total Intangible Investments	1,022,602			1,022,602
Total Investments by Fair Value Level	\$ 75,028,698	\$ 74,006,096		\$ 1,022,602

## B. 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 located in the District 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund is based on 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.

**D. INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances as of June 30, 2021 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General fund	\$ 475,692	\$ 3,000	Temporary advances	Yes
Agency fund	3,000		Temporary advances	Yes
Nonmajor governmental funds		475,692	Temporary advances	Yes
Total	<u>\$ 478,692</u>	<u>\$ 478,692</u>		

Interfund transfers for the year ended June 30, 2021 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Nonmajor governmental funds	\$ 401,634		Food service deficit transfer.
General fund		401,634	Food service deficit transfer.
Total	<u>\$ 401,634</u>	<u>\$ 401,634</u>	

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2021 were as follows:

	Property Taxes (net)	Other Government	Other Receivables	Total Receivables
Governmental Activities:				
General fund	\$ 1,876,203		\$ 1,256,193	\$ 3,132,396
Debt service fund	233,015	494		233,509
Nonmajor governmental funds		700,881	2,072	702,953
Total Governmental Activities	<u>\$ 2,109,218</u>	<u>\$ 701,375</u>	<u>\$ 1,258,265</u>	<u>\$ 4,068,858</u>

Payables at June 30, 2021 were as follows:

	Accounts	Salaries and Benefits	Other Governments	Total Payables
Governmental Activities:				
General fund	\$ 461,739	\$ 1,025,464	\$ 39,486,685	\$ 40,973,888
Nonmajor governmental funds	194,534	64,302		258,836
Total Governmental Activities	<u>\$ 656,273</u>	<u>\$ 1,089,766</u>	<u>\$ 39,486,685</u>	<u>\$ 41,232,724</u>



**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance 6/30/2020	Additions	Disposals	Balance 6/30/2021
Governmental activities:				
Land and improvements	\$ 231,687	\$ 250,402		\$ 482,089
Buildings and improvements	55,037,842	29,223		55,067,065
Furniture and equipment	4,876,870	148,132		5,025,002
Library books	41,536			41,536
Infrastructure	2,612,341	10,650		2,622,991
Construction in progress	44,660	482,763		527,423
Totals	62,844,936	921,170		63,766,106
Less accumulated depreciation for:				
Buildings and improvements	6,381,742	1,358,687		7,740,429
Furniture and equipment	3,413,920	402,700		3,816,620
Library books	11,770	4,154		15,924
Infrastructure	642,166	123,848		766,014
Total accumulated depreciation	10,449,598	1,889,389		12,338,987
Governmental activities capital assets, net	<u>\$ 52,395,338</u>	<u>\$ (968,219)</u>		<u>\$ 51,427,119</u>

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

Governmental activities:	
Instruction	\$ 1,145,202
Instructional resources and media services	22,304
Curriculum and staff development	3,381
Instructional leadership	41,612
School leadership	68,994
Guidance, counseling and evaluation services	27,637
Health services	18,382
Student (pupil) transportation	118,351
Food services	91,913
Extracurricular activities	55,455
General administration	83,533
Facilities maintenance and operations	184,168
Data processing services	25,880
Community services	2,577
Total depreciation expense - governmental activities	<u>\$ 1,889,389</u>

**G. BONDS AND LONG-TERM NOTES PAYABLE**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended June 30, 2021 is as follows:

Description	Int Rate	Amounts Original Issue	Amounts Outstanding 6/30/2020	Additions	Retired	Defeased	Amounts Outstanding 6/30/2021
Bonds Payable:							
UL school building bonds, series 2011	0.4% - 4.0%	\$ 3,449,999	\$ 300,000		\$ 210,000		\$ 90,000
UL school building bonds, series 2014	1.0% - 2.0%	14,255,000	750,000		750,000		0
UL tax school bldg bonds, series 2015	2.0% - 4.0%	13,915,000	1,005,000		1,005,000		0
UL tax school bldg bonds, series 2016	2.0% - 3.5%	14,065,000	875,000		875,000		0
UL tax refunding bonds, series 2017	1.42% - 2.39%	7,794,997	7,790,070		70		7,790,000
UL tax school bldg bonds, series 2017	1.25%	1,500,000	0				
UL tax refunding bonds, series 2018	3.00% - 4.00%	9,815,000	9,815,000			6,385,000	3,430,000
Subtotal - Bonds			20,535,070		2,840,070	6,385,000	11,310,000
Premium, all series	N/A	N/A	664,745		179,569		485,176
Interest accretion	N/A	N/A	71,201	3,729	74,930		0
Total Debt			\$ 21,271,016	\$ 3,729	\$ 3,094,569	\$ 6,385,000	\$ 11,795,176

Karnes City ISD Unlimited Tax Refunding Bonds, Series 2017 -

On March 30, 2017, the District issued \$7,794,997 in unlimited tax refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$7,795,000 of unlimited tax school tax refunding bonds originally issued in 2014 and 2015. Interest rates on the debt range from 1.42% - 2.39% and mature on August 15, 2024. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$132,523. This amount is being amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$1,106,631. The bonds were issued at a net premium of \$211,239 which is being amortized over the life of the bonds. The economic gain on the refunding represented savings of \$1,106,631 in cash and \$1,042,502 in present value.

Karnes City ISD Unlimited Tax Refunding Bonds, Series 2018 -

On June 28, 2018, the District issued \$9,815,000 in unlimited tax refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$10,385,000 of unlimited tax school tax refunding bonds originally issued in 2016. Interest rates on the debt are 3.50% and mature on August 15, 2021 thru August 15, 2026. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$157,060. This amount is being amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$527,150. The bonds were issued at a net premium of \$769,183 which is being amortized over the life of the bonds. The economic gain on the refunding represented savings of \$527,150 in cash and \$464,803 in present value.

In August, 2020 and June, 2021, the District defeased \$6,385,000 of the series 2018 bonds due in years 2022 thru 2026. As a result, the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$1,022,564. This amount is being amortized over the remaining life of the refunded debt. The economic gain on the refunding represented cash savings of \$76,936 and a present value savings of \$64,553.

## H. DEBT SERVICE REQUIREMENTS - BONDS

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2022	\$ 2,798,000	\$ 268,298	\$ 3,066,298
2023	2,056,000	212,632	2,268,632
2024	2,098,000	165,203	2,263,203
2025	2,153,000	114,395	2,267,395
2026	2,205,000	44,100	2,249,100
Totals	<u>\$ 11,310,000</u>	<u>\$ 804,628</u>	<u>\$ 12,114,628</u>

## I. DEFINED BENEFIT PENSION PLAN

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <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.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>

Net Position as a percentage of Total Pension Liability 75.54%

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

**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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2020 and 2021.

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 District contributions	\$ 378,062
Current fiscal year Member contributions	\$ 779,372
2020 measurement year NECE contributions	\$ 530,121

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

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

- 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.
- When a school district does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees, and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2020 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
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2019. For a full description of these assumptions, please see the TRS CAFR and actuarial valuation report dated November 14, 2019.

**Discount Rate.** The single discount rate used to measure the total pension liability was 7.25%. This was a change in the discount rate from the previous year of 0.00%. 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 set during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.33%. 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 <sup>1</sup> %	Long-Term Expected Geometric Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0%	1.8%	0.00%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.02%
Energy, Natural Resources and Infrastructure	6%	6.0%	0.42%
Commodities	0%	0.8%	0.00%
Risk Parity			
Risk Parity	8%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag <sup>3</sup>			-0.67%
Expected Return	<u>100%</u>		<u>7.33%</u>

<sup>1</sup> Target allocations are based on the FY2020 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.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2020 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 6,972,597	\$ 4,521,840	\$ 2,530,654

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2021, the District reported a liability of \$4,521,840 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	\$ 4,521,840
State's proportionate share that is associated with the District	6,881,259
Total	<u>\$ 11,403,099</u>

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

At August 31, 2020 the District's proportion of the collective net pension liability was 0.0084428913% which was a decrease of 0.0011181223% from its proportion measured as of August 31, 2019.

***Changes Since the Prior Actuarial Valuation.*** Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

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

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

For the year ended August 31, 2021, the District recognized pension expense of \$1,440,118 and revenue of \$827,663 for support provided by the Sate in the Government-Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 8,257	\$ 126,193
Changes in actuarial assumptions	1,049,228	446,124
Differences between projected and actual investment earnings	91,540	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	273,220	523,982
Total as of August 31, 2020 measurement date	<u>\$ 1,422,245</u>	<u>\$ 1,096,299</u>
Contributions paid to TRS subsequent to the measurement date	322,797	
Total as of August 31, 2021 fiscal year end	<u>\$ 1,745,042</u>	<u>\$ 1,096,299</u>

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

Fiscal year ended August 31,	Amount
2022	\$ 131,569
2023	\$ 158,932
2024	\$ 148,659
2025	\$ 20,170
2026	\$ (109,334)
Thereafter	\$ (24,050)

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**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 benefit Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position.** Detail 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.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.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 40,010,833,815
Less: plan fiduciary net position	<u>(1,996,317,932)</u>
Net OPEB liability	<u>\$ 38,014,515,883</u>
Net position as a percentage of total OPEB liability	4.99%

**Benefits Provided.** TRS-Care provides a basic health insurance coverage at no cost to all 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 pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86<sup>th</sup> legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The following premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

TRS-Care Plan Premium Rates Effective January 1, 2018 - December 31, 2021		
	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 plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for the plan is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

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

Contribution Rates		
	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 District contributions	\$	92,235
Current fiscal year member contributions	\$	65,790
2020 measurement year NECE contributions	\$	121,887

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

A supplemental appropriation was authorized by Senate Bill 1264 of the 86<sup>th</sup> Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

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

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.



Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a change 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 source of the municipal bond rate was 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis** - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of net OPEB liability	\$ 5,443,988	\$ 4,536,665	\$ 3,820,011

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of net OPEB liability	\$ 3,705,874	\$ 4,536,665	\$ 5,643,162

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to OPEBs.** At August 31, 2021, the District reported a liability of \$4,536,665 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	\$ 4,536,665
State’s proportionate share that is associated with the District	6,096,191
Total	<u>\$ 10,632,856</u>

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

At August 31, 2020 the District’s proportion of the collective net OPEB liability was 0.0119340344% which was a decrease of 0.0008117799% from its proportion measured as of August 31, 2019.

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

1. The discount rate changed from 3.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability (TOL).
2. The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the TOL.
3. The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December, 2019. This change decreased the TOL.

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

For the year ended August 31, 2021, the District recognized OPEB expense of (\$123,534) and revenue of (\$42,330) 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 Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	\$ 237,538	\$ 2,076,210
Changes in actuarial assumptions	279,818	1,245,792
Differences between projected and actual investment earnings	1,474	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	350,300	453,879
Total as of August 31, 2020 measurement date	<u>\$ 869,130</u>	<u>\$ 3,775,881</u>
Contributions paid to TRS subsequent to the measurement date	77,534	
Total as of August 31, 2021 fiscal year end	<u><u>\$ 946,664</u></u>	<u><u>\$ 3,775,881</u></u>

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

Fiscal year ended August 31,	Amount
2022	\$ (469,994)
2023	\$ (470,191)
2024	\$ (470,304)
2025	\$ (470,277)
2026	\$ (349,099)
Thereafter	\$ (676,886)

## K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

### Retiree Health Care Coverage

**Plan Description.** The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code 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. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

**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 State was 1.25% for 2019 thru 2021.

The contribution rate for the district was 0.75% for 2019 thru 2021. The contribution rate for active employees was 0.65% of the district payroll for 2019 thru 2021. 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. For staff members funded by federal programs, the federal programs are required to contribution 1.25% for 2019 thru 2021.

**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 to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended June 30, 2021, 2020 and 2019 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2021	0.65%	\$ 65,790	1.25%	\$ 126,521	0.75%	\$ 75,913
2020	0.65%	\$ 53,715	1.25%	\$ 103,299	0.75%	\$ 61,979
2019	0.65%	\$ 62,026	1.25%	\$ 119,282	0.75%	\$ 71,570

*Medicare Part D.* The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended June 30, 2021, 2020 and August 31, 2019 were \$47,203, \$42,994 and \$34,239, respectively.

The 86<sup>th</sup> Legislative Session of the Texas Legislature appropriated supplemental contributions to the TRS-Care program. Amounts appropriated for fiscal year 2021 totaled \$38.5 million with the District's share of the on behalf contribution recognized during the year as both revenues and expenditures totaling \$4,902.

**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.

**L. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Retirements/ Defeasance	Ending Balance	Due Within One Year
Bonds Payable	\$ 20,535,070		\$ 9,225,070	\$ 11,310,000	\$ 2,798,000
Bond Premium	664,745		179,569	485,176	N/A
Interest Accretion	71,201	3,729	74,930	0	N/A
Net Pension Liability	4,970,114		448,274	4,521,840	N/A
Net OPEB Liability	6,027,650		1,490,985	4,536,665	N/A
<b>Total</b>	<b>\$ 32,268,780</b>	<b>\$ 3,729</b>	<b>\$ 11,418,828</b>	<b>\$ 20,853,681</b>	<b>\$ 2,798,000</b>

**M. UNAVAILABLE/UNEARNED REVENUE**

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)	Unexpended School Climate Transformation Grant Receipts
General fund	\$ 1,876,203	
Debt service fund	233,015	
Special revenue fund		38,184
Total	<u>\$ 2,109,218</u>	<u>\$ 38,184</u>

**N. DUE FROM STATE AND FEDERAL AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2021, are summarized below. They are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
Debt service fund	\$ 494		\$ 494
Special revenue funds	32,096	668,785	700,881
Total	<u>\$ 32,590</u>	<u>\$ 668,785</u>	<u>\$ 701,375</u>

**O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

Description	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 51,433,588	\$ 6,745,329		\$ 58,178,917
Penalties, interest and other tax-related income	223,468	27,900		251,368
Food sales			33,549	33,549
Investment income	1,757,151		87	1,757,238
Extracurricular student activities	48,477		23,637	72,114
Oil and gas royalty revenue	248,413			248,413
Insurance recovery	111,613			111,613
Other income	107,805		10,126	117,931
Total	<u>\$ 53,930,515</u>	<u>\$ 6,773,229</u>	<u>\$ 67,399</u>	<u>\$ 60,771,143</u>

**P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND 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 collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities related 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.

## **Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS**

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

The District also participates in various shared service arrangements with the Education Service Center Region 3. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 3 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

## **R. 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 the fiscal year 2021, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

### Property Casualty and Workers Compensation Program

The District participated in the Regional Pool Alliance with coverage for property insurance and Texas Association of School Boards Risk Management Fund with coverage in auto liability, auto physical damage, general liability, and legal liability. The Funds were created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Funds execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Funds purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2021, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

### Unemployment Compensation

During the ten months ended June 30, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended June 30, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

**S. GENERAL FUND FEDERAL SOURCE REVENUES**

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

Program or Service	Assistance Listing #	Amount
School health and related services	N/A	\$ 366,591
ESSER I - school emergency relief pre-award costs	84.425D	68,104
Coronavirus relief fund pre-award costs	21.019	97,139
Total		<u>\$ 531,834</u>

**T. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 22, 2021; the date which the financial statements were available for distribution.

On November 3, 2020, the District’s taxpayers approved a \$22,050,000 bond issue for the purpose of constructing a new elementary school and career and technical education facility. Bonds were sold in November, 2021 at a par price of \$20,885,000 and a premium of \$1,486,787. Net proceeds of the bond sale totaled \$22,050,000 and were deposited into a construction fund account to be used for construction.

**U. PRIOR PERIOD ADJUSTMENTS**

The District implemented GASB Statement 84 during the current year under audit. Such implementation reclassified balances previously characterized as due to various other organizations in an agency fund. GASB Statement 84 caused those organizations to be re-evaluated as to classification and characterization of both custodial and special revenue fund types.

The prior period adjustments are summarized below:

Fund Type	Fund-Level Adjustment	Government- Wide Level Adjustment
Governmental funds:		
Special revenue fund	\$ 76,400	\$ 76,400
Total governmental funds	<u>76,400</u>	<u>76,400</u>
Fiduciary funds:		
Private purpose trust fund	27,461	0
Custodial fund	51,330	0
Total fiduciary funds	<u>78,791</u>	<u>0</u>
Total	<u>\$ 155,191</u>	<u>\$ 76,400</u>

*REQUIRED SUPPLEMENTARY INFORMATION*

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 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	\$ 37,284,389	\$ 53,627,936	\$ 53,930,515	\$ 302,579
5800	State Program Revenues	1,054,085	4,954,085	1,750,759	(3,203,326)
5900	Federal Program Revenues	400,000	565,000	531,834	(33,166)
5020	Total Revenues	38,738,474	59,147,021	56,213,108	(2,933,913)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	8,471,087	12,348,590	10,734,220	1,614,370
0012	Instructional Resources and Media Services	312,997	312,997	241,875	71,122
0013	Curriculum and Instructional Staff Development	43,243	543,243	28,680	514,563
0021	Instructional Leadership	366,034	686,034	232,814	453,220
0023	School Leadership	948,872	948,872	757,194	191,678
0031	Guidance, Counseling, and Evaluation Services	388,101	398,101	312,676	85,425
0032	Social Work Services	10,000	10,000	-	10,000
0033	Health Services	136,711	176,711	176,161	550
0034	Student (Pupil) Transportation	846,000	846,000	612,484	233,516
0035	Food Services	1,000	1,000	-	1,000
0036	Extracurricular Activities	694,286	799,286	636,711	162,575
0041	General Administration	887,969	1,097,969	945,085	152,884
0051	Facilities Maintenance and Operations	1,545,798	2,535,952	2,192,024	343,928
0052	Security and Monitoring Services	-	10,000	1,400	8,600
0053	Data Processing Services	71,376	514,367	292,807	221,560
Capital Outlay:					
0081	Facilities Acquisition and Construction	40,000	875,000	754,888	120,112
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	23,000,000	39,717,899	35,525,235	4,192,664
0093	Payments to Fiscal Agent/Member Districts of SSA	300,000	400,000	310,574	89,426
0095	Payments to Juvenile Justice Alternative Ed. Prg.	85,000	105,000	74,858	30,142
0099	Other Intergovernmental Charges	450,000	790,000	444,557	345,443
6030	Total Expenditures	38,598,474	63,117,021	54,274,243	8,842,778
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	140,000	(3,970,000)	1,938,865	5,908,865
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(140,000)	(190,000)	(401,634)	(211,634)
1200	Net Change in Fund Balances	-	(4,160,000)	1,537,231	5,697,231
0100	Fund Balance - July 1 (Beginning)	53,558,084	53,558,084	53,558,084	-
3000	Fund Balance - June 30 (Ending)	\$ 53,558,084	\$ 49,398,084	\$ 55,095,315	\$ 5,697,231

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0084428913%	0.0095610136%	0.0090080080%	0.009247720%	0.0097150584%	0.0099536000%	0.0067129000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,521,840	\$ 4,970,114	\$ 4,958,226	\$ 2,956,939	\$ 3,671,176	\$ 3,518,465	\$ 1,793,109
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	6,881,259	6,363,308	6,606,306	3,771,692	4,469,742	4,277,820	3,567,275
Total	<u>\$ 11,403,099</u>	<u>\$ 11,333,422</u>	<u>\$ 11,564,532</u>	<u>\$ 6,728,631</u>	<u>\$ 8,140,918</u>	<u>\$ 7,796,285</u>	<u>\$ 5,360,384</u>
District's Covered Payroll	\$ 9,929,206	\$ 9,542,531	\$ 8,839,160	\$ 8,521,135	\$ 8,374,252	\$ 8,039,042	\$ 7,420,773
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	45.54%	52.08%	56.09%	34.70%	43.84%	43.77%	24.16%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	Fiscal Year	Ten Months	Fiscal Year Ended August 31,				
	Ended June 30, 2021	Ended June 30, 2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 378,062	\$ 294,447	\$ 334,647	\$ 241,893	\$ 303,088	\$ 308,816	\$ 294,732
Contribution in Relation to the Contractually Required Contribution	<u>(378,062)</u>	<u>(294,447)</u>	<u>(334,647)</u>	<u>(241,893)</u>	<u>(303,088)</u>	<u>(308,816)</u>	<u>(294,732)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 10,121,700	\$ 8,263,890	\$ 9,542,531	\$ 8,839,160	\$ 8,521,135	\$ 8,374,252	\$ 8,039,042
Contributions as a percentage of Covered Payroll	3.74%	3.56%	3.51%	2.74%	3.56%	3.69%	3.67%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0119340344%	0.0127458143%	0.0123171892%	0.0119705455%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,536,665	\$ 6,027,650	\$ 6,150,085	\$ 5,205,541
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>6,096,191</u>	<u>8,009,401</u>	<u>6,666,167</u>	<u>5,810,091</u>
Total	<u>\$ 10,632,856</u>	<u>\$ 14,037,051</u>	<u>\$ 12,816,252</u>	<u>\$ 11,015,632</u>
District's Covered Payroll	\$ 9,929,206	\$ 9,542,531	\$ 8,839,160	\$ 8,521,135
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	45.69%	63.17%	69.58%	61.09%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2021

	Fiscal Year	Ten Months	Fiscal Year Ended August 31,	
	Ended June 30, 2021	Ended June 30, 2020	2019	2018
Contractually Required Contribution	\$ 92,235	\$ 76,087	\$ 90,460	\$ 146,417
Contribution in Relation to the Contractually Required Contribution	<u>(92,235)</u>	<u>(76,087)</u>	<u>(90,460)</u>	<u>(146,417)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 10,121,700	\$ 8,263,890	\$ 9,542,531	\$ 8,839,160
Contributions as a percentage of Covered Payroll	0.91%	0.92%	0.95%	1.66%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

*Changes of benefit terms.*

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

*Changes of assumptions.*

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

*Changes of benefit terms.*

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

*Changes of assumptions.*

See Footnote J page 35 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

*COMBINING SCHEDULES*

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ 24,468	\$ -	\$ -
1240 Due from Other Governments	81,706	6,945	9,576	48,426
1290 Other Receivables	-	-	-	-
1000 Total Assets	<u>\$ 81,706</u>	<u>\$ 31,413</u>	<u>\$ 9,576</u>	<u>\$ 48,426</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ 192	\$ 9,576	\$ -
2160 Accrued Wages Payable	33,081	31,221	-	-
2170 Due to Other Funds	48,625	-	-	48,426
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>81,706</u>	<u>31,413</u>	<u>9,576</u>	<u>48,426</u>
<b>FUND BALANCES</b>				
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 81,706</u>	<u>\$ 31,413</u>	<u>\$ 9,576</u>	<u>\$ 48,426</u>



281 ESSER II - CRRSA Act	288 School Climate Trans Grant	289 Other Federal Special Revenue Funds	352 SSA - 21st Century Learning	378 SSA - STOP Sch Violence Assessment	379 SSA - STOP Sch Violence Reporting	410 State Instructional Materials	427 School Safety & Security
\$ -	\$ 45,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
127,932	-	2,787	382,284	4,462	4,667	7,243	24,853
-	2,072	-	-	-	-	-	-
<u>\$ 127,932</u>	<u>\$ 47,363</u>	<u>\$ 2,787</u>	<u>\$ 382,284</u>	<u>\$ 4,462</u>	<u>\$ 4,667</u>	<u>\$ 7,243</u>	<u>\$ 24,853</u>
\$ -	\$ 9,179	\$ -	\$ 160,734	\$ -	\$ -	\$ -	\$ 14,853
-	-	-	-	-	-	-	-
127,932	-	2,787	221,550	4,462	4,667	7,243	10,000
-	38,184	-	-	-	-	-	-
<u>127,932</u>	<u>47,363</u>	<u>2,787</u>	<u>382,284</u>	<u>4,462</u>	<u>4,667</u>	<u>7,243</u>	<u>24,853</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 127,932</u>	<u>\$ 47,363</u>	<u>\$ 2,787</u>	<u>\$ 382,284</u>	<u>\$ 4,462</u>	<u>\$ 4,667</u>	<u>\$ 7,243</u>	<u>\$ 24,853</u>

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ -	\$ 71,294	\$ 141,053
1240 Due from Other Governments	-	-	700,881
1290 Other Receivables	-	-	2,072
1000 Total Assets	<u>\$ -</u>	<u>\$ 71,294</u>	<u>\$ 844,006</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ -	\$ 194,534
2160 Accrued Wages Payable	-	-	64,302
2170 Due to Other Funds	-	-	475,692
2300 Unearned Revenue	-	-	38,184
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>772,712</u>
<b>FUND BALANCES</b>			
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	71,294	71,294
3000 Total Fund Balances	<u>-</u>	<u>71,294</u>	<u>71,294</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 71,294</u>	<u>\$ 844,006</u>

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 33,549	\$ -	\$ -
5800 State Program Revenues	-	26,002	-	-
5900 Federal Program Revenues	288,856	605,303	24,571	47,269
5020 Total Revenues	288,856	664,854	24,571	47,269
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	205,601	-	14,995	15,465
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	9,576	-
0021 Instructional Leadership	54,104	-	-	-
0023 School Leadership	-	-	-	-
0033 Health Services	-	-	-	31,804
0035 Food Services	-	1,066,488	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	29,151	-	-	-
6030 Total Expenditures	288,856	1,066,488	24,571	47,269
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(401,634)	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	401,634	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

281 ESSER II - CRRSA Act	288 School Climate Trans Grant	289 Other Federal Special Revenue Funds	352 SSA - 21st Century Comm. Learning	378 SSA - STOP Sch Violence Assessment	379 SSA - STOP Sch Violence Reporting	410 State Instructional Materials	427 School Safety & Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	18,843	24,853
127,932	509,781	23,149	1,424,566	25,356	34,007	-	-
127,932	509,781	23,149	1,424,566	25,356	34,007	18,843	24,853
127,932	422,428	23,149	1,361,569	-	-	18,843	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	87,353	-	62,997	16,772	16,772	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,584	17,235	-	24,853
-	-	-	-	-	-	-	-
127,932	509,781	23,149	1,424,566	25,356	34,007	18,843	24,853
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ 33,850	\$ 67,399
5800 State Program Revenues	49,632	-	119,330
5900 Federal Program Revenues	-	-	3,110,790
5020 Total Revenues	49,632	33,850	3,297,519
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	49,632	4,861	2,244,475
0012 Instructional Resources and Media Services	-	10,473	10,473
0013 Curriculum and Instructional Staff Development	-	-	9,576
0021 Instructional Leadership	-	-	237,998
0023 School Leadership	-	23,413	23,413
0033 Health Services	-	-	31,804
0035 Food Services	-	-	1,066,488
0036 Extracurricular Activities	-	209	209
0052 Security and Monitoring Services	-	-	50,672
0061 Community Services	-	-	29,151
6030 Total Expenditures	49,632	38,956	3,704,259
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,106)	(406,740)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	401,634
1200 Net Change in Fund Balance	-	(5,106)	(5,106)
0100 Fund Balance - July 1 (Beginning)	-	-	-
1300 Increase (Decrease) in Fund Balance	-	76,400	76,400
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 71,294	\$ 71,294

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*REQUIRED TEA SCHEDULES*

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	0.979600	0.019300	2,301,149,898
2014	1.040000	0.009100	4,214,947,251
2015	1.040000	0.125790	6,372,456,050
2016	1.040000	0.125800	5,759,375,544
2017	1.040000	0.126900	3,275,576,260
2018	1.040000	0.126750	3,572,526,336
2019	1.040000	0.126800	4,500,877,610
2020	0.970000	0.126800	6,076,697,351
2021 (School year under audit)	0.966400	0.126800	5,291,592,068
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 21,134	\$ -	\$ 704	\$ 31	\$ -	\$ 20,399
37,639	-	4,199	83	-	33,357
142,739	-	6,501	56	-	136,182
223,940	-	3,759	455	-	219,726
647,676	-	61,568	7,447	-	578,661
675,107	-	17,264	2,107	173	655,909
145,579	-	30,826	3,757	10	111,006
184,403	-	56,699	6,913	41	120,832
916,996	-	477,875	62,469	(3,205)	373,447
-	57,847,684	50,774,192	6,662,011	407,901	819,382
<u>\$ 2,995,213</u>	<u>\$ 57,847,684</u>	<u>\$ 51,433,587</u>	<u>\$ 6,745,329</u>	<u>\$ 404,920</u>	<u>\$ 3,068,901</u>

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 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	\$ 157,000	\$ 157,000	\$ 33,549	\$ (123,451)
5800 State Program Revenues	29,246	48,662	26,002	(22,660)
5900 Federal Program Revenues	476,000	507,000	605,303	98,303
5020 Total Revenues	662,246	712,662	664,854	(47,808)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	802,246	1,316,590	1,066,488	250,102
6030 Total Expenditures	802,246	1,316,590	1,066,488	250,102
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,000)	(603,928)	(401,634)	202,294
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	40,000	90,000	-	(90,000)
7915 Transfers In	100,000	100,000	401,634	301,634
7080 Total Other Financing Sources (Uses)	140,000	190,000	401,634	211,634
1200 Net Change in Fund Balances	-	(413,928)	-	413,928
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ (413,928)	\$ -	\$ 413,928

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 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	\$ 4,774,445	\$ 7,369,742	\$ 6,773,229	\$ (596,513)
5800 State Program Revenues	-	13,646	4,140	(9,506)
5020 Total Revenues	4,774,445	7,383,388	6,777,369	(606,019)
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	4,101,295	7,093,557	2,840,070	4,253,487
0072 Interest on Long-Term Debt	653,150	653,150	585,550	67,600
0073 Bond Issuance Cost and Fees	20,000	20,000	32,073	(12,073)
6030 Total Expenditures	4,774,445	7,766,707	3,457,693	4,309,014
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(383,319)	3,319,676	3,702,995
<b>OTHER FINANCING SOURCES (USES):</b>				
8949 Other (Uses)	-	-	(7,407,565)	(7,407,565)
1200 Net Change in Fund Balances	-	(383,319)	(4,087,889)	(3,704,570)
0100 Fund Balance - July 1 (Beginning)	8,363,844	8,363,844	8,363,844	-
3000 Fund Balance - June 30 (Ending)	\$ 8,363,844	\$ 7,980,525	\$ 4,275,955	\$ (3,704,570)

## STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

Karnes City 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.	1385027
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1237923

**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.	32020
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	52927

*OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION*

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## Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENTAL AUDITING STANDARDS*

Board of Trustees  
Karnes City Independent School District  
P.O. Box 38  
Karnes City, Texas 78118

I 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Karnes City Independent School District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 22, 2021.

### Internal Control Over Financial Reporting

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

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

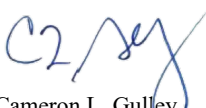
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Karnes City Independent School District's financial statements are free of material misstatement, I 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 amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

  
Cameron L. Gulley  
Certified Public Accountant  
Eastland, Texas

November 22, 2021

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

Finding	Statement of Condition	Material Weakness?	Questioned Costs
2018-2	<p><u>Internal Control Over Financial Reporting - Inaccurate General Ledger Account Balances (continuation finding)</u></p> <p>The general operating bank statements were not properly reconciled for any month during the year under audit. General ledger corrections to the general operating cash account totaled \$44.6 million. \$45 million of the corrections were for transfers to investment accounts not recorded. The remaining corrections were for cash deposits not recorded which mostly occurred in June, 2020 when there as a change in business office personnel resulting in receipts not getting posted. The result was 85 proposed audit adjusting entries of which many were material and significant to the financial statements.</p> <p><u>Status:</u> The general operating bank statements were properly reconciled for the current year under audit.</p>	Yes	None
2020-1	<p><u>State Compliance - Excess Expenditures Over Appropriations (continuation finding)</u></p> <p>During the year, we uncovered that the tax collection process was not properly overseen or monitored to verify that collections and distributions were accurate. At June 30, 2020, the District’s internal tax office held approximately \$150,000 in funds collected but not remitted to the general operating account. \$90,000 of the balance related to the previous year’s audit when those balances were withheld from the July, 2019 and August, 2019 distributions. The remaining \$60,000 relates to current year collections not properly distributed to the District’s business office. For nearly every collection and distribution month during the year, the amount collected did not match the distribution to the business office. Most of the issue is related to the District’s tax collector not fully understanding the tax collection batch report summaries for which distributions should be made. Complicating matters are the systems used which are antiquated relative to tax collection software. The result is manually-prepared reconciliation reports prepared by the tax collector which are not always correct and result in inaccurate reporting and distribution from the tax office to the business office. Finally, there is a lack of regular review and oversight of the tax office by the business office to ensure that collection and distribution procedures are done properly. During the year, the tax office collected \$66.7 million in tax collections which is the most material and significant cash receipt department in the entire school district.</p> <p><u>Status:</u> The tax office collections were much improved for the current year under audit. Current year collections were properly remitted from the tax office to the business office. Bank statements were reconciled and the collection processes were monitored by business office personnel. Unremitted balances from the prior year still have not been submitted to the general fund bank account but are accounted for in the tax office bank account.</p>	Yes	None

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KARNES CITY INDEPENDENT SCHOOL DISTRICT  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2021*

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified.
Internal control over compliance of major programs:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	No.
Major programs are as follows:	
84.287C - 21 <sup>st</sup> Century Community Learning Centers	\$ 1,424,566.
Threshold used to distinguish between type A and type B programs:	\$ 750,000.
Auditee qualified as low-risk auditee?	Yes.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

None.

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED JUNE 30, 2021*

None required.

*FEDERAL AWARDS SECTION*

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**Independent Auditor's Report**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Karnes City Independent School District  
P. O. Box 38  
Karnes City, Texas 78118

**Report on Compliance for Each Major Federal Program**

I have audited Karnes City 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 the District's major federal programs for the year ended June 30, 2021. Karnes City Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Karnes City Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In my opinion, Karnes City 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 June 30, 2021.

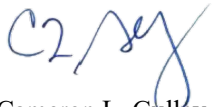
## Report on Internal Control Over Compliance

Management of Karnes City 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 my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Cameron L. Gulley  
Certified Public Accountant  
Eastland, Texas

November 22, 2021

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT K-1

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing #	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
School Climate Transformation Grant	84.184	N/A	\$ 509,781
Total Direct Programs			<u>509,781</u>
Passed Through Texas Education Agency:			
Title I Part A - Improving Basic Programs	84.010A	20610101128901	37,193
Title I Part A - Improving Basic Programs	84.010A	21610101128901	251,663
Subtotal - FAL #84.010A			<u>288,856</u>
Title II, Part A, Teacher & Principal Training	84.367A	20694501128901	24,571
Elementary and Secondary School Emergency Relief Fund	84.425D	20521001128901	115,373
Elementary and Secondary School Emergency Relief Fund - CRRSA Act	84.425D	52102135	127,932
Title IV, Part A, Subpart 1	84.424A	20680101128901	18,930
Title IV, Part A, Subpart 1	84.424A	21680101128901	4,219
Subtotal - FAL #84.424A			<u>23,149</u>
SSA - 21st Century Community Learning Centers	84.287C	206950197110011	326,719
SSA - 21st Century Community Learning Centers	84.287C	216950267110027	1,097,847
Subtotal - FAL #84.287C			<u>1,424,566</u>
Total Passed Through Texas Education Agency			<u>2,004,447</u>
Total U.S. Department of Education			<u>2,514,228</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through Texas Department of Agriculture:			
School Breakfast Program *	10.553	N/A	232,269
National School Lunch Program - Cash Assistance *	10.555	N/A	309,583
National School Lunch Program - Non-Cash Assistance *	10.555	N/A	60,022
Subtotal - FAL #10.555			<u>369,605</u>
Emergency Operating Cost Reimbursement Program	10.558	N/A	3,429
Total Passed Through Texas Department of Agriculture			<u>605,303</u>
Total U.S. Department of Agriculture			<u>605,303</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Programs:			
STOP School Violence	16.839	N/A	25,356
STOP School Violence	16.839	N/A	34,007
Total Direct Programs			<u>59,363</u>
Total U.S. Department of Justice			<u>59,363</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Passed Through Texas Division of Emergency Management:			
Coronavirus Relief Fund	21.019	N/A	97,139
Total Passed Through Texas Division of Emergency Management			<u>97,139</u>
Total U.S. Department of the Treasury			<u>97,139</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,276,033</u>

\* - Indicates clustered program under OMB Uniform Guidance (2.CFR.200)

The accompanying notes are an integral part of this statement.

KARNES CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2021

1. For all federal programs, 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 generally is accounted for in a special revenue fund.
2. The accompanying schedule of expenditures of federal awards included the federal grant activity of the District and is presented on the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (both measurable and available) and expenditures in the accounting period in which the fund liability is incurred (if measurable) except for unmatured interest on General 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 unearned revenues until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 120 days beyond the federal project period ending date, in accordance with Section H, Period of Performance, 2 CFR Section 200.344(b).
4. Non-monetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expenditures are reported in the Child Nutrition Special Revenue Fund using the CFDA numbers of the programs under which the USDA donated the commodities.
5. The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

6. A reconciliation of federal program revenues and expenditures is as follows:

Total federal revenues per Exhibit C-3	\$ 3,642,624
Less: non-federal SHARS reimbursements	(366,591)
Total federal expenditures per Exhibit K-1	\$ 3,276,033

SCHOOLS FIRST QUESTIONNAIRE

Karnes City Independent School District

Fiscal Year 2021

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SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	