

KEMP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

KEMP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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CERTIFICATE OF BOARD

Kemp Independent School District
Name of School District

Kaufman
County

129-904
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of November 2021.



Signature of Board Secretary



Signature of Board Vice President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kemp Independent School District
Kemp, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kemp Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Kemp Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kemp Independent School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OFFICE LOCATIONS

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

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Kemp Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kemp Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kemp Independent School District's internal control over financial reporting and compliance.

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

Waco, Texas
November 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Kemp Independent School District's, financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,975,060 at June 30, 2021. Of this amount, a deficit of \$3,203,554 represents unrestricted net position.
- During the year, the District's expenses were \$651,742 more than the \$23,459,486 generated in tax and other revenues for governmental programs and other funding sources.
- The General Fund ended the year with a fund balance of \$7,301,868.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibit A-1 and Exhibit B-1). These provide information about the activities of the District as a whole and present a long-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 (Exhibit C-1 and Exhibit C-3) report the District's operating activities in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The combining statements for nonmajor funds are presented immediately following the required supplementary information. 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 is shown on Exhibit A-1 and Exhibit B-1. 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 include 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 tuition received from student from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities 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 deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases and decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, one should consider non-financial factors as well, such as change 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 Statement of Activities, the District is classified into one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with Exhibit C-1 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 Every Student Succeeds 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). Two kinds of funds, governmental and proprietary, use different accounting approaches. The District utilizes only the governmental funds.

- Governmental funds – The District's basic services are reported in governmental funds. These uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted into 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 that is raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I) and the changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased \$651,742 this year from operations. Ending net position increased from \$4,170,320 on June 30, 2020 to a total of \$4,975,060 on June 30, 2021. 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 – was deficit \$3,203,554 on June 30, 2021 compared to deficit \$1,667,711 on June 30, 2020.

Table 1**KEMP INDEPENDENT SCHOOL DISTRICT****NET POSITION**

	2021	2020
Assets:		
Current and other assets	\$ 11,343,632	\$ 11,492,930
Capital assets	<u>27,014,887</u>	<u>26,824,875</u>
Total assets	<u>38,358,519</u>	<u>38,317,805</u>
Deferred Outflows of Resources:		
Deferred loss on bond refunding	238,502	495,099
Deferred outflow related to pension	2,480,173	2,868,473
Deferred outflow related to other post-employment benefit	<u>3,454,296</u>	<u>3,434,236</u>
Total deferred outflows of resources	<u>6,172,971</u>	<u>6,797,808</u>
Liabilities:		
Net pension liability	5,403,698	5,044,046
Net other post-employment benefit liability	6,197,397	7,348,524
Long-term liabilities	20,387,828	22,250,226
Other liabilities	<u>2,345,493</u>	<u>2,301,537</u>
Total liabilities	<u>34,334,416</u>	<u>36,944,333</u>
Deferred Inflows of Resources:		
Deferred resource inflow for TRS	683,931	821,879
Deferred inflow related to other post-employment benefit	<u>4,538,083</u>	<u>3,179,081</u>
Total deferred inflows of resources	<u>5,222,014</u>	<u>4,000,960</u>
Net Position:		
Net investment in capital assets	7,420,688	5,299,867
Restricted	757,926	538,164
Unrestricted	<u>(3,203,554)</u>	<u>(1,667,711)</u>
Total net position	<u>\$ 4,975,060</u>	<u>\$ 4,170,320</u>

The District's total revenues decreased \$1,197,888 over the previous year. This is largely due to a decrease in operating grants and contributions.

The District's total property tax rate for FY2021 decreased from FY2020 for a total tax rate of \$1.308, \$0.976 for M&O and \$0.332 for I&S. The cost of all governmental activities this year was \$22,807,744 compared to \$24,319,598 last year.

Table 2**KEMP INDEPENDENT SCHOOL DISTRICT****CHANGES IN NET POSITION**

	2021	2020
Revenues:		
Program Revenues:		
Charges for Services	\$ 192,740	\$ 187,809
Operating Grants and Contributions	4,047,095	5,134,627
General revenues:		
Property taxes, levied for general purposes	5,290,578	5,336,854
Property taxes, levied for debt service	1,786,064	1,675,774
Grants and contributions not restricted	11,991,198	12,133,959
Investment earnings	57,821	107,935
Miscellaneous local and intermediate revenue	93,990	80,416
Total Revenues	<u>23,459,486</u>	<u>24,657,374</u>
Expenses:		
Instruction	12,366,898	13,279,235
Instructional resources and media services	275,927	308,247
Curriculum and staff development	147,132	256,341
Instructional leadership	192,773	152,117
School leadership	1,224,539	1,257,516
Guidance, counseling, and evaluation services	665,448	781,323
Health services	298,322	349,685
Student transportation	905,695	1,298,546
Food service	1,033,722	1,028,082
Extracurricular activities	1,004,321	1,047,807
General administration	1,124,487	1,167,554
Facilities, maintenance and operations	2,012,781	1,840,270
Security and monitoring services	121,258	131,814
Data processing services	481,647	420,277
Interest on long-term debt	849,070	903,216
Bond issuance costs and fees	5,111	6,013
Other governmental charges	98,613	91,555
Total Expenses	<u>22,807,744</u>	<u>24,319,598</u>
Change in net position	651,742	337,776
Net position beginning	4,170,320	3,832,544
Prior period adjustment	152,998	-
Net position ending	<u>\$ 4,975,060</u>	<u>\$ 4,170,320</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet, Exhibit C-1) reported a combined fund balance of \$8,586,266 which is slightly less than last year's total of \$8,572,592.

Over the course of a year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved during the year for occasional expenditures presented to the Board. The second category involved amendments moving funds from programs or areas that did not need all the resources originally appropriated to them to programs with resources needs.

The District's General Fund balance of \$7,301,868 reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$2,710,057 reported in the budgetary comparison. This is principally due to the district setting a very conservative budget and an increase in student enrollment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$27,014,887 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

The following major capital improvements and purchases were made in FY 2021:

- Paving and drainage improvements at the primary school parking lot in the amount of \$1,268,564.
- 3 new school buses in the amount of \$302,650.

Long-term Liabilities

Outstanding bonded debt of the District was \$18,734,162 at the end of the fiscal year. Loans payable of the District decreased over FY 2020. The outstanding loans payable of the District was \$1,653,666 at the end of the fiscal year. The overall change in bonds and loans payable decreased \$1,862,398 over FY 2020.

The TRS net pension liability increased \$359,652 over FY 2020. The outstanding net pension liability of the District was \$5,403,698 at the end of the fiscal year. The net OPEB liability, decreased \$1,151,127 over FY 2020. The outstanding net OPEB liability of the District was \$6,197,397 at the end of the fiscal year. More detailed information about the District's long-term liabilities, net pension liability, and net OPEB liability is presented in notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the 2021-2022 budget and tax rates. One of those factors is the local economy. Since the economy has shown some improvement and fuel prices have not increased dramatically, we are seeing a continued increase in enrollment since many families are returning to the area. Unemployment has increased from 4.7 in 2007 to where it now stands at approximately 6.0 percent for Kaufman County. We are at the State's unemployment rate of 6.0 percent and below the national rate of 6.7 percent. Unemployment rates have improved slightly since last year.

The average daily student attendance is a determining factor in the state of funding formula. Average daily attendance (ADA) for Kemp I.S.D. is approximately 95% of student enrollment.

<u>Year</u>	<u>Enrollment</u>
2013-14	1,436
2014-15	1,455
2015-16	1,498
2016-17	1,542
2017-18	1,620
2018-19	1,663
2019-20	1,619
2020-21	1,654

Our enrollment on the snapshot date in the fall of the 2020-2021 school year varied from the previous school year by 35 students. However, the final average daily attendance (ADA) increased by 81 students from the previous year. The Legislature has reduced the public school state funding and because state funding is not sufficient for our needs, we continue to rely on the only other major sources of revenue generation, that of property taxes. Property values in Kemp I.S.D. saw an increase for 2021; therefore, the I&S tax rate lowered at \$0.3323. The I&S Debt Service Fund maintains a fund balance which currently eliminates the need to transfer funds from the General Fund to the Debt Service Fund to cover the deficit. Management continues to analyze the enrollment and property value trends and will continue to seize every opportunity to cut costs while continuing to provide a quality education resulting in higher student achievement.

The District intends to follow current fiscal and budgetary policies and if the projections for 2020-2021 are realized, expects to continue seeing moderate increases in the current General Fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Kemp I.S.D., 905 S. Main Street, Kemp, Texas.

BASIC FINANCIAL STATEMENTS

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KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2021

Data Control Codes		1 Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	\$ 1,861,419
1120	Current investments	5,231,054
1220	Delinquent property taxes receivable	897,895
1230	Allowance for uncollectible taxes	(122,147)
1240	Due from other governments	3,357,375
1290	Other receivables (net)	534
1310	Inventory	33,124
1410	Prepaid Expenses	84,378
	Capital assets:	
1510	Land	367,652
1520	Buildings and improvements, net	24,576,841
1530	Furniture and equipment, net	885,677
1580	Construction in progress	1,184,717
1000	Total assets	<u>38,358,519</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred loss on bond refunding	238,502
1705	Deferred outflow related to pension	2,480,173
1706	Deferred outflow related to other post-employment benefit	3,454,296
1700	Total deferred outflows of resources	<u>6,172,971</u>
	LIABILITIES	
2110	Accounts payable	50,919
2140	Interest payable	261,811
2150	Payroll deductions and withholdings	253,676
2160	Accrued wages payable	1,085,443
2180	Due to other governments	574,393
2200	Accrued expenses	81,127
2300	Unearned revenues	38,124
	Noncurrent liabilities:	
2501	Due within one year	1,775,900
2502	Due in more than one year	18,611,928
2540	Net pension liability	5,403,698
2545	Net other post-employment benefit liability	6,197,397
2000	Total liabilities	<u>34,334,416</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to pension	683,931
2606	Deferred inflow related to other post-employment benefit	4,538,083
2600	Total deferred inflows of resources	<u>5,222,014</u>
	NET POSITION	
3200	Net investment in capital assets	7,420,688
	Restricted for:	
3820	Federal and state programs	330,977
3850	Debt service	348,942
3870	Campus activities	78,007
3900	Unrestricted	(3,203,554)
3000	Total net position	\$ <u>4,975,060</u>

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

KEMP INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

		1	Program Revenues 3
Data Control Codes	Functions/Programs	Expenses	Charges for Services
	Primary government:		
	Governmental activities:		
11	Instruction	\$ 12,366,898	\$ 10,200
12	Instructional resources and media services	275,927	-
13	Curriculum and staff development	147,132	-
21	Instructional leadership	192,773	-
23	School leadership	1,224,539	-
31	Guidance, counseling, and evaluation services	665,448	-
33	Health services	298,322	-
34	Student transportation	905,695	-
35	Food service	1,033,722	150,675
36	Extracurricular activities	1,004,321	31,809
41	General administration	1,124,487	-
51	Facilities maintenance and operations	2,012,781	56
52	Security and monitoring services	121,258	-
53	Data processing services	481,647	-
72	Interest on long-term debt	849,070	-
73	Bond issuance costs and fees	5,111	-
99	Other governmental charges	98,613	-
TP	Total primary government	\$ 22,807,744	\$ 192,740
	General revenues:		
	Taxes:		
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
GC	Grants and contributions not restricted		
IE	Investment earnings		
MI	Miscellaneous local and intermediate revenue		
TR	Total general revenues		
CN	Change in net position		
NB	Net position - beginning		
PA	Prior period adjustment		
NE	Net position - ending		

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

Program Revenues	Net (Expense) Revenue and Changes in Net Position
4	6
Operating Grants and Contributions	Primary Governmental Governmental Activities
\$ 2,370,520	\$ (9,986,178)
15,365	(260,562)
9,510	(137,622)
16,667	(176,106)
74,395	(1,150,144)
110,195	(555,253)
310,712	12,390
41,724	(863,971)
712,672	(170,375)
41,176	(931,336)
47,397	(1,077,090)
136,560	(1,876,165)
3,631	(117,627)
19,747	(461,900)
136,824	(712,246)
-	(5,111)
-	(98,613)
<u>\$ 4,047,095</u>	<u>(18,567,909)</u>

5,290,578
1,786,064
11,991,198
57,821
93,990
<u>19,219,651</u>
651,742
4,170,320
<u>152,998</u>
<u>\$ 4,975,060</u>

KEMP INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

Data Control Codes		10	50	60
		General	Debt Service	Capital Projects
ASSETS				
1110	Cash and cash equivalents	\$ 709,648	\$ 462,409	\$ 429,002
1120	Current investments	5,087,672	143,382	-
1220	Delinquent property taxes receivable	677,661	220,234	-
1230	Allowance for uncollectible taxes	(92,187)	(29,960)	-
1240	Due from other governments	3,075,622	-	-
1260	Due from other funds	188,469	-	-
1290	Other receivables	534	-	-
1300	Inventory	-	-	-
1410	Prepaid expenditures	84,378	-	-
1000	Total assets	<u>9,731,797</u>	<u>796,065</u>	<u>429,002</u>
LIABILITIES				
2110	Accounts payable	37,770	-	-
2150	Payroll deductions and withholdings	253,676	-	-
2160	Accrued wages payable	1,061,823	-	-
2170	Due to other funds	110,566	-	-
2180	Due to other governments	379,778	185,312	-
2200	Accrued expenditures	76,973	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>1,920,586</u>	<u>185,312</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	<u>509,343</u>	<u>164,341</u>	<u>-</u>
2600	Total deferred inflows of resources	<u>509,343</u>	<u>164,341</u>	<u>-</u>
FUND BALANCES				
	Nonspendable			
3430	Prepaid items	84,378	-	-
	Restricted:			
3450	Federal and state programs	-	-	-
3480	Retirement of long-term debt	-	446,412	-
	Committed:			
3510	Construction	-	-	429,002
3545	Other	-	-	-
3600	Unassigned	<u>7,217,490</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>7,301,868</u>	<u>446,412</u>	<u>429,002</u>
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 9,731,797	\$ 796,065	\$ 429,002

Other Governmental	98 Total Governmental Funds
\$ 260,360	\$ 1,861,419
-	5,231,054
-	897,895
-	(122,147)
281,753	3,357,375
159,859	348,328
-	534
33,124	33,124
-	84,378
<u>735,096</u>	<u>11,691,960</u>
13,149	50,919
-	253,676
23,620	1,085,443
237,762	348,328
9,303	574,393
4,154	81,127
<u>38,124</u>	<u>38,124</u>
<u>326,112</u>	<u>2,432,010</u>
-	<u>673,684</u>
-	<u>673,684</u>
-	84,378
330,977	330,977
-	446,412
-	429,002
78,007	78,007
-	<u>7,217,490</u>
<u>408,984</u>	<u>8,586,266</u>
\$ <u>735,096</u>	\$ <u>11,691,960</u>

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KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-2****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total Fund Balances - Governmental Funds	\$ 8,586,266
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	27,014,887
2 Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	673,684
3 Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	(20,149,326)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(261,811)
5 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 \$2,480,173, a deferred resource inflow in the amount of \$683,931, and a net pension liability in the amount of \$5,403,698. This resulted in a decrease in net position.	(3,607,456)
6 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 \$3,454,296, a deferred resource inflow in the amount of \$4,538,083, and a net OPEB liability in the amount of \$6,197,397. This resulted in a decrease in net position.	(<u>7,281,184</u>)
19 Net Position of Governmental Activities	\$ <u>4,975,060</u>

KEMP INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		10	50	60
		General	Debt Service	Capital Projects
	REVENUES			
5700	Local and intermediate sources	\$ 5,614,058	\$ 1,844,118	\$ 698
5800	State program revenues	12,853,011	136,824	-
5900	Federal program revenues	361,093	-	-
5020	Total revenues	<u>18,828,162</u>	<u>1,980,942</u>	<u>698</u>
	EXPENDITURES			
	Current:			
0011	Instruction	9,385,905	-	-
0012	Instructional resources and media services	225,799	-	-
0013	Curriculum and staff development	139,834	-	-
0021	Instructional leadership	179,926	-	-
0023	School leadership	1,112,562	-	-
0031	Guidance, counseling, and evaluation services	550,813	-	-
0033	Health services	259,417	-	-
0034	Student transportation	899,253	-	-
0035	Food service	23,275	-	-
0036	Extracurricular activities	822,191	-	-
0041	General administration	1,057,225	-	-
0051	Facilities maintenance and operations	1,916,012	-	-
0052	Security and monitoring services	115,224	-	-
0053	Data processing services	458,887	-	-
	Debt service:			
0071	Principal on long-term debt	564,128	1,150,000	-
0072	Interest on long-term debt	106,820	654,413	-
0073	Bond issuance costs and fees	-	5,111	-
	Capital outlay:			
0081	Capital outlay	-	-	1,286,579
	Intergovernmental:			
0093	Payments to fiscal agent of SSA	-	-	-
0099	Other intergovernmental charges	98,613	-	-
6030	Total expenditures	<u>17,915,884</u>	<u>1,809,524</u>	<u>1,286,579</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>912,278</u>	<u>171,418</u>	<u>(1,285,881)</u>
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	1,588,218
8911	Transfers out	(1,590,346)	-	-
7080	Total other financing sources (uses)	<u>(1,590,346)</u>	<u>-</u>	<u>1,588,218</u>
1200	NET CHANGE IN FUND BALANCES	(678,068)	171,418	302,337
0100	FUND BALANCES, BEGINNING	<u>7,826,938</u>	<u>274,994</u>	<u>126,665</u>
1300	PRIOR PERIOD ADJUSTMENT	<u>152,998</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 7,301,868</u>	<u>\$ 446,412</u>	<u>\$ 429,002</u>

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

Other Governmental	98 Total Governmental Funds
\$ 189,737	\$ 7,648,611
126,686	13,116,521
<u>2,610,629</u>	<u>2,971,722</u>
<u>2,927,052</u>	<u>23,736,854</u>
1,664,928	11,050,833
-	225,799
-	139,834
4,972	184,898
-	1,112,562
67,734	618,547
7,650	267,067
3,031	902,284
810,411	833,686
22,232	844,423
-	1,057,225
93,962	2,009,974
-	115,224
-	458,887
-	1,714,128
-	761,233
-	5,111
-	1,286,579
189,271	189,271
-	98,613
<u>2,864,191</u>	<u>23,876,178</u>
<u>62,861</u>	<u>(139,324)</u>
2,128	1,590,346
-	<u>(1,590,346)</u>
<u>2,128</u>	<u>-</u>
64,989	(139,324)
<u>343,995</u>	<u>8,572,592</u>
-	<u>152,998</u>
<u>\$ 408,984</u>	<u>\$ 8,586,266</u>

KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-4****RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds \$(139,324)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. 209,080

Miscellaneous transactions involving sales and disposals of capital assets result in changes to net position. This is the amount net position decreased as a result of these disposals. (19,068)

Property tax revenues that do not provide current financial resources are not reported as revenues in the funds. (227,418)

Bond and tax note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and tax note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. 1,605,801

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 20,490

GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by \$356,270. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in the change in net position totaling \$353,698. 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 \$612,576. The net result is a decrease in the change in net position. (610,004)

GASB 75 required that certain plan expenditures be de-expanded 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 \$102,168. 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 \$104,356. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$185,627. The net result is a decrease in the change in net position. (187,815)

Change in net position of governmental activities \$ 651,742

KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2021

	Private-Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 1,979	\$ 84,153
Total assets	<u>1,979</u>	<u>84,153</u>
LIABILITIES		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Restricted for:		
Individuals, organizations and other governments	<u>1,979</u>	<u>84,153</u>
Total net position	<u>\$ 1,979</u>	<u>\$ 84,153</u>

KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-2**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Private-Purpose Trust Funds	Custodial Fund
ADDITIONS		
Collections from student groups	\$ -	\$ 78,291
Total additions	-	78,291
DEDUCTIONS		
Payments on-behalf of student groups	-	105,815
Total deductions	-	105,815
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	-	(27,524)
NET POSITION, BEGINNING	1,979	-
PRIOR PERIOD ADJUSTMENT	-	111,677
NET POSITION, ENDING	\$ 1,979	\$ 84,153

KEMP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kemp 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 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.

The accompanying financial statements present the government and any applicable component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

The District has no component units which are required to be reported, discretely or blended, in combination with the primary government.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, state foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to parties who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as do the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, state foundation funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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 revenue until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The District reports the following major governmental funds:

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

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

The **Capital Projects Fund** – is used to account for funds that have been committed by the District's Board of Trustees for use in capital construction and other capital asset acquisitions. Additionally, this fund would be used to account for any long-term debt proceeds used for this same purpose in future years.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or committed 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:

Private-Purpose Trust Fund – 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 scholarship fund.

Custodial Fund – The District accounts for resources held for others in a custodial capacity in the Student Activity Fund.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statement these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

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

State statutes authorize the District to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value, except for its position in qualifying external investment pools that measure for financial reporting purposes all of their investments at amortized cost. The District's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All interfund transactions between governmental funds are eliminated on the government-wide financial statements.

3. Inventories and Prepaids

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

The District uses the purchases method to report prepaid items. The Cost of applicable purchases are recorded when consumed.

4. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities column in the financial statements. Capital assets are defined by the government 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 acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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.

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

Assets	Years
Buildings	40
Vehicles	10
Furniture and Equipment	10

5. *Compensated Absences*

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 sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation must be used within six months of year end, the amount for accrued vacation is immaterial to the financial statements.

6. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. 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.

7. *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.

8. *Other Post-Employment Benefits*

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

9. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements 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. The District has two items that qualify for reporting in this category. They are deferred charges on bond refunding's and deferred outflows related to both the TRS net pension liability and the TRS net OPEB liability reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the District is reporting an item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability.

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 or 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 two types of inflows, which arise only under a modified accrual basis of accounting. The first item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognized their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension liability.

10. Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or Superintendent.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

11. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Net Position

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

13. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

14. Program Revenue

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

15. Property Taxes

Property taxes are levied as of October 1 on property values assessed 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 following year.

16. Data Control Codes

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

17. Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of June 30, 2021, will change.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District 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.

Investments for the District are reported at fair value, except for the position in investment pools. The District's investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool, Texas CLASS, and First Public/Lone Star each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pools' liquidity.

The District's investments at June 30, 2021, are shown below:

Investment Type	Fair Value	Weighted Average Maturity (days)
Certificate of Deposits	\$ 3,706,436	89
TexPool	279,158	30
First Public/Lone Star Investment Pool	886,773	73
Texas CLASS	<u>358,687</u>	81
Total Investments	<u>\$ 5,231,054</u>	

Interest rate risk. In accordance with the District's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Credit risk. It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

Investment Type	Standard & Poor's Rating
TexPool	AAAm
First Public/Lone Star Investment Pool	AAAm
Texas CLASS	AAAm

Concentration of credit risk. The District's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific user.

Custodial credit risk. In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Cash deposits of the District include all amounts deposited at the District's depository bank, including demand deposits and certificates of deposit. The District's cash deposits at June 30, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 upon 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 are ultimately imposed. Property tax revenue is considered available (1) when it becomes due or past due and receivable within the current period and (2) when it is expected to be collected during a 60-day period after the close of the school fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are 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.

Property tax receivables consisted of the following balances as of June 30, 2021:

	General Fund	Debt Service Fund	Total
Property tax receivable	\$ 677,661	\$ 220,234	\$ 897,895
Allowance for uncollectible	(92,187)	(29,960)	(122,147)
Total	<u>\$ 585,474</u>	<u>\$ 190,274</u>	<u>\$ 775,748</u>

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs and other federal revenues for a QSCB federal interest rebate. Amounts due from federal and state governments as of June 30, 2021, are summarized below.

	General Fund	Other Funds	Total
State Entitlements	\$ 2,897,536	\$ -	\$ 2,897,536
State Grants	109,433	-	109,433
Federal Grants	3,497	281,753	285,250
Other Federal Revenues	<u>65,156</u>	<u>-</u>	<u>65,156</u>
Total	<u>\$ 3,075,622</u>	<u>\$ 281,753</u>	<u>\$ 3,357,375</u>

D. Interfund Balances and Transfers

Due to and due from other funds balances at June 30, 2021, consisted of the following amounts:

Payable Fund	Receivable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 110,566
Nonmajor governmental funds	General Fund	188,469
Nonmajor governmental funds	Nonmajor governmental funds	<u>49,293</u>
Total		<u>\$ 348,328</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to and from other funds at June 30, 2021 consisted of the following amounts:

Transfers In	Transfers Out	Amount
Capital projects fund	General fund	\$ 1,588,218
Nonmajor governmental funds	General fund	<u>2,128</u>
Total		\$ <u>1,590,346</u>

Significant transfers made during the year were made in order to fund ongoing capital projects.

E. Capital Asset Activity

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 367,652	\$ -	\$ -	\$ 367,652
Construction in progress	<u>1,175,863</u>	<u>1,268,564</u>	<u>(1,259,710)</u>	<u>1,184,717</u>
Total capital assets, not being depreciated	<u>1,543,515</u>	<u>1,268,564</u>	<u>(1,259,710)</u>	<u>1,552,369</u>
Capital assets, being depreciated:				
Buildings & improvements	43,869,007	1,259,710	-	45,128,717
Furniture & equipment	<u>2,694,839</u>	<u>351,874</u>	<u>(210,440)</u>	<u>2,836,273</u>
Total capital assets, being depreciated	<u>46,563,846</u>	<u>1,611,584</u>	<u>(210,440)</u>	<u>47,964,990</u>
Less accumulated depreciation for:				
Buildings & improvements	(19,331,329)	(1,220,547)	-	(20,551,876)
Furniture and equipment	<u>(1,951,157)</u>	<u>(190,811)</u>	<u>191,372</u>	<u>(1,950,596)</u>
Total accumulated depreciation	<u>(21,282,486)</u>	<u>(1,411,358)</u>	<u>191,372</u>	<u>(22,502,472)</u>
Governmental activities capital assets, net	\$ <u>26,824,875</u>	\$ <u>1,468,790</u>	\$ <u>(1,278,778)</u>	\$ <u>27,014,887</u>

Depreciation expense charges to governmental functions is as follows:

11	Instruction	\$ 682,976
12	Instructional Resources and Media Services	41,772
23	School Leadership	36,550
31	Guidance, Counseling and Evaluation Services	16,964
33	Health Services	16,964
34	Student (Pupil) Transportation	279,274
35	Food Services	197,367
36	Cocurricular/Extracurricular Activities	98,146
41	General Administration	11,992
51	Plant Maintenance Operations	24,864
52	Security and Monitoring Services	418
53	Data Processing Services	<u>4,071</u>
	Total Depreciation Expense	\$ <u>1,411,358</u>

F. Bonds Payable

A summary of changes in bonds payable for the year ended June 30, 2021 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions/ Issued	Retired/ Refunded	Ending Balance	Amount Due Within One Year
Unlimited Tax Refunding Bonds, Series 2014	2.0% - 4.00%	\$ 8,725,000	\$ 8,300,000	\$ -	\$ 70,000	\$ 8,230,000	\$ 75,000
CAB Series 2014 Bonds		69,993	69,993	-	-	69,993	-
CAB Premium		-	552,193	-	-	552,193	-
Accreted interest		-	103,454	22,671	-	126,125	-
Unlimited Tax Refunding Bonds, Series 2015	3.0% - 4.00%	8,850,000	8,780,000		35,000	8,745,000	930,000
Unlimited Tax Refunding Bonds, Series 2016	2.0% - 3.50%	<u>4,235,000</u>	<u>1,230,000</u>	<u>-</u>	<u>1,045,000</u>	<u>185,000</u>	<u>185,000</u>
Total		<u>\$ 21,879,993</u>	<u>\$ 19,035,640</u>	<u>\$ 22,671</u>	<u>\$ 1,150,000</u>	<u>\$ 17,908,311</u>	<u>\$ 1,190,000</u>

Debt service requirements are as follows:

Year Ended June 30	General Obligations		
	Principal	Interest	Total Requirements
2022	\$ 1,190,000	\$ 614,238	\$ 1,804,238
2023	1,265,000	577,613	1,842,613
2024	1,310,000	539,663	1,849,663
2025	1,350,000	499,963	1,849,963
2026	1,390,000	459,063	1,849,063
2027-2031	7,975,000	1,639,563	9,614,563
2032-2033	<u>3,580,000</u>	<u>217,600</u>	<u>3,797,600</u>
Total	<u>18,060,000</u>	<u>\$ 4,547,703</u>	<u>\$ 22,607,703</u>
Less: accretion of interest on CAB's	<u>151,689</u>		
Par value of bonds outstanding	<u>\$ 17,908,311</u>		

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2021.

The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding tax notes contain a provision that in an event of default, outstanding amounts become immediately due.

Accretion on Capital Appreciation Bonds

A portion of the bonds sold in the Unlimited Tax Refunding Bonds Series 2014 were capital appreciation bonds. The obligations have par values of \$70,000 and maturity values of \$900,000. The interest on these obligations will be paid upon maturity in the fiscal year ending June 30, 2027. The accreted value of these bonds at June 30, 2021, is approximately \$678,318 which has been allocated to the governmental activities.

G. Loans Payable (Private Placement)

The District accounts for debts for maintenance purposes through the locally defined capital projects fund. The proceeds from loans are shown in the financial statements as Other Resources and Principal and interest payments are shown as debt service of the General Fund. The District has levied a continuing direct maintenance tax on all property within the boundaries of the District to provide funds for each year to make payments on each of the debts listed above.

A Maintenance Tax Note, Series 2011 ("Qualified School Construction Bonds"), loan of \$2,448,000 was issued on April 12, 2011 for the purpose of providing funds to pay for the costs of the District's maintenance improvements as authorized by Texas Education Code section 45.106, as amended. The loan is to be repaid in annual payments beginning February 15, 2012. The interest rate is 6.75% which includes a Federal Tax Credit rate of 5.45% resulting in a net tax rate of 1.30% to the District.

A Public Property Finance Act Contract No. 7489, loan of \$1,505,981 was issued on August 15, 2016 for the purpose of refinancing the Public Property Finance Contract No. 6402. The original 2007 Contract was for the acquisition of personal property as authorized by Texas Education Code Section 45.108 as amended. The new loan is to be repaid in varying monthly payments beginning October 29, 2016, in accordance with the Schedule of Payments. The interest rate is 2.483%. The estimated savings to the District is \$21,380.

A Maintenance Tax Note, Series 2016, was issued on September 8, 2016 for the purpose of refinancing the Maintenance Tax Note, Series 2007, issued on March 30, 2007. The original 2007 Tax Note was for providing funds for the District's maintenance improvements as authorized by the Texas Education Code Section 45.108, as amended. The new loan is to be repaid in annual payments beginning September 8, 2017. The interest rate is 2.58%. The estimated savings to the District is \$33,530.

A summary of changes in loans payable for the year ended June 30, 2021 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Issued/ Additions	Retired/ Refinanced	Ending Balance	Amount Due Within One Year
Maintenance Tax Notes Series 2011 "Qualified School Construction Bonds	6.750%	\$ 2,448,000	\$ 1,270,000	\$ -	\$ 179,000	\$ 1,091,000	\$ 191,000
Maintenance Tax Notes Series 2016	2.580%	704,954	292,800	-	144,535	148,265	148,265
Public Property Finance Contract No. 7489	2.483%	<u>1,505,981</u>	<u>654,994</u>	<u>-</u>	<u>240,593</u>	<u>414,401</u>	<u>246,635</u>
Total		<u>\$ 4,658,935</u>	<u>\$ 2,217,794</u>	<u>\$ -</u>	<u>\$ 564,128</u>	<u>\$ 1,653,666</u>	<u>\$ 585,900</u>

Debt service requirements are as follows:

Year Ended June 30	Principal	Interest	Requirements	Federal Interest Rebate Amount "QSCB"
2022	\$ 585,900	\$ 84,966	\$ 670,866	\$ (59,460)
2023	370,766	62,317	433,083	(49,050)
2024	217,000	47,047	264,047	(37,987)
2025	232,000	32,400	264,400	(26,160)
2026	<u>248,000</u>	<u>16,741</u>	<u>264,741</u>	<u>(13,516)</u>
Total	<u>\$ 1,653,666</u>	<u>\$ 243,471</u>	<u>\$ 1,897,137</u>	<u>\$ (186,173)</u>

H. Changes in Long-Term Liabilities

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

	Beginning Balance	Addition	Reductions/ Refundings	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 19,035,640	\$ 22,671	\$ 1,150,000	\$ 17,908,311	\$ 1,190,000
Premium (discount) on issuance of bonds:					
Premium/(discount)	996,792	-	170,941	825,851	-
Loans payable:					
Various loans payable	<u>2,217,794</u>	<u>-</u>	<u>564,128</u>	<u>1,653,666</u>	<u>585,900</u>
Total governmental activities long-term liabilities	<u>\$ 22,250,226</u>	<u>\$ 22,671</u>	<u>\$ 1,885,069</u>	<u>\$ 20,387,828</u>	<u>\$ 1,775,900</u>

I. Fund Balance

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Nonspendable:					
Prepaid items	\$ 84,378	\$ -	\$ -	\$ -	\$ 84,378
Restricted:					
Federal Grants	-	-	-	330,977	330,977
Debt Service	<u>-</u>	<u>446,412</u>	<u>-</u>	<u>-</u>	<u>446,412</u>
Total Restricted	<u>-</u>	<u>446,412</u>	<u>-</u>	<u>330,977</u>	<u>777,389</u>
Committed:					
Construction	-	-	429,002	-	429,002
Campus Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,007</u>	<u>78,007</u>
Total Committed	<u>-</u>	<u>-</u>	<u>429,002</u>	<u>78,007</u>	<u>507,009</u>
Unassigned:	<u>7,217,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,217,490</u>
Total Fund Balances	<u>\$ 7,301,868</u>	<u>\$ 446,412</u>	<u>\$ 429,002</u>	<u>\$ 408,984</u>	<u>\$ 8,586,266</u>

J. Defined Benefit Pension Plan

Plan Description. Kemp ISD 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 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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

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

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

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

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

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

Contribution Rates		
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
2021 Employer Contributions		\$ 413,664
2021 Member Contributions		882,984
2020 NECE On-behalf Contributions		640,812

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

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

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

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

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

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Payroll Growth Rate	3.00%
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

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

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

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

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70%)	(0.05%)
Stable Value Hedge Funds	5.00%	1.90%	11.00%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy and Natural Resources	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	(1.50%)	(0.03%)
Asset Allocation Leverage	(6.00%)	(1.30%)	0.08%
Inflation Expectation	0.00%	0.00%	2.00%
Volatility Drag ³	0.00%	0.00%	(0.67%)
Total	<u>100.00%</u>	<u>33.30%</u>	<u>7.33%</u>

¹ Target allocations are based on the FY2020 policy model.

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

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

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	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:	\$ 8,332,405	\$ 5,403,698	\$ 3,024,187

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of \$5,403,698 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to Kemp ISD. The amount recognized by the Kemp ISD 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 Kemp ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 5,403,698
State's proportionate share that is associated with the District	<u>8,318,079</u>
Total	<u>\$ 13,721,777</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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0100894388% which was an increase of 0.0003862015% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation. There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2021, the District's pension expense was \$1,966,754 and revenue of \$1,000,480 for support provided by the State.

At June 30, 2021, the District's proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,867	\$ 150,803
Changes in actuarial assumptions	1,253,850	533,128
Differences between projected and actual investment earnings	109,393	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions.	750,793	-
Contributions paid to TRS subsequent to the measurement date	356,270	-
Total	<u>\$ 2,480,173</u>	<u>\$ 683,931</u>

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

Year Ended June 30:	Pension Expense Amount
2022	\$ 392,226
2023	443,829
2024	404,211
2025	196,356
2026	(3,372)
Thereafter	6,722

K. Health Care Coverage

During the period ended June 30, 2021, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$300 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Aetna Life Insurance Company. Caremark administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

L. Defined Other Post-Employment Benefit Plans

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

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

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

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

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

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	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%
2021 Employer Contributions		\$ 118,072
2021 Member Contributions		74,522
2020 NECE On-behalf Contributions		166,506

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the non-employer contributing entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

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

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

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

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

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

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
Healthcare Trend Rates	4.25% to 9.00%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% 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 decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (2.33%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the net OPEB liability:	\$ 7,436,862	\$ 6,197,397	\$ 5,218,397

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 1% lower or 1% higher than the assumed healthcare cost trend rate.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of net OPEB liability	\$ 5,062,479	\$ 6,197,397	\$ 7,708,947

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$6,197,397 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 of the net OPEB 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 OPEB liability	\$ 6,197,397
State's proportionate share that is associated with the District	<u>8,327,816</u>
Total	<u>\$ 14,525,213</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 employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer’s proportion of the collective net OPEB liability was 0.0163027117% which was an increase of 0.0007638366% 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:

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

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

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$232,158 and revenue of \$(57,825) for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 324,493	\$ 2,836,246
Changes in actuarial assumptions	382,251	1,701,837
Differences between projected and actual investment earnings	2,014	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions.	2,643,370	-
Contributions paid to TRS subsequent to the measurement date	102,168	-
Total	<u>\$ 3,454,296</u>	<u>\$ 4,538,083</u>

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

Year Ended June 30:	OPEB Expense Amount
2022	\$(241,545)
2023	(241,814)
2024	(241,968)
2025	(241,929)
2026	(76,392)
Thereafter	(142,307)

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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$56,404, \$49,074, and \$37,077 were recognized for the years ended June 30, 2021, 2020, and 2019, respectively, as equal revenues and expenditures.

M. Shared Service Arrangement

The District is the fiscal agent for one shared services arrangement (SSA), which provides special education services to autistic students of member districts, listed below. All services are provided by member districts. Grant funds are provided directly to the fiscal agent, who is responsible for the distribution of funds. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and fund 315 will be accounted for using the Shared Services Arrangements section of the Financial Accountability System Resource Guide. Expenditures of the shared service arrangement are summarized below:

<u>Member District</u>	<u>315 IDEA-B Discretionary</u>	
Kemp ISD	\$	347,168
Winnsboro ISD		<u>189,271</u>
	\$	<u>536,439</u>

N. Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing to respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

O. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the fiscal year ended June 30, 2021 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. Negative Operating Grants and Contributions – Statement of Activities

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ 2,370,520	\$ (36,481)	\$ 2,334,039
12 - Instructional resources and media services	15,365	(884)	14,481
13 - Curriculum and staff development	9,510	(547)	8,963
21 - Instructional leadership	16,667	(673)	15,994
23 - School leadership	74,395	(4,281)	70,114
31 - Guidance, counseling, and evaluation services	110,195	(2,443)	107,752
33 - Health services	310,712	(1,062)	309,650
34 - Student transportation	41,724	(2,227)	39,497
35 - Food service	712,672	(333)	712,339
36 - Extracurricular activities	41,176	(2,370)	38,806
41 - General administration	47,397	(2,728)	44,669
51 - Facilities maintenance and operations	136,560	(2,451)	134,109
52 - Security and monitoring services	3,631	(209)	3,422
53 - Data processing services	19,747	(1,136)	18,611
72 - Interest on long-term debt	136,824	-	136,824
	<u>\$ 4,047,095</u>	<u>\$ (57,825)</u>	<u>\$ 3,989,270</u>

Q. Prior Period Adjustment

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the District adjusted the fund balance of the custodial fund. The beginning balance of the custodial fund was established to be \$111,677, being presented as a prior period adjustment in Exhibit E-2.

Additionally, a prior period adjustment of \$152,998 was presented in the general fund to correctly state accrued liabilities as of June 30, 2021.

R. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which becomes effective in the next two fiscal years:

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classifies as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will become effective in fiscal year 2021.

Statement No. 91, Conduit Debt Obligations – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 92, Omnibus 2020 – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented in fiscal year 2022 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGET TO ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final		Positive
					(Negative)
	REVENUES				
5700	Local and intermediate sources	\$ 5,691,146	\$ 5,700,700	\$ 5,614,058	\$(86,642)
5800	State program revenues	12,122,951	12,122,951	12,853,011	730,060
5900	Federal program revenues	523,148	523,148	361,093	(162,055)
5020	Total revenues	18,337,245	18,346,799	18,828,162	481,363
	EXPENDITURES				
	Current:				
0011	Instruction	10,545,011	10,693,826	9,385,905	1,307,921
0012	Instructional resources and media sources	242,134	251,688	225,799	25,889
0013	Curriculum and staff development	259,611	171,061	139,834	31,227
0021	Instructional leadership	193,704	196,504	179,926	16,578
0023	School leadership	1,139,423	1,144,928	1,112,562	32,366
0031	Guidance, counseling, and evaluation services	653,969	653,969	550,813	103,156
0033	Health services	315,918	304,418	259,417	45,001
0034	Student transportation	1,059,356	1,055,881	899,253	156,628
0035	Food service	37,281	37,281	23,275	14,006
0036	Extracurricular activities	941,585	938,934	822,191	116,743
0041	General administration	1,011,179	1,085,979	1,057,225	28,754
0051	Facilities maintenance and operations	1,758,119	2,112,316	1,916,012	196,304
0052	Security and monitoring services	231,403	172,953	115,224	57,729
0053	Data processing services	465,946	473,506	458,887	14,619
	Debt Service:				
0071	Principal on long-term debt	573,128	564,128	564,128	-
0072	Interest on long-term debt	109,472	109,472	106,820	2,652
	Capital Outlay:				
0081	Capital outlay	-	20,000	-	20,000
	Intergovernmental:				
0099	Other governmental charges	102,000	102,000	98,613	3,387
6030	Total expenditures	19,639,239	20,088,844	17,915,884	2,172,960
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,301,994)	(1,742,045)	912,278	2,654,323
	OTHER FINANCING SOURCES (USES)				
8911	Transfers out	(1,687,418)	(1,687,418)	(1,590,346)	97,072
	Total other financing sources (uses)	(1,687,418)	(1,687,418)	(1,590,346)	97,072
1200	NET CHANGE IN FUND BALANCES	(2,989,412)	(3,429,463)	(678,068)	2,751,395
0100	FUND BALANCES, BEGINNING	7,826,938	7,826,938	7,826,938	-
1300	PRIOR PERIOD ADJUSTMENT	-	-	152,998	152,998
3000	FUND BALANCES, ENDING	\$ 3,150,108	\$ 2,710,057	\$ 7,301,868	\$ 3,001,465

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

Measurement year ended August 31,	<u>2020</u>	<u>2019</u>
District's Proportion of the Net Pension Liability (Asset)	0.0100894%	0.0097037%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,403,698	\$ 5,044,046
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>8,318,079</u>	<u>7,179,528</u>
Total	\$ <u>13,721,777</u>	\$ <u>12,223,574</u>
District's Covered Employee Payroll	\$ 9,703,681	\$ 9,024,025
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	55.69%	55.90%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%

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."

2018	2017	2016	2015	2014
0.0086678%	0.0080615%	0.0076405%	0.0074563%	0.0042480%
\$ 4,770,963	\$ 2,577,634	\$ 2,887,219	\$ 2,635,703	\$ 1,134,700
<u>8,092,935</u>	<u>4,467,647</u>	<u>5,268,150</u>	<u>4,873,767</u>	<u>4,206,723</u>
\$ <u>12,863,898</u>	\$ <u>7,045,281</u>	\$ <u>8,155,369</u>	\$ <u>7,509,470</u>	\$ <u>5,341,423</u>
\$ 9,671,175	\$ 8,827,028	\$ 8,318,607	\$ 7,648,046	\$ 7,382,594
49.33%	29.20%	34.71%	34.46%	15.37%
73.74%	82.17%	78.00%	78.43%	83.25%

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

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal year ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 413,664	\$ 380,720	\$ 333,726
Contribution in Relation to the Contractually Required Contribution	(413,664)	(380,720)	(333,726)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 11,445,927	\$ 8,023,047	\$ 9,703,681
Contributions as a percentage of Covered Employee Payroll	3.61%	4.75%	3.44%

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."

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 295,965	\$ 260,739	\$ 235,290	\$ 118,788
(295,965)	(260,739)	(235,290)	(118,788)
\$ -	\$ -	\$ -	\$ -
\$ 9,591,450	\$ 8,737,258	\$ 8,195,000	\$ 7,556,976
3.09%	2.98%	2.87%	1.57%

KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-4

**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,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0163027%	0.0155389%	0.0135066%	0.0105164%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 6,197,397	\$ 7,348,524	\$ 6,743,952	\$ 4,573,198
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>8,327,816</u>	<u>9,764,545</u>	<u>8,100,579</u>	<u>6,877,925</u>
Total	\$ <u>14,525,213</u>	\$ <u>17,113,069</u>	\$ <u>14,844,531</u>	\$ <u>11,451,123</u>
District's Covered Payroll	\$ 9,693,681	\$ 8,152,275	\$ 9,671,175	\$ 8,827,028
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	63.93%	90.14%	69.73%	51.81%
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 are 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."

KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-5****SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS**

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal year ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 118,072	\$ 113,692	\$ 109,678	\$ 88,863
Contribution in Relation to the Contractually Required Contribution	(118,072)	(113,692)	(109,678)	(88,863)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 11,436,000	\$ 8,023,047	\$ 9,693,681	\$ 9,591,450
Contributions as a percentage of Covered Payroll	1.03%	1.42%	1.13%	0.93%

Note: Only four years of data are 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."

KEMP INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Fund which is included as a Special Revenue Fund. 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 and the other two reports are in Exhibits J-4 and J-5.

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 10 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. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. 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 canceled or appropriately provided for in the subsequent year's budget.

COMBINING STATEMENTS

KEMP INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENT FUNDS**

JUNE 30, 2021

	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA- Part B Formula	225 IDEA- Part B Preschool
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 9,454	\$ -
Due from other governments	26,884	20,956	9,263	6,594
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>26,884</u>	<u>20,956</u>	<u>18,717</u>	<u>6,594</u>
LIABILITIES				
Accounts payable	-	-	-	-
Accrued wages payable	3,101	-	10,725	-
Due to other funds	23,436	20,956	-	6,594
Due to other governments	-	-	5,827	-
Accrued expenditures	347	-	2,165	-
Unearned revenue	-	-	-	-
Total liabilities	<u>26,884</u>	<u>20,956</u>	<u>18,717</u>	<u>6,594</u>
FUND BALANCES				
Restricted	-	-	-	-
Committed	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>26,884</u>	\$ <u>20,956</u>	\$ <u>18,717</u>	\$ <u>6,594</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER	270 ESEA VI, Pt B Rural & Low Income
\$ 151,337	\$ -	\$ -	\$ -	\$ -	\$ -
10,080	-	2,610	1,225	-	4,969
110,566	-	-	-	-	-
33,124	-	-	-	-	-
<u>305,107</u>	<u>-</u>	<u>2,610</u>	<u>1,225</u>	<u>-</u>	<u>4,969</u>
13,149	-	-	-	-	-
3,141	-	-	-	-	-
-	-	2,610	1,225	-	4,969
-	-	-	-	-	-
676	-	-	-	-	-
33,124	-	-	-	-	-
<u>50,090</u>	<u>-</u>	<u>2,610</u>	<u>1,225</u>	<u>-</u>	<u>4,969</u>
255,017	-	-	-	-	-
-	-	-	-	-	-
<u>255,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>305,107</u>	\$ <u>-</u>	\$ <u>2,610</u>	\$ <u>1,225</u>	\$ <u>-</u>	\$ <u>4,969</u>

KEMP INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENT FUNDS**

JUNE 30, 2021

	272 Medicaid Administrative Claiming	276 Instructional Continuity Grant	277 Coronavirus Relief Fund	289 Title IV, Part A Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,241
Due from other governments	-	18,000	-	1,679
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	-	18,000	-	8,920
LIABILITIES				
Accounts payable	-	-	-	-
Accrued wages payable	-	-	-	6,653
Due to other funds	-	17,251	-	-
Due to other governments	-	749	-	1,301
Accrued expenditures	-	-	-	966
Unearned revenue	-	-	-	-
Total liabilities	-	18,000	-	8,920
FUND BALANCES				
Restricted	-	-	-	-
Committed	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ 18,000	\$ -	\$ 8,920

EXHIBIT H-1

315 Services to Students with Autism Grant	410 State Instructional Materials	429 Other State Special Revenue	461 Campus Activity Funds	465 Laura Bush Foundation Grant	486 Kemp Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ 5,291	\$ -	\$ 78,007	\$ 5,000	\$ 4,030	\$ 260,360
161,901	17,346	246	-	-	-	281,753
-	49,293	-	-	-	-	159,859
-	-	-	-	-	-	33,124
<u>161,901</u>	<u>71,930</u>	<u>246</u>	<u>78,007</u>	<u>5,000</u>	<u>4,030</u>	<u>735,096</u>
-	-	-	-	-	-	13,149
-	-	-	-	-	-	23,620
160,475	-	246	-	-	-	237,762
1,426	-	-	-	-	-	9,303
-	-	-	-	-	-	4,154
-	-	-	-	5,000	-	38,124
<u>161,901</u>	<u>-</u>	<u>246</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>326,112</u>
-	71,930	-	-	-	4,030	330,977
-	-	-	78,007	-	-	78,007
<u>-</u>	<u>71,930</u>	<u>-</u>	<u>78,007</u>	<u>-</u>	<u>4,030</u>	<u>408,984</u>
\$ <u>161,901</u>	\$ <u>71,930</u>	\$ <u>246</u>	\$ <u>78,007</u>	\$ <u>5,000</u>	\$ <u>4,030</u>	\$ <u>735,096</u>

KEMP INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

	205	211	224	225
	Head	ESEA I, A	IDEA- Part B	IDEA- Part B
	Start	Improving	Formula	Preschool
		Basic Program		
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	<u>123,161</u>	<u>400,669</u>	<u>315,131</u>	<u>6,601</u>
Total revenues	<u>123,161</u>	<u>400,669</u>	<u>315,131</u>	<u>6,601</u>
EXPENDITURES				
Instruction	123,161	400,669	247,162	6,601
Instructional leadership	-	-	4,972	-
Guidance, counseling				
and evaluation services	-	-	60,085	-
Health Services	-	-	-	-
Student Transportation	-	-	2,912	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Payments to fiscal agent of SSA	-	-	-	-
Total expenditures	<u>123,161</u>	<u>400,669</u>	<u>315,131</u>	<u>6,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER	270 ESEA VI, Pt B Rural & Low Income
\$ 150,828	\$ -	\$ -	\$ -	\$ -	\$ -
6,313	-	-	-	-	-
<u>743,046</u>	<u>12,977</u>	<u>55,497</u>	<u>4,553</u>	<u>208,855</u>	<u>9,006</u>
<u>900,187</u>	<u>12,977</u>	<u>55,497</u>	<u>4,553</u>	<u>208,855</u>	<u>9,006</u>
-	12,977	55,497	4,553	155,806	9,006
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	119	-
810,411	-	-	-	-	-
-	-	-	-	-	-
41,032	-	-	-	52,930	-
-	-	-	-	-	-
<u>851,443</u>	<u>12,977</u>	<u>55,497</u>	<u>4,553</u>	<u>208,855</u>	<u>9,006</u>
48,744	-	-	-	-	-
2,128	-	-	-	-	-
<u>2,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
50,872	-	-	-	-	-
<u>204,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>255,017</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

KEMP INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

	272 Medicaid Administrative Claiming	276 Instructional Continuity Grant	277 Coronavirus Relief Fund	289 Title IV, Part A Fund
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	<u>15,299</u>	<u>18,000</u>	<u>104,486</u>	<u>56,909</u>
Total revenues	<u>15,299</u>	<u>18,000</u>	<u>104,486</u>	<u>56,909</u>
EXPENDITURES				
Instruction	-	18,000	104,486	56,909
Instructional leadership	-	-	-	-
Guidance, counseling and evaluation services	7,649	-	-	-
Health Services	7,650	-	-	-
Student Transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Payments to fiscal agent of SSA	-	-	-	-
Total expenditures	<u>15,299</u>	<u>18,000</u>	<u>104,486</u>	<u>56,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

315 Services to Students with Autism Grant	410 State Instructional Materials	429 Other State Special Revenue	461 Campus Activity Funds	465 Laura Bush Foundation Grant	486 Kemp Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 38,909	\$ -	\$ -	\$ 189,737
-	70,373	50,000	-	-	-	126,686
<u>536,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,610,629</u>
<u>536,439</u>	<u>70,373</u>	<u>50,000</u>	<u>38,909</u>	<u>-</u>	<u>-</u>	<u>2,927,052</u>
347,168	70,373	50,000	2,560	-	-	1,664,928
-	-	-	-	-	-	4,972
-	-	-	-	-	-	67,734
-	-	-	-	-	-	7,650
-	-	-	-	-	-	3,031
-	-	-	-	-	-	810,411
-	-	-	22,232	-	-	22,232
-	-	-	-	-	-	93,962
<u>189,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,271</u>
<u>536,439</u>	<u>70,373</u>	<u>50,000</u>	<u>24,792</u>	<u>-</u>	<u>-</u>	<u>2,864,191</u>
-	-	-	14,117	-	-	62,861
-	-	-	-	-	-	2,128
-	-	-	-	-	-	2,128
-	-	-	14,117	-	-	64,989
-	71,930	-	63,890	-	4,030	343,995
\$ -	\$ 71,930	\$ -	\$ 78,007	\$ -	\$ 4,030	\$ 408,984

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REQUIRED TEA SCHEDULES

KEMP INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2021

Last Ten Years Ended June 30,	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 7/1/2020
	Maintenance	Debt Service		
2012 and prior years	Various	Various	Various	\$ 90,847
2013	1.170000	0.400000	\$ 320,547,610	20,696
2014	1.170000	0.400000	323,683,851	27,382
2015	1.170000	0.400000	318,138,599	34,767
2016	1.170000	0.400000	310,957,389	36,145
2017	1.170000	0.400000	319,351,019	59,199
2018	1.170000	0.400000	336,583,376	74,042
2019	1.170000	0.344000	390,595,971	131,821
2020	1.068000	0.340000	463,662,145	442,565
2021 (School year under audit)	0.975600	0.332300	539,324,490	-
1000 Totals				<u>\$ 917,464</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2021
\$ -	\$ 11,012	\$ 2,606	\$ (3,127)	\$ 74,102
-	2,823	965	-	16,908
-	4,961	1,697	-	20,724
-	6,968	2,382	-	25,417
-	9,630	3,292	(137)	23,086
-	20,358	6,960	8	31,889
-	25,529	8,728	1,142	40,927
-	46,831	13,769	(5,972)	65,249
-	182,971	58,249	(72,921)	128,424
<u>7,053,825</u>	<u>5,089,353</u>	<u>1,733,651</u>	<u>240,348</u>	<u>471,169</u>
\$ <u>7,053,825</u>	\$ <u>5,400,436</u>	\$ <u>1,832,299</u>	\$ <u>159,341</u>	\$ <u>897,895</u>

KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 224,475	\$ 224,475	\$ 150,828	\$(73,647)
5800	State program revenues	4,700	4,700	6,313	1,613
5900	Federal program revenues	849,080	849,080	743,046	(106,034)
5020	Total revenues	<u>1,078,255</u>	<u>1,078,255</u>	<u>900,187</u>	<u>(178,068)</u>
	EXPENDITURES				
	Current:				
0035	Food service	1,137,655	1,145,155	810,411	334,744
0051	Facilities maintenance and operations	<u>39,800</u>	<u>39,800</u>	<u>41,032</u>	<u>(1,232)</u>
6030	Total expenditures	<u>1,177,455</u>	<u>1,184,955</u>	<u>851,443</u>	<u>333,512</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,200)</u>	<u>(106,700)</u>	<u>48,744</u>	<u>155,444</u>
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	<u>99,200</u>	<u>99,200</u>	<u>2,128</u>	<u>(97,072)</u>
	Total other financing sources (uses)	<u>99,200</u>	<u>99,200</u>	<u>2,128</u>	<u>(97,072)</u>
1200	NET CHANGE IN FUND BALANCES	-	(7,500)	50,872	58,372
0100	FUND BALANCES, BEGINNING	<u>204,145</u>	<u>204,145</u>	<u>204,145</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 204,145</u>	<u>\$ 196,645</u>	<u>\$ 255,017</u>	<u>\$ 58,372</u>

KEMP INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-5**

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

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 1,802,236	\$ 1,802,236	\$ 1,844,118	\$ 41,882
5800	State program revenues	11,729	11,729	136,824	125,095
5020	Total revenues	<u>1,813,965</u>	<u>1,813,965</u>	<u>1,980,942</u>	<u>166,977</u>
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	1,150,000	1,150,000	1,150,000	-
0072	Interest on long-term debt	653,965	654,413	654,413	-
0073	Bond issuance costs and fees	<u>10,000</u>	<u>9,552</u>	<u>5,111</u>	<u>4,441</u>
6030	Total expenditures	<u>1,813,965</u>	<u>1,813,965</u>	<u>1,809,524</u>	<u>4,441</u>
1200	NET CHANGE IN FUND BALANCES	-	-	171,418	171,418
0100	FUND BALANCES, BEGINNING	<u>274,994</u>	<u>274,994</u>	<u>274,994</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 274,994</u>	<u>\$ 274,994</u>	<u>\$ 446,412</u>	<u>\$ 171,418</u>

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FEDERAL AWARDS SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Kemp Independent School District
Kemp, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kemp Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Kemp Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

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

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

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

OFFICE LOCATIONS

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
November 15, 2021



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

Board of Trustees
Kemp Independent School District
Kemp, Texas

Report on Compliance for Each Major Federal Program

We have audited Kemp 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 Kemp Independent School District's major federal programs for the year ended June 30, 2021. Kemp 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kemp 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.

OFFICE LOCATIONS

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

Report on Internal Control over Compliance

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

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

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

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

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

Waco, Texas
November 15, 2021

KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures	(4) Pass-through Expenditures
U. S. Department of Agriculture				
Passed through Texas Education Agency:				
School Breakfast Program	10.553	71402001	\$ 27,904	\$ -
School Breakfast Program	10.553	71402101	162,600	-
School Breakfast Program - Summer Seamless Option - COVID-19	10.553	71402101	2,928	-
Subtotal Assistance Listing Number 10.553			<u>193,432</u>	<u>-</u>
National School Lunch Program	10.555	71302001	59,404	-
National School Lunch Program	10.555	71302101	415,619	-
National School Lunch Program - Summer Seamless Option - COVID-19	10.555	71302101	7,153	-
Total passed through Texas Education Agency			<u>675,608</u>	<u>-</u>
Passed through Texas Department of Agriculture:				
National School Lunch Program - Non Cash Assistance	10.555	00684	67,438	-
Subtotal Assistance Listing Number 10.555			<u>549,614</u>	<u>-</u>
Total passed through Texas Department of Agriculture			<u>67,438</u>	<u>-</u>
Subtotal Child Nutrition Cluster			<u>743,046</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>743,046</u>	<u>-</u>
U. S. Department of Treasury				
Passed through Kaufman County:				
COVID-19 Prior Purchase Reimbursement Program (PPRP)	21.019	N/A	104,486	-
Total passed through Kaufman County			<u>104,486</u>	<u>-</u>
Passed through Texas Division of Emergency Management:				
Coronavirus Relief Fund	21.019	N/A	11,221	-
Total passed through Texas Division of Emergency Management			<u>11,221</u>	<u>-</u>
Total U. S. Department of Treasury			<u>115,707</u>	<u>-</u>
U. S. Department of Education				
Passed through Texas Education Agency:				
ESEA Title I, Part A - Improving Basic Programs	84.010A	21610101129904	400,669	-
Subtotal Title I, Part A			<u>400,669</u>	<u>-</u>
IDEA Part- B, Formula	84.027A	20-6600011299046000	45,777	-
IDEA Part- B, Formula	84.027A	21-6600011299046000	269,354	-
2020-2021 Services to Students with Autism	84.027A	206600237110001	536,439	189,271
Subtotal Assistance Listing Number 84.027A			<u>851,570</u>	<u>189,271</u>
IDEA Part- B, Preschool	84.173A	21-6610011299046610	6,601	-
Subtotal Special Education Cluster			<u>858,171</u>	<u>189,271</u>
Career and Technical - Basic Grant	84.048A	21-420006129904	12,977	-
ESEA Title V, Part B - Rural & Low Income Prog.	84.358B	21-696001129904	9,006	-
Instructional Continuity - COVID-19	84.377A	17610740129904	18,000	-
ESEA Title IV, Part A - Student Support and Academic Enrichment Grants	84.424A	20-680101129904	34,843	-
ESEA Title IV, Part A - Student Support and Academic Enrichment Grants	84.424A	21-680101129904	22,066	-
Subtotal Assistance Listing Number 84.424A			<u>56,909</u>	<u>-</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D	20521001129904	208,855	-
Total passed through Texas Education Agency			<u>1,564,587</u>	<u>189,271</u>
Passed through Region 10 Education Service Center:				
Title III, Part A - English Language Acquisition	84.365A	20-671001057950	1,053	-
Title III, Part A - English Language Acquisition	84.365A	21-671001057950	3,500	-
Subtotal Title III, Part A - English Language Acquisition			<u>4,553</u>	<u>-</u>
ESEA Title II, Part A - Teacher and Principal Training	84.367A	21-694501057950	55,497	-
Total passed through Region 10 Education Service Center			<u>60,050</u>	<u>-</u>
Total U. S. Department of Education			<u>1,624,637</u>	<u>189,271</u>

KEMP INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures	(4) Pass-through Expenditures
U. S. Department of Health and Human Services				
Passed through Region 10 Education Service Center:				
Head Start Cluster	93.600	06CH7092	<u>123,161</u>	<u>-</u>
Total passed through Region 10 Education Service Center			<u>123,161</u>	<u>-</u>
Passed through Texas Health and Human Services Commission				
Medicaid Administrative Claiming Program - MAC	93.778	529-11-0033-00014	<u>15,299</u>	<u>-</u>
Subtotal Medicaid Cluster			<u>15,299</u>	<u>-</u>
Total passed through Texas Health and Human Services Commission			<u>15,299</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>138,460</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,621,850</u>	\$ <u>189,271</u>

KEMP INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2021

1. GENERAL

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

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

3. PASS-THROUGH EXPENDITURES

\$189,271 of the federal programs expended by the District were provided to subrecipients.

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

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 2,971,722
QSCB bond interest reimbursement	(65,270)
School health and related services	(284,602)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ <u>2,621,850</u>

5. INDIRECT COSTS

The District has not elected to apply the 10% de minimis indirect cost rate to the federal expenditures included in the Schedule of Expenditures of Federal Awards.

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

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster:
84.027 and 84.173	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Funds

None

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

None

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