

RULE 15c2-12 FILING COVER SHEET

This cover sheet is sent with all submissions to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 or any analogous state statutes.

Issuer Name: Kress Independent School District

Issue(s):

\$ 2,855,000 Unlimited Tax School Building Bonds, Series 2015

Filing Format X electronic ___ paper; If available on the Internet, give URL: _____

CUSIP Numbers to which the information filed relates (optional):

X Nine-digit number(s) (see following page(s)):

___ Six-digit number if information filed relates to all securities of the issuer

Financial & Operating Data Disclosure Information

X Annual Financial Report or ACFR

X Financial Information & Operating Data

Other (describe) _____

X Fiscal Period Covered: FYE 2022

Monthly Quarterly X Annual Other: _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ _____

Name: Leah Zeigler Title: Superintendent

Employer: Kress Independent School District

Telephone Number: 806-774-0693

Email Address: leah.zeigler@region16.net

DESCRIPTION OF ISSUES COVERED BY THIS REPORT

Unlimited Tax School Building Bonds, Series 2015

Date	Principal	CUSIP
02/15/23	\$ 125,000	500854DS0
02/15/24	130,000	500854DT8
02/15/25	135,000	500854DU5
02/15/27	285,000	500854DW1
02/15/29	305,000	500854DY7
02/15/31	335,000	500854EA8
02/15/33	360,000	500854EC4
02/15/34	190,000	500854ED2
02/15/35	200,000	500854EE0
	<u>\$ 2,065,000</u>	

CONTINUING DISCLOSURE REPORT
FOR THE
FISCAL YEAR ENDED AUGUST 31, 2022

KRESS INDEPENDENT SCHOOL DISTRICT

GENERAL OBLIGATION



FINANCIAL STATEMENTS

The audited financial statements for the District for the fiscal year ended August 31, 2022 are being filed directly with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA"), and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

SIGNATURE OF ISSUER

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

Kress Independent School District

/s/

Leah Zeigler
Superintendent

Approved for Submission:

02/14/2023

Date

CERTIFICATE OF SUBMISSION OF ANNUAL REPORT

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for the Kress Independent School District with respect to the issues listed on the report cover was submitted directly to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") listed below.

Municipal Securities Rulemaking Board ("MSRB")
via the Electronic Municipal Market Access ("EMMA") system

HTS Continuing Disclosure Services, A Division of Hilltop Securities Inc.

Signed by:

/s/ Preston Gabriel

**KRESS INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2022**



JOHNSON & SHELDON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**KRESS INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended August 31, 2022**

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	2
Management's Discussion and Analysis (Unaudited)	5
 <u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	20
E-2 Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22
 <u>Required Supplementary Information</u>	
G-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	52
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	53
G-3 Schedule of District Contributions for Pensions (TRS)	55
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	57
G-5 Schedule of District Contributions for Other Post Employment Benefits (OPEB) (TRS)	59
Notes to Required Supplementary Information	61
 <u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	62
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	66
J-2 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Nutrition Program	68
J-3 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Debt Service Fund	69
J-4 Use of Funds Report – Select State Allotment Programs	70
 <u>Reports on Compliance and Internal Control</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71
Schedule of Findings and Questioned Costs	73
Summary Schedule of Prior Audit Findings	74
Corrective Action Plan	75
L Schools First Questionnaire	76



CERTIFICATE OF BOARD

Kress Independent School District
Name of School District

Swisher
County

219-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2022 at a meeting of the Board of Trustees of such school district on the 12th day of January, 2023.

Signature of Board Secretary

Signature of Board President





JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kress Independent School District
Kress, Texas

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund; Schedule of the District's Proportionate Share of the Net Pension Liability (TRS); Schedule of District Contributions for Pensions (TRS); Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS); and Schedule of District Contributions for Other Post Employment Benefits (OPEB) (TRS) on pages 5 through 13 and pages 52 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 January 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson & Sheldon PLLC

Johnson & Sheldon, PLLC
Amarillo, Texas
January 12, 2023



KRESS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) Year Ended August 31, 2022

In this section of the Annual Financial and Compliance Report, we, the managers of Kress Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$2,815,462 at August 31, 2022.
- The District's governmental funds financial statements reported combined ending fund balance of \$2,484,576. This balance consists of \$2,173,704 in the General Fund which is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$310,872, and is used by the Debt Service Fund and Non-major Funds.
- For the year ended August 31, 2022, total revenue from all sources was \$4,793,369. Program revenues accounted for \$729,309 of total revenues. General revenues and special items accounted for \$4,064,060.
- The General Fund had \$3,872,551 in revenues, which primarily consisted of state aid and property taxes, \$3,897,067 in expenditures, \$29,708 in net other financing uses, and \$100,000 in extraordinary items which resulted in an increase to the fund balance of \$105,192.

USING THIS ANNUAL REPORT

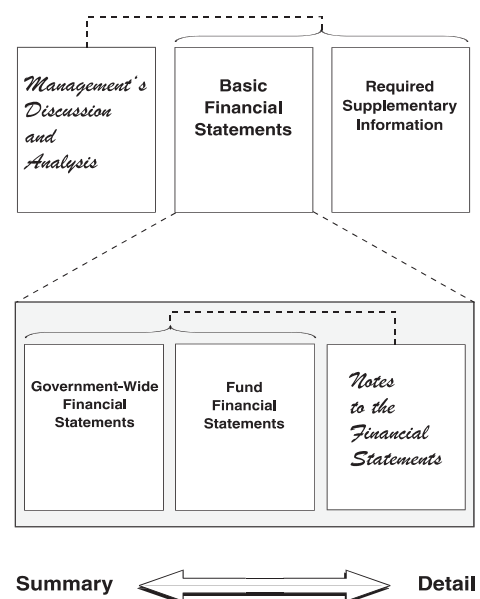
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The notes provide additional information that is essential in fully understanding the data provided in the government-wide and fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by Texas Education Agency. The section labeled Required TEA Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Exhibit I - Required Components of the District's Annual Financial Report



KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022

USING THIS ANNUAL REPORT (continued)

Exhibit II summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this section explains the structure and contents of each of the statements.

Exhibit II
Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statement	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units.	The activities of the District that are not proprietary or fiduciary.	Activities of the District which operate similar to private business.	Instances in which the District is the trustee or agent for someone else's resources.
Required financial statements	- Statement of Net Position - Statement of Activities	- Statement of Revenues, Expenditures and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenditures and Changes in Net Position - Statement of Cash Flows	- Statement of Net Position - Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.



**KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022**

USING THIS ANNUAL REPORT (continued)

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we present the District with only 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 governmental fund financial statements begin on page 16 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental fund uses the following accounting approaches:

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



**KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022**

USING THIS ANNUAL REPORT (continued)

Reporting the District's Most Significant Funds (continued)

Fund Financial Statements (continued)

- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that can be found on pages 20 and 21.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 thru 50.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's combined net position between fiscal years 2022 and 2021, increased by \$460,588, as can be seen in Exhibit III. The District's net investment in capital assets is \$1,883,879 and includes its investments in capital assets (e.g., land, buildings, equipment, improvements, and construction in progress) less any debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District's governmental activities increased from \$2,354,874 to \$2,815,462. 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 \$620,711 at August 31, 2022. This increase in governmental net position was the result of four factors. First, the District's governmental funds revenues exceeded the expenditures by \$212,744. Second, the District acquired capital assets in the amount of \$306,155. Third, the District recorded depreciation and other expenses not recognized in the amount of \$239,807. Fourth, due to the required recognition of GASB 68 and 75 related to the District's participation in TRS, the District was required to record and disclose its share of the District's net pension liability and some deferred resource outflows and resource inflows related to the District's pension plan.

Exhibit III provides a summary of the Assets, Liabilities and Net Position for governmental activities for the years ended August 31, 2022 and 2021, respectively.



KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022

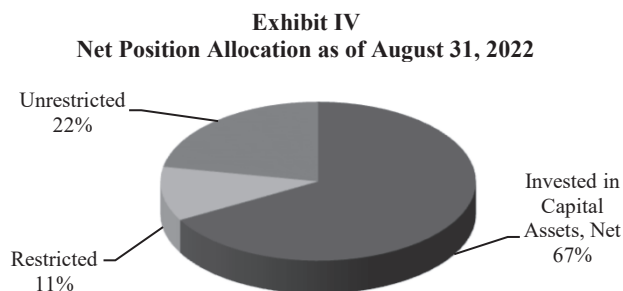
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

Exhibit III
The District's Net Position as of August 31, 2022 and 2021

	Governmental Activities			
	2022	2021	Change	% Change
Assets				
Cash and investments	\$ 2,918,182	\$ 2,555,084	\$ 363,098	14.21%
Property taxes, net	33,393	33,560	(167)	-0.50%
Accounts receivable	68,603	50,786	17,817	35.08%
Capital assets, net	4,083,286	4,016,938	66,348	1.65%
Total Assets	7,103,464	6,656,368	447,096	6.72%
Deferred outflows				
Deferred outflow related to TRS	534,513	477,547	56,966	11.93%
Total Deferred Outflows	534,513	477,547	56,966	11.93%
Liabilities				
Accounts payable	279,339	154,339	125,000	80.99%
Accrued expenses	225,450	182,430	43,020	23.58%
Noncurrent liabilities	3,364,144	3,780,562	(416,418)	-11.01%
Total Liabilities	3,868,933	4,117,331	(248,398)	-6.03%
Deferred inflow related to TRS	953,582	661,710	291,872	44.11%
Net Position				
Invested in capital assets, net	1,883,879	1,687,134	196,745	11.66%
Restricted	310,872	203,320	107,552	52.90%
Unrestricted	620,711	464,420	156,291	33.65%
Total Net Position	\$ 2,815,462	\$ 2,354,874	\$ 460,588	19.56%

On August 31, 2022, the District's net position had increased by \$460,588, or 19.56%, from August 31, 2021. Unrestricted net position, the part of net position that can be used to finance daily operations of the District, increased by \$156,291, or 33.65%. Exhibit IV shows the District's allocation of net position as of August 31, 2022.



KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

Exhibit V

The District's Changes in Net Position for the Years Ended August 31, 2022 and 2021

	Governmental Activities			
	2022	2021	Change	% Change
Revenues - Program				
Charges for services	\$ 34,998	\$ 52,577	\$ (17,579)	-33.43%
Operating grants and contributions	694,311	568,950	125,361	22.03%
Revenues - General				
Taxes - maintenance and operations	1,272,566	1,129,591	142,975	12.66%
Taxes - interest and sinking	292,149	287,142	5,007	1.74%
State aid - formula grants	2,333,681	2,406,976	(73,295)	-3.05%
Grants and contributions not restricted	24,288	-	24,288	100.00%
Investment earnings	23,347	15,121	8,226	54.40%
Miscellaneous local and intermediate	18,029	35,493	(17,464)	-49.20%
Extraordinary items, net	100,000	-	100,000	100.00%
Total Revenues	4,793,369	4,495,850	297,519	6.62%
Expenses				
Instruction	2,125,133	1,938,483	186,650	9.63%
Instructional resources and media	14,859	7,774	7,085	91.14%
Curriculum and staff development	36,180	39,301	(3,121)	-7.94%
Instructional leadership	10,656	14,206	(3,550)	-24.99%
School leadership	248,045	266,206	(18,161)	-6.82%
Guidance, counseling and evaluation	60,258	65,401	(5,143)	-7.86%
Health services	820	511	309	60.47%
Student transportation	109,276	92,502	16,774	18.13%
Food services	178,905	167,644	11,261	6.72%
Extracurricular activities	190,693	175,456	15,237	8.68%
General administration	317,261	287,837	29,424	10.22%
Facilities maintenance and operations	783,094	689,416	93,678	13.59%
Security and monitoring services	5,275	783	4,492	573.69%
Data processing services	42,591	42,738	(147)	-0.34%
Debt service - interest	71,303	74,903	(3,600)	-4.81%
Debt service - bond issuance costs	350	351	(1)	-0.28%
Payments for shared services	71,918	85,085	(13,167)	-15.48%
Other intergovernmental charges	66,164	70,019	(3,855)	-5.51%
Total Expenses	4,332,781	4,018,616	314,165	7.82%
Increase (Decrease) in Net Position	460,588	477,234	(16,646)	-3.49%
Net Position at Beginning of Year	2,354,874	1,877,640	477,234	25.42%
Net Position at End of Year	\$ 2,815,462	\$ 2,354,874	\$ 460,588	19.56%



**KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

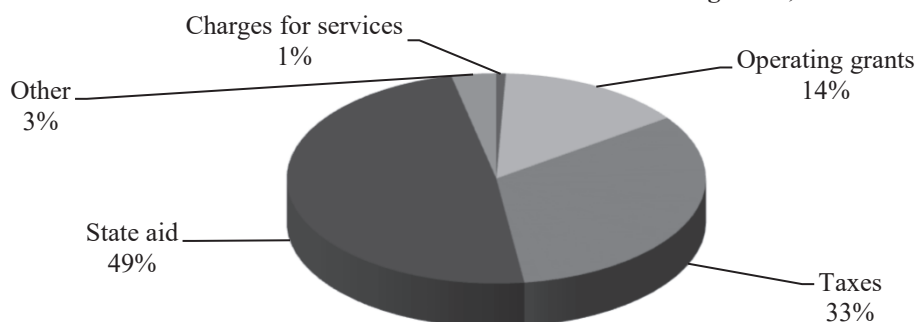
For the year ended August 31, 2022, the District's total revenues increased \$297,519, or 6.62%, over the prior year mainly driven by an increase in maintenance and operation tax revenues primarily the result of an increase in assessed property values.

For the year ended August 31, 2022, the District's total expenses increased by \$314,165, or 7.82%, over the prior year mainly driven by an increase in instructional expenses, primarily the result of an increase in payroll and related benefit costs.

Other Financial Highlights

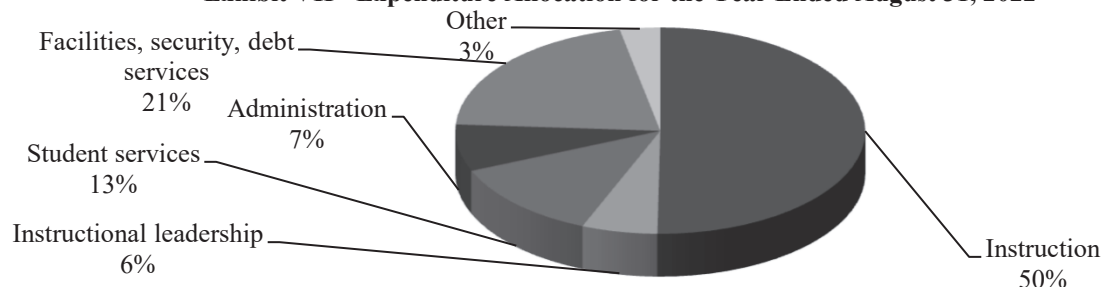
For the year ended August 31, 2022, the District's total revenues were \$4,793,369. Approximately 33% of the District's revenue was generated by property taxes, 49% was generated from state aid grants, 14% was generated from other operating grants, 1% was generated from charges for services and the remaining 3% was generated from miscellaneous revenue sources (see Exhibit VI).

Exhibit VI - Sources of Revenues for the Year Ended August 31, 2022



For the year ended August 31, 2022, the District's total cost of all programs and services was \$4,332,781. Approximately 50% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing and transportation services comprised 13% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 21% of the cost of all programs (see Exhibit VII).

Exhibit VII - Expenditure Allocation for the Year Ended August 31, 2022



**KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Other Financial Highlights (continued)

The District took actions this year to compensate for some expected increases in cost and avoid the loss of state revenue due to changes in the provisions related to accelerated, intensive, compensatory education (State Comp Ed) and student attendance accounting (Leavers).

- The District's total property tax rate was set at \$1.3017 per hundred dollar valuation in 2022, which decreased from 2021. The tax rate will decrease to \$1.2824 per hundred dollar valuation for the 2022-2023 school year.
- The cost of all governmental activities this year was \$4.333 million compared to \$4.019 million last year. However, as shown in the Statement of Activities on Exhibit B-1 (page 15), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$1.56 million because some of the costs were paid by those who directly benefited from the programs (\$0.035 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.694 million) or by State equalization funding (\$2.334 million).
- The District's management and budget managers were conservative in spending allocated resources.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$2.485 million, which is higher than last year's total of \$2.272 million. Included in this year's total change in fund balance is an increase of \$105,192 in the District's General Fund, an increase of \$97,051 in the District's Debt Service Fund, and an increase of \$10,501 in the District's Non-major Funds. The primary reason for the increase is an increase in property tax revenues as a result of an increase in assessed property values.

Over the course of the year, the Board of Trustees revised the District's budget. The budget amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs and adjusting for changes in planned purchases.

The District's General Fund balance of \$2,173,704 reported on page 16 differs from the General Fund's budgetary fund balance of \$2,480,909 reported in the budgetary comparison schedule on page 52. This is principally due to cost savings and added revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022 the District had a net of \$4,083,286 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$66,348, or 1.65 percent, from last year.



**KRESS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

This year's major additions included:

2023 Bus	\$ 118,975
2022 Yukon	62,370
406 East Main Steet - Teacherage	43,349
Kubota Tractor	22,970
Auditorium Lighting/ Sound	41,933
Saw	10,532
Freezer	<u>6,026</u>
Total Additions	<u>\$ 306,155</u>

Debt Administration

At year-end, the District had \$2,199,407 in outstanding long-term debt, related to various Bonds issued by the District. For more information on the District's long-term debt, see Notes H and I in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is located in Swisher County, Texas. The primary economic activity of Swisher County is agriculture. The majority of the District's property tax base is derived from agriculture property and activities.

The District's student enrollment increased as enrollment was 269 at the beginning of fiscal year 2021-2022 and enrollment was 281 at the beginning of 2022-2023.

The District's elected and appointed officials considered many factors when setting the fiscal-year 2022-2023 budget and tax rates. The District approved to decrease the operating tax rate to \$1.0324 per hundred dollar valuation, for the fiscal year 2022-2023. The District's interest and sinking tax rate remained constant at \$0.25 per hundred dollar valuation for the fiscal year 2022-2023.

These indicators were taken into account when adopting the General Fund budget for 2023. Amounts available for appropriation in the General Fund budget are \$3.9 million, and budgeted expenditures are expected to be \$3.2 million. The District has added no new major programs or initiatives to the 2023 budget.

For the 2022-2023 year, the District budgeted for an increase of approximately \$160,000 in Local Revenues and an increase of approximately \$184,000 in State funding.

There are additional funding challenges in the future for all school districts, but with the strong support of the District's citizens and great leadership of the Board of Trustees, the District's management is very confident that the District will remain financially sound.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to 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 Kress Independent School District, 200 East 5th, Kress, Texas 79052.



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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,918,182
1220 Property Taxes - Delinquent	497,570
1230 Allowance for Uncollectible Taxes	(464,177)
1240 Due from Other Governments	68,603
Capital Assets:	
1510 Land	34,799
1520 Buildings, Net	3,579,949
1530 Furniture and Equipment, Net	101,333
1540 Other Capital Assets, Net	367,205
1000 Total Assets	7,103,464
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	272,267
1706 Deferred Outflow Related to TRS OPEB	262,246
1700 Total Deferred Outflows of Resources	534,513
LIABILITIES	
2110 Accounts Payable	33,271
2140 Interest Payable	2,581
2150 Payroll Deductions and Withholdings	23,402
2160 Accrued Wages Payable	180,310
2177 Due to Fiduciary Funds	5,597
2180 Due to Other Governments	237,890
2200 Accrued Expenses	21,738
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	135,397
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	2,064,010
2540 Net Pension Liability (District's Share)	351,847
2545 Net OPEB Liability (District's Share)	812,890
2000 Total Liabilities	3,868,933
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	388,176
2606 Deferred Inflow Related to TRS OPEB	565,406
2600 Total Deferred Inflows of Resources	953,582
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	1,883,879
Restricted:	
3820 Restricted for Federal and State Programs	11,767
3850 Restricted for Debt Service	299,105
3900 Unrestricted	620,711
3000 Total Net Position	\$ 2,815,462

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



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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 2,125,133	\$ 2,993	\$ 504,205	\$ (1,617,935)
12 Instructional Resources and Media Services	14,859	-	75	(14,784)
13 Curriculum and Instructional Staff Development	36,180	-	6,957	(29,223)
21 Instructional Leadership	10,656	-	4,621	(6,035)
23 School Leadership	248,045	-	1,305	(246,740)
31 Guidance, Counseling, and Evaluation Services	60,258	-	304	(59,954)
33 Health Services	820	-	10,684	9,864
34 Student (Pupil) Transportation	109,276	-	58	(109,218)
35 Food Services	178,905	4,648	163,269	(10,988)
36 Extracurricular Activities	190,693	13,407	225	(177,061)
41 General Administration	317,261	-	1,180	(316,081)
51 Facilities Maintenance and Operations	783,094	13,950	1,428	(767,716)
52 Security and Monitoring Services	5,275	-	-	(5,275)
53 Data Processing Services	42,591	-	-	(42,591)
72 Debt Service - Interest on Long-Term Debt	71,303	-	-	(71,303)
73 Debt Service - Bond Issuance Cost and Fees	350	-	-	(350)
93 Payments Related to Shared Services Arrangements	71,918	-	-	(71,918)
99 Other Intergovernmental Charges	66,164	-	-	(66,164)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 4,332,781	\$ 34,998	\$ 694,311	(3,603,472)
Data Control Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			1,272,566
DT	Property Taxes, Levied for Debt Service			292,149
SF	State Aid - Formula Grants			2,333,681
GC	Grants and Contributions not Restricted			24,288
IE	Investment Earnings			23,347
MI	Miscellaneous Local and Intermediate Revenue			18,029
E1	Extraordinary Item - resource			100,000
TR	Total General Revenues & Extraordinary Items			4,064,060
CN	Change in Net Position			460,588
NB	Net Position - Beginning			2,354,874
NE	Net Position - Ending			\$ 2,815,462

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



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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,603,081	\$ 302,560	\$ 12,541	\$ 2,918,182
1220 Property Taxes - Delinquent	403,874	93,696	-	497,570
1230 Allowance for Uncollectible Taxes	(376,636)	(87,541)	-	(464,177)
1240 Due from Other Governments	7,244	687	60,672	68,603
1260 Due from Other Funds	33,618	-	9,684	43,302
1000 Total Assets	<u>\$ 2,671,181</u>	<u>\$ 309,402</u>	<u>\$ 82,897</u>	<u>\$ 3,063,480</u>
LIABILITIES				
2110 Accounts Payable	\$ 21,040	\$ -	\$ 12,231	\$ 33,271
2150 Payroll Deductions and Withholdings Payable	23,402	-	-	23,402
2160 Accrued Wages Payable	156,633	-	23,677	180,310
2170 Due to Other Funds	15,281	-	33,618	48,899
2180 Due to Other Governments	233,748	4,142	-	237,890
2200 Accrued Expenditures	20,134	-	1,604	21,738
2000 Total Liabilities	<u>470,238</u>	<u>4,142</u>	<u>71,130</u>	<u>545,510</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	27,239	6,155	-	33,394
2600 Total Deferred Inflows of Resources	<u>27,239</u>	<u>6,155</u>	<u>-</u>	<u>33,394</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	11,767	11,767
3480 Retirement of Long-Term Debt	-	299,105	-	299,105
3600 Unassigned Fund Balance	2,173,704	-	-	2,173,704
3000 Total Fund Balances	<u>2,173,704</u>	<u>299,105</u>	<u>11,767</u>	<u>2,484,576</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,671,181</u>	<u>\$ 309,402</u>	<u>\$ 82,897</u>	<u>\$ 3,063,480</u>

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



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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 2,484,576
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,166,127 and the accumulated depreciation was (\$3,149,189). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	1,684,403
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.	436,702
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$272,267, a deferred resource inflow in the amount of \$388,176, and a net pension liability in the amount of \$351,847. This resulted in a decrease in net position.	(467,756)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$262,246, a deferred resource inflow in the amount of \$565,406, and a net OPEB liability in the amount of \$812,890. This resulted in a decrease in net position.	(1,116,050)
5 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(239,807)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	33,394
19 Net Position of Governmental Activities	\$ 2,815,462

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



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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,290,155	\$ 296,452	\$ 4,648	\$ 1,591,255
5800 State Program Revenues	2,540,224	2,799	39,775	2,582,798
5900 Federal Program Revenues	42,172	-	627,210	669,382
5020 Total Revenues	3,872,551	299,251	671,633	4,843,435
EXPENDITURES:				
Current:				
0011 Instruction	1,847,740	-	474,303	2,322,043
0012 Instructional Resources and Media Services	16,043	-	-	16,043
0013 Curriculum and Instructional Staff Development	29,223	-	6,957	36,180
0021 Instructional Leadership	6,044	-	4,621	10,665
0023 School Leadership	271,047	-	-	271,047
0031 Guidance, Counseling, and Evaluation Services	65,303	-	-	65,303
0033 Health Services	820	-	-	820
0034 Student (Pupil) Transportation	228,492	-	-	228,492
0035 Food Services	-	-	195,543	195,543
0036 Extracurricular Activities	153,499	-	-	153,499
0041 General Administration	336,341	-	-	336,341
0051 Facilities Maintenance and Operations	756,567	-	-	756,567
0052 Security and Monitoring Services	5,275	-	-	5,275
0053 Data Processing Services	42,591	-	-	42,591
Debt Service:				
0071 Principal on Long-Term Liabilities	-	120,000	-	120,000
0072 Interest on Long-Term Liabilities	-	81,850	-	81,850
0073 Bond Issuance Cost and Fees	-	350	-	350
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	71,918	-	-	71,918
0099 Other Intergovernmental Charges	66,164	-	-	66,164
6030 Total Expenditures	3,897,067	202,200	681,424	4,780,691
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,516)	97,051	(9,791)	62,744
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	20,292	20,292
7949 Other Resources	50,000	-	-	50,000
8911 Transfers Out (Use)	(20,292)	-	-	(20,292)
7080 Total Other Financing Sources (Uses)	29,708	-	20,292	50,000
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	100,000	-	-	100,000
1200 Net Change in Fund Balances	105,192	97,051	10,501	212,744
0100 Fund Balance - September 1 (Beginning)	2,068,512	202,054	1,266	2,271,832
3000 Fund Balance - August 31 (Ending)	\$ 2,173,704	\$ 299,105	\$ 11,767	\$ 2,484,576

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



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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 212,744
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase the change in net position.	436,702
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(239,807)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(166)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$76,166. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$58,960. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increase the change in net position by \$4,243. The net result is an increase in the change in net position.	21,449
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increased by \$18,879. 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 \$16,463. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$27,250. The net result is an increase in the change in net position.	29,666
Change in Net Position of Governmental Activities	\$ 460,588

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



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

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 69,013
Due from Other Funds	<u>5,597</u>
Total Assets	<u>74,610</u>
NET POSITION	
Restricted for Extracurricular Activities	<u>74,610</u>
Total Net Position	<u><u>\$ 74,610</u></u>

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



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

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	\$ 87,228
Total Additions	<u>87,228</u>
DEDUCTIONS:	
Other Deductions	<u>74,974</u>
Total Deductions	<u>74,974</u>
Change in Fiduciary Net Position	12,254
 Total Net Position - September 1 (Beginning)	 <u>62,356</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 74,610</u></u>

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



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other Post-Employment Benefits. 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/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues 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 accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Custodial Funds utilize the accrual basis of accounting, reporting the fund's change in assets and liabilities in the fund's Fiduciary Net Position.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operations are included on the Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Governmental Funds:

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



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Fiduciary Funds:

1. **Custodial Funds** - The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund. Financial resources for the custodial funds are recorded on the accrual basis of accounting and thus report the change in the fund's assets and liabilities as a change in Net Position of the Fiduciary Fund. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

E. FUND BALANCE POLICY

The District reports fund balances for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained intact" and therefore will never convert to cash, such as inventories or supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications preclude a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned and unassigned.

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

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation or authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned or unassigned balances, the expenditures should be charged to committed balances, then assigned balances, with any remainders to be charged to unassigned balances.

As of August 31, 2022, the District reports the following governmental fund balance classifications:

Restricted	
Federal or State Funds Grant Restriction	\$ 11,767
Retirement of Long-Term Debt	<u>299,105</u>
Total Restricted	<u>310,872</u>
Unassigned	<u>2,173,704</u>
Total Fund Balance	<u>\$ 2,484,576</u>



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PENSIONS AND OTHER POST RETIREMENT BENEFITS

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.

G. OTHER ACCOUNTING POLICIES

1. The District reports purchases of supplies as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenues and expenditures in equal amounts. If a material amount of supplies or commodities are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount. At August 31, 2022, the amount of supplies and commodities on hand was not material.
2. It is the District's policy to permit some employees to accumulate earned but unused sick pay benefits, depending on job classification, length of service and other factors. All sick leave is accrued then earned in the government-wide, proprietary, and fiduciary fund financial statements. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay out unused sick leave when employees separate from service with the District.
3. Capital assets, which include land, buildings, building improvements, furniture and equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Furniture and Equipment	5-20
Vehicles	8-10



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

4. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or their designee with the intent they be used for specific purposes.
5. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

As of August 31, 2022, the District had outstanding long term debt in the net amount of \$2,065,000, and an unamortized premium on bonds of \$134,407.

6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
8. The Data Control Codes refer to the account code structure prescribed by 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 insure accuracy in building a Statewide database for policy development and funding plans.
9. The preparation of basic 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.
10. The amounts on the statements have been rounded individually, consequently, some columns may not total and some schedules may not agree because of this rounding.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program. 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, the Child Nutrition Program Budget report is in Exhibit J-2 and the Debt Service Fund Budget report is in Exhibit J-3.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were considered by management to be significant:
 - Total General Fund budget amendments to function 34 (Student (Pupil) Transportation) amounted to an increase of approximately \$77,000.
 - Total General Fund budget amendments to function 41 (General Administration) amounted to an increase of approximately \$33,000.
 - Total Child Nutrition Program budget amendments to function 35 (Food Services) amounted to an increase of approximately \$10,000.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY DATA (continued)

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's management attempts to budget expenditures as accurately as possible during the budget process and to make necessary budget amendments throughout the year as needed. However, sometimes expenditures in the functional categories will exceed budgeted estimates. The District's expenditures exceeded budget appropriations for the General Fund for seven functional categories, the Child Nutrition Fund for one functional category, and the Debt Service Fund for one functional category. This can be the result of expenditure accruals at year end, and other factors, some of which are in the control of management and others are not. Management is aware of the budget variance and will attempt to more closely monitor the budget in future years.

C. DEFICIT FUND EQUITY

There were no fund deficits during the year ended August 31, 2022.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing any deposits denominated in a foreign currency.

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

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

As of August 31, 2022, the District had the following cash and investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Cash and Cash Equivalents	\$ 2,987,195	\$ 2,987,195	\$ -	\$ -	\$ -
Total	\$ 2,987,195	\$ 2,987,195	\$ -	\$ -	\$ -

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

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to public funds investment pools, certificates of deposit, and savings accounts with its depository bank.

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

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires the depository bank to pledge securities held by the District's agent bank in the District's name sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District has established weighted average maturity limits and diversification standards.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Throughout the year and as of August 31, 2022, the District's bank deposits were fully insured by FDIC insurance coverage and pledged securities held by the District's bank in the District's name. As of August 31, 2022, the District's bank deposits consisted of the following collateral coverage:

Total bank deposits	\$ 2,987,195
FDIC insurance coverage	(250,000)
Fair market value of pledged securities	<u>(3,668,637)</u>
Over collateralized deposits	<u>\$ (931,442)</u>

The District's investments as of August 31, 2022 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Rating</u>
Cash in Bank	\$ 2,987,195	\$ 2,987,195	n/a
Totals	<u>\$ 2,987,195</u>	<u>\$ 2,987,195</u>	

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the school fiscal year or during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2022, consisted of the following amounts:

Due to General Fund from:	
Non-Major Governmental Funds	\$ 33,618
Total Due to General Fund	<u>\$ 33,618</u>
Due to Non-Major Governmental Funds from:	
General Fund	\$ 9,684
Total Due to Non-Major Governmental Funds	<u>\$ 9,684</u>



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

D. INTERFUND BALANCES AND TRANSFERS (continued)

Due to Custodial Fund from:

General Fund	\$ 5,597
Total Due to Custodial Fund	<u>\$ 5,597</u>

Transfers are used to move revenues from the General Fund to supplement various Special Revenue Funds. Transfers for the year ended August 31, 2022 were as follows:

Transfers from General Fund to:

Child Nutrition Program Fund	\$ 20,292
Total Transfers from General Fund	<u>\$ 20,292</u>

E. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements excluding amounts related to TRS (See Notes J and K) at year-end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	<u>\$ 27,239</u>	<u>\$ 6,155</u>	<u>\$ 33,394</u>

As of August 31, 2022, a major taxpayer within the District is continuing to dispute their tax year 2020 appraised property valuation with the District's County Appraisal Office. As a result, the District's delinquent taxes receivable for the year 2020 included approximately \$454,000 due from this taxpayer. Based on subsequent appraised property values, the District has estimated an allowance of approximately \$454,000 against the delinquent taxes receivable for this taxpayer.

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables in the Fund Financial Statements at August 31, 2022, were as follows:

	Property Taxes	Due from Other Govts	Due from Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 403,874	\$ 7,244	\$ 33,618	\$ -	\$ 444,736
Debt Service Fund	93,696	687	-	-	94,383
Non-Major Governmental Funds	-	60,672	9,684	-	70,356
Total - Governmental Activities	<u>\$ 497,570</u>	<u>\$ 68,603</u>	<u>\$ 43,302</u>	<u>\$ -</u>	<u>\$ 609,475</u>

Amounts not scheduled for collection

during the subsequent year	<u>\$ (464,177)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (464,177)</u>
----------------------------	---------------------	-------------	-------------	-------------	---------------------

Fiduciary Activities:

Custodial Fund	\$ -	\$ -	\$ 5,597	\$ -	\$ 5,597
Total - Fiduciary Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,597</u>	<u>\$ -</u>	<u>\$ 5,597</u>



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES (continued)

Payables in the Fund Financial Statements at August 31, 2022, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 21,040	\$ 180,035	\$ 15,281	\$ 253,882	\$ 470,238
Debt Service Fund	-	-	-	4,142	4,142
Non-Major Governmental Funds	<u>12,231</u>	<u>23,677</u>	<u>33,618</u>	<u>1,604</u>	<u>71,130</u>
Total - Governmental Activities	<u>\$ 33,271</u>	<u>\$ 203,712</u>	<u>\$ 48,899</u>	<u>\$ 259,628</u>	<u>\$ 545,510</u>

G. CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Land	\$ 34,799	\$ -	\$ -	\$ 34,799
Building and improvements	6,294,113	85,282	-	6,379,395
Furniture and equipment	222,327	39,528	22,572	239,283
Vehicles	<u>614,888</u>	<u>181,345</u>	<u>32,800</u>	<u>763,433</u>
Totals at Historical Cost	<u>7,166,127</u>	<u>306,155</u>	<u>55,372</u>	<u>7,416,910</u>
Less Accumulated Depreciation for:				
Capital Assets:				
Building and improvements	2,630,138	169,308	-	2,799,446
Furniture and equipment	147,445	13,077	22,572	137,950
Vehicles	<u>371,606</u>	<u>57,422</u>	<u>32,800</u>	<u>396,228</u>
Total for Capital Assets	<u>3,149,189</u>	<u>239,807</u>	<u>55,372</u>	<u>3,333,624</u>
Governmental Activities, net	<u>\$ 4,016,938</u>	<u>\$ 66,348</u>	<u>\$ -</u>	<u>\$ 4,083,286</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 9,490
Student (Pupil) Transportation	63,057
Co-curricular/Extracurricular Activities	41,362
General Administration	1,445
Plant Maintenance and Operations	<u>124,453</u>
Total Depreciation Expense	<u>\$ 239,807</u>



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

H. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Interest is payable on the bonds semiannually with interest rates ranging from 2.00% to 4.00%. The bonds mature through February 15, 2035.

The District sold new bonds (Unlimited Tax School Building Bonds, Series 2015) on August 27, 2015. The new bonds had a face value of \$2,855,000. The bonds were issued in 2015 pursuant to the constitution and laws of the State of Texas, including particularly Section 45 of the Texas Education Code, as amended. Proceeds from the sale of the bond were used for the construction, acquisition, renovation and equipment of school buildings in the District and to pay costs associated with the issuance of the Bonds. Interest is payable on the bonds at 2.00% to 4.00% during the months of February and August. The bond is scheduled to mature on February 15, 2035.

A summary of changes in general long-term liabilities for the year ended August 31, 2022 is as follows:

<u>Description</u>	<u>Average Interest Rate Payable</u>	<u>Amounts Originally Issued</u>	<u>Interest Current Year</u>	<u>Amounts Outstanding 9/1/2021</u>	<u>Issued & Accreted Interest</u>	<u>Retired</u>	<u>Outstanding 8/31/2022</u>
Unlimited Tax School Building Bonds - Series 2015	2.00% to 4.00%	\$ 2,855,000	\$ 81,850	\$ 2,185,000	\$ -	\$ 120,000	\$ 2,065,000
Unamortized Premium (Discount)	N/A	234,219	-	144,804	-	10,397	134,407
Total Noncurrent Liabilities			<u>\$ 81,850</u>	<u>\$ 2,329,804</u>	<u>\$ -</u>	<u>\$ 130,397</u>	<u>\$ 2,199,407</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 as of August 31, 2022.

I. DEBT SERVICE REQUIREMENTS - BONDS PAYABLE

Debt service requirements for bonds are as follows:

<u>Year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 125,000	78,175	203,175
2024	130,000	74,350	204,350
2025	135,000	69,700	204,700
2026	140,000	64,200	204,200
2027	145,000	58,500	203,500
2028-2032	815,000	199,100	1,014,100
2033-2035	<u>575,000</u>	<u>35,100</u>	<u>610,100</u>
Total Bonds Payable	<u>\$ 2,065,000</u>	<u>\$ 579,125</u>	<u>\$ 2,644,125</u>



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

I. DEBT SERVICE REQUIREMENTS - BONDS PAYABLE (continued)

Debt service requirements for unamortized premiums are as follows:

Year ended August 31,	Principal	Interest	Total
2023	\$ 10,397	\$ -	\$ 10,397
2024	10,397	-	10,397
2025	10,397	-	10,397
2026	10,397	-	10,397
2027	10,397	-	10,397
2028-2032	51,985	-	51,985
2033-2035	<u>30,437</u>	<u>-</u>	<u>30,437</u>
Total Unamortized Premium Payable	\$ <u>134,407</u>	\$ <u>-</u>	\$ <u>134,407</u>
Total Noncurrent Liabilities	\$ <u>2,199,407</u>	\$ <u>579,125</u>	\$ <u>2,778,532</u>

Debt service requirements by obligation for 2023 are as follows:

	Principal	Interest	Total
2015 Unlimited Tax Building Bond	\$ 125,000	\$ 78,175	\$ 203,175
Unamortized Premium Payable	<u>10,397</u>	<u>-</u>	<u>10,397</u>
Total	\$ <u>135,397</u>	\$ <u>78,175</u>	\$ <u>213,572</u>

J. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued report that may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided. TRS provides retirement, disability and death benefits. Membership in the plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Contributions. Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Texas Government Code Section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increase by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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 plan during the fiscal year reduced by the employer contributions. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, employers are required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7 percent.
- When employing a retiree of the Texas Retirement System the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

The following table shows contribution rates by type of contributor for the fiscal years 2021 and 2022.

	Contribution Rates	
	Plan Fiscal Year	
	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employer	7.50%	7.75%
District's 2022 FY Employer Contributions		\$ 76,166
District's 2022 FY Member Contributions		174,830
2021 Measurement Year NECE On-Behalf Contributions		123,737

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

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2021 are disclosed below: (From TRS Annual Comprehensive Financial Report 2021, page 86.)

Components of Liability	Amount
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
Net Pension Liability	<u>\$ 25,466,461,134</u>
Net Position as a Percentage of Total Pension Liability	88.79%

Actuarial Assumptions.

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

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate 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.

The following table discloses the assumptions that were applied to this measurement period. (From TRS Annual Comprehensive Financial Report 2021, page 87.)

Component	Result
Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Return	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in projection period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report data November 9, 2020.

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 plan investments of 7.25 percent. The projection of cash flows used to determine the 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 legislative 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021, are presented in the following table from the TRS Annual Comprehensive Financial Report for 2021, page 53.

<u>Asset Class*</u>	<u>Target Allocation %**</u>	<u>Long-Term Expected Geometric Real Rate of Return***</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.46%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	(0.20)%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	(0.70)%	(0.01)%
Asset Allocation Leverage	<u>(6.00)%</u>	<u>(0.50)%</u>	<u>0.03%</u>
Inflation Expectation			2.20%
Volatility Drag****			(0.95)%
Expected Return	<u>100.00%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

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

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).

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

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

	<u>1% Decrease in Discount Rate 6.25%</u>	<u>Current Single Discount Rate 7.25%</u>	<u>1% Increase in Discount Rate 8.25%</u>
District's proportional share of the net pension liability	\$ 768,842	\$ 351,847	\$ 13,538



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, the District reported a liability of \$351,847 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 351,847
State's proportionate share that is associated with the District	<u>738,408</u>
Total	<u>\$ 1,090,255</u>

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 rolled forward to August 31, 2021. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.0013816097%, which was an increase of 0.0000782737% from its proportion measured as of August 31, 2020.

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

Changes in Benefits - There were no changes in benefits.

For the year ended August 31, 2022, the District recognized pension expense of \$57,669 and revenue of \$2,952 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 589	\$ 24,770
Changes in actuarial assumptions	124,371	54,215
Net difference between projected and actual investment earnings	-	295,019
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	71,141	14,172
Contributions paid to TRS subsequent to the measurement date	<u>76,166</u>	<u>-</u>
Total	<u>\$ 272,267</u>	<u>\$ 388,176</u>



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

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

Year ended August 31	
2023	\$ (29,697)
2024	(36,037)
2025	(54,861)
2026	(77,156)
2027	4,563
Thereafter	1,113

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. 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.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 as presented in the TRS 2021 ACFR (page 76) are as follows:

Components of Liability	Amount
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,242,470)
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net Position as a Percentage of Total OPEB Liability	6.18%

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The General Appropriations Act passed by the 86th Texas Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Texas legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$271,311,000 as of August 31, 2021. The premium rates for retirees are presented 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 participating employers based on active employee compensation. The TRS Board of trustees does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2021. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Plan Fiscal Year	
	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2022 FY Employer Contributions		\$ 18,879
District's 2022 FY Member Contributions		14,206
Measurement Year NECE On-Behalf Contributions		22,057



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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

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

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

In addition to the demographic assumptions: salary increase and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 annual pension actuarial valuation.

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liability of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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 Health Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Election Rates for Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Election Rates for pre-65 Retirees - 25% are assumed to discontinue coverage at age 65.

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

The initial medical trend rates were 8.5% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. This was a decrease of 0.38% in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 0.95%	Current Single Discount Rate 1.95%	1% Increase in Discount Rate 2.95%
District’s proportional share of the net OPEB liability	\$ 980,532	\$ 812,890	\$ 680,950

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

	1.00% Decrease	Current Healthcare Cost Cost Trend	1.00% Increase
District’s proportional share of the net OPEB liability	\$ 658,414	\$ 812,890	\$ 1,020,158

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2022, the District reported a liability of \$812,890 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 812,890
State’s proportionate share that is associated with the District	<u>1,089,091</u>
Total	<u>\$ 1,901,981</u>

The net OPEB liability was measured as of August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s 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, 2020 through August 31, 2021.

At August 31, 2021, the employer’s proportion of the collective net OPEB liability was 0.0021073257%, which was an increase of 0.0001272446% from its proportion measured as of August 31, 2020.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation - The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

Changes in Benefits - There were no changes in benefits.

For the year ended August 31, 2022, the District recognized OPEB expense of \$(50,893) and revenue of \$(40,196) for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 34,999	\$ 393,495
Changes in actuarial assumptions	90,037	171,911
Net difference between projected and actual investment earnings	882	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	117,449	-
Contributions paid to TRS subsequent to the measurement date	<u>18,879</u>	<u>-</u>
Total	<u>\$ 262,246</u>	<u>\$ 565,406</u>

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

Year ended August 31	
2023	\$ (69,293)
2024	(69,314)
2025	(69,308)
2026	(47,910)
2027	(18,942)
Thereafter	(47,272)



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. HEALTH CARE COVERAGE

During the year ended August 31, 2022, the District provided medical benefits coverage (the Plan) to its employees through the TRS. The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as the TRS-ACTIVECARE, as of September 1, 2003. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing, TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. The District contributed \$275 per month per full time employee to the Plan. For the year ended August 31, 2022, total payments to the Plan by the District were \$272,020, of which \$162,570 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$109,450.

According to the Plan's administrator, Plan participants retain the risk associated with the Plan, with no risks being transferred or assumed by the TRS, member districts, or by the State of Texas. Additional information pertaining to the Plan can be obtained by contacting the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by calling the TRS at 1-800-223-8778, or by downloading information from the TRS website at www.trs.state.tx.us.

M. ACCOUNTING FOR EMPLOYEE BENEFITS - ON-BEHALF PAYMENTS

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 must be recognized as equal revenues and expenditures/expenses by the District. For the years ending August 31, 2022, 2021, and 2020, the District's portion of subsidy reimbursements received by TRS and recognized as equal expenditures/expenses was \$9,318, \$8,936, and \$7,945, respectively. The plan covering these retired employees is the Teacher Retirement System of Texas, and these on-behalf payments are being made by the federal government to the State of Texas as a pass through grant to the Texas Education Agency on behalf of the District.

N. 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. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

N. DUE FROM OTHER GOVERNMENTS (continued)

Amounts due from state agencies at year end consisted of the following:

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 7,244	\$ -	\$ 7,244
Debt Service Fund	687	-	687
Non-Major Governmental Funds	3,876	56,796	60,672
Total	\$ 11,807	\$ 56,796	\$ 68,603

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Funds	Non-Major Governmental Funds	Total
Property taxes	\$ 1,223,502	\$ 291,379	\$ -	\$ 1,514,881
Penalties, interest and other	14,599	3,431	-	18,030
Investment income	21,704	1,642	-	23,346
Food sales	-	-	4,648	4,648
Co-curricular student activities	13,407	-	-	13,407
Other	16,943	-	-	16,943
Total	\$ 1,290,155	\$ 296,452	\$ 4,648	\$ 1,591,255

Included in Extraordinary Items in the General Fund is approximately \$100,000 related to a claim on the District's insurance policy existing from previous years.

P. LITIGATION AND CONTINGENCIES

At August 31, 2022, the District had no known or threatened pending litigation that would materially affect the District's financial condition.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any receivable at August 31, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Q. CONSTRUCTION, SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District has no significant construction projects or other commitments and contingencies as of August 31, 2022.



**KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

R. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education with four other districts. The District does not account for revenues or expenditures and does not disclose them in these financial statements. Tulia ISD (219903) is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District contributed \$71,918 to the shared services arrangement from the General Fund.

S. RISK MANAGEMENT - WORKERS' COMPENSATION INSURANCE

The District established its self-funding Workers' Compensation program. Claims Administrative Services, Inc., through its actuarial review of the Workers' Compensation self-insurance program, projected an undiscounted liability of \$16,903 as of August 31, 2022.

The District has maintained a self-insured retention of \$225,000 per occurrence since becoming self-funded. The District does not purchase aggregate excess insurance. Claims administration is provided by Claims Administrative Services, Inc. for the period beginning September 1, 2003.

The accrued liability for Workers' Compensation self-insurance of \$16,903 includes incurred but not reported claims. This liability reported in the fund at August 31, 2022, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the undiscounted estimate of actuary at the 90th percentile funding level.

T. GENERAL FUND FEDERAL SOURCE REVENUE

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect and other costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2022, from various federal sources as follows:

<u>Program or Source</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
SHARS Reimbursements	93.774	\$ 42,172

U. PROPERTY PROGRAM

During the year ended August 31, 2022, the District participated in the TASB Risk Management Fund's (the "Fund") Property Program with coverage in: crime; equipment breakdown; and property. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2022, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

U. PROPERTY PROGRAM (continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

V. SERVICE CONTRACT WITH REGION 16 EDUCATION SERVICE CENTER

The District has contracted with Region 16 Education Service Center (Region 16) to perform certain accounting duties for the District for the 2022-2023 fiscal year. The contracted amount of \$21,000 includes the reconciliation of the general fund bank accounts; review of accounting records including balance sheet accounts, revenue and expense accounts, due to/due from accounts, journal and budget entries and payroll balancing; and assisting with budget preparation, journal entries and payroll. The contract with Region 16 may be renewed annually. The District also pays Region 16 for the use of its accounting software, approximately \$21,000 annually. Also, the District pays Region 16 consulting services for certain compliance and administrative services, approximately \$142,000 annually.

W. TAX ABATEMENTS

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations ("M&O") for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and any applicable amendments and state reporting requirement documentation can be viewed at the Texas Comptroller's website at: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met. In the event that the Company terminates this agreement without the consent of the District, or in the event that the Company or its successor-in-interest fails to comply in any material respect with the terms of this agreement or to meet any material obligation under this agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code § 33.01 (c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court. Management of the District believes the applicant company is in full compliance with all of its obligations under law and the agreement itself.



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

W. TAX ABATEMENTS (continued)

Kress ISD entered into an agreement with Hecate Energy Frye Solar, LLC on February 9, 2021. The agreement was for Hecate Energy Frye Solar, LLC to invest capital of \$475,000,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2022, which is year 1 of the agreement, the M&O tax rate is \$1.0517 per \$100, and the property is valued at \$0 without considering the limitation and \$0 with the limitation. When calculated, the district forgoes collecting \$0 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Hecate Energy Frye Solar, LLC has committed to pay supplemental payments to the district in the amount of \$100 per ADA based on the district's 2018-19 ADA of 240. The minimum supplemental payment is \$50,000 per year of the agreement.

During the fiscal year ended August 31, 2022, the District received \$50,000 of payments in lieu of taxes as supplemental payments, recorded as other sources.

X. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017 the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In May 2020, GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the effective date of GASB Statement 87 for entities that have not yet issued financial statements or made financial statements available for issuance by one year. The new effective date for GASB Statement 87 is reporting periods beginning after June 15, 2021. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation or, if applied to earlier periods, the beginning of the earliest period restated.) However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. The District's adoption of GASB Statement 87 as of September 1, 2021 had no effect on these financial statements.

Y. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through January 12, 2023, the date the financial statements were available to be issued.



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,144,051	\$ 1,431,756	\$ 1,290,155	\$ (141,601)
5800	State Program Revenues	2,411,435	2,624,507	2,540,224	(84,283)
5900	Federal Program Revenues	48,000	42,172	42,172	-
5020	Total Revenues	3,603,486	4,098,435	3,872,551	(225,884)
EXPENDITURES:					
Current:					
0011	Instruction	1,810,296	1,719,544	1,847,740	(128,196)
0012	Instructional Resources and Media Services	20,001	16,054	16,043	11
0013	Curriculum and Instructional Staff Development	45,744	29,223	29,223	-
0021	Instructional Leadership	6,000	6,051	6,044	7
0023	School Leadership	259,235	266,235	271,047	(4,812)
0031	Guidance, Counseling, and Evaluation Services	64,017	60,291	65,303	(5,012)
0033	Health Services	1,600	552	820	(268)
0034	Student (Pupil) Transportation	155,326	232,760	228,492	4,268
0036	Extracurricular Activities	137,500	146,972	153,499	(6,527)
0041	General Administration	300,932	333,497	336,341	(2,844)
0051	Facilities Maintenance and Operations	707,657	749,737	756,567	(6,830)
0052	Security and Monitoring Services	3,300	5,275	5,275	-
0053	Data Processing Services	40,777	42,591	42,591	-
0061	Community Services	39,130	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	85,500	75,500	71,918	3,582
0099	Other Intergovernmental Charges	70,000	66,164	66,164	-
6030	Total Expenditures	3,747,015	3,750,446	3,897,067	(146,621)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,529)	347,989	(24,516)	(372,505)
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	-	-	50,000	50,000
8911	Transfers Out (Use)	(35,592)	(35,592)	(20,292)	15,300
7080	Total Other Financing Sources (Uses)	(35,592)	(35,592)	29,708	65,300
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	100,000	100,000	100,000	-
1200	Net Change in Fund Balances	(79,121)	412,397	105,192	(307,205)
0100	Fund Balance - September 1 (Beginning)	2,068,512	2,068,512	2,068,512	-
3000	Fund Balance - August 31 (Ending)	\$ 1,989,391	\$ 2,480,909	\$ 2,173,704	\$ (307,205)



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

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.00138161%	0.001303336%	0.001248728%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 351,847	\$ 698,040	\$ 649,128
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	738,408	1,433,127	1,337,809
Total	<u>\$ 1,090,255</u>	<u>\$ 2,131,167</u>	<u>\$ 1,986,937</u>
District's Covered Payroll	\$ 2,022,869	\$ 1,840,096	\$ 1,558,871
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	17.39%	37.93%	41.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

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

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



FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.001162361%	0.001165308%	0.001315507%	0.0012316%	0.0005164%
\$ 639,792	\$ 372,603	\$ 497,111	\$ 435,354	137,938
1,407,036	911,144	1,025,933	1,000,479	912,804
\$ 2,046,828	\$ 1,283,747	\$ 1,523,044	\$ 1,435,833	\$ 1,050,742
\$ 1,552,263	\$ 1,593,391	\$ 1,523,044	\$ 1,435,833	1,050,742
41.22%	23.38%	32.64%	30.32%	13.13%
73.74%	82.17%	78.00%	78.43%	83.25%



KRESS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 76,166	\$ 58,960	\$ 53,158
Contribution in Relation to the Contractually Required Contribution	(76,166)	(58,960)	(53,158)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,183,008	\$ 2,022,869	\$ 1,840,096
Contributions as a Percentage of Covered Payroll	3.49%	2.91%	2.89%

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

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



2019	2018	2017	2016	2015
\$ 43,504	\$ 39,305	\$ 38,192	\$ 41,797	\$ 36,292
(43,504)	(39,305)	38,192	(41,797)	(36,292)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,558,871	\$ 1,552,263	\$ 1,593,391	\$ 1,523,044	\$ 1,435,833
2.79%	2.53%	2.40%	2.74%	2.53%



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

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.002107326%	0.001980081%	0.001954847%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 812,890	\$ 752,718	\$ 924,471
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,089,091	1,011,473	1,228,415
Total	<u>\$ 1,901,981</u>	<u>\$ 1,764,191</u>	<u>\$ 2,152,886</u>
District's Covered Payroll	\$ 2,022,869	\$ 1,840,096	\$ 1,685,781
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	40.19%	40.91%	54.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

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

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



FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.001892131%		0.00186497%	
\$	944,758	\$	811,005
	1,304,862		1,248,016
<u>\$ 2,249,620</u>		<u>\$ 2,059,021</u>	
<u><u>\$ 1,558,871</u></u>		<u><u>\$ 1,593,391</u></u>	
	60.61%		50.90%
	1.57%		0.91%



KRESS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 18,879	\$ 16,463	\$ 14,977
Contribution in Relation to the Contractually Required Contribution	(18,879)	(16,463)	(14,977)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,183,008	\$ 2,022,869	\$ 1,840,096
Contributions as a Percentage of Covered Payroll	0.86%	0.81%	0.81%

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

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



2019		2018	
\$	12,488	\$	13,053
	(12,488)		(13,053)
\$	-	\$	-
\$	1,558,871	\$	1,552,263
	0.80%		0.84%



KRESS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2022

A. Notes to Schedules for TRS Pension

Changes of Benefit Terms:

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

Changes of Assumptions:

There have been no changes in assumptions since the prior measurement date.

B. Notes to Schedules for the TRS OPEB Plan

Changes of Benefit Terms:

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

Changes of Assumptions:

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



KRESS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 6,701
1240	Due from Other Governments	7,915	11,048	-	6,188
1260	Due from Other Funds	-	9,684	-	-
1000	Total Assets	<u>\$ 7,915</u>	<u>\$ 20,732</u>	<u>\$ -</u>	<u>\$ 12,889</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 9,684	\$ -	\$ -
2160	Accrued Wages Payable	2,870	7,008	-	319
2170	Due to Other Funds	4,724	3,940	-	6,347
2200	Accrued Expenditures	321	100	-	36
2000	Total Liabilities	<u>7,915</u>	<u>20,732</u>	<u>-</u>	<u>6,702</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	6,187
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,187</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,915</u>	<u>\$ 20,732</u>	<u>\$ -</u>	<u>\$ 12,889</u>



270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	410 State Instructional Materials	429 School Safety and Security Grant	Total Nonmajor Governmental Funds
\$ -	\$ 5,840	\$ -	\$ -	\$ -	\$ 12,541
-	3,827	27,818	1,303	2,573	60,672
-	-	-	-	-	9,684
<u>\$ -</u>	<u>\$ 9,667</u>	<u>\$ 27,818</u>	<u>\$ 1,303</u>	<u>\$ 2,573</u>	<u>\$ 82,897</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,547	\$ 12,231
-	3,745	9,735	-	-	23,677
-	260	17,018	1,303	26	33,618
-	82	1,065	-	-	1,604
<u>-</u>	<u>4,087</u>	<u>27,818</u>	<u>1,303</u>	<u>2,573</u>	<u>71,130</u>
-	5,580	-	-	-	11,767
<u>-</u>	<u>5,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,767</u>
<u>\$ -</u>	<u>\$ 9,667</u>	<u>\$ 27,818</u>	<u>\$ 1,303</u>	<u>\$ 2,573</u>	<u>\$ 82,897</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 4,648	\$ -	\$ -
5800 State Program Revenues	-	20,909	-	-
5900 Federal Program Revenues	80,230	149,694	-	16,214
5020 Total Revenues	80,230	175,251	-	16,214
EXPENDITURES:				
Current:				
0011 Instruction	68,652	-	-	10,027
0013 Curriculum and Instructional Staff Development	6,957	-	-	-
0021 Instructional Leadership	4,621	-	-	-
0035 Food Services	-	195,543	-	-
6030 Total Expenditures	80,230	195,543	-	10,027
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(20,292)	-	6,187
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	20,292	-	-
1200 Net Change in Fund Balance	-	-	-	6,187
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 6,187



270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	410 State Instructional Materials	429 School Safety and Security Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,648
-	8,819	-	-	10,047	39,775
24,031	125,717	231,324	-	-	627,210
24,031	134,536	231,324	-	10,047	671,633
25,297	128,956	231,324	-	10,047	474,303
-	-	-	-	-	6,957
-	-	-	-	-	4,621
-	-	-	-	-	195,543
25,297	128,956	231,324	-	10,047	681,424
(1,266)	5,580	-	-	-	(9,791)
-	-	-	-	-	20,292
(1,266)	5,580	-	-	-	10,501
1,266	-	-	-	-	1,266
\$ -	\$ 5,580	\$ -	\$ -	\$ -	\$ 11,767



KRESS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
2014	1.170000	0.000000	80,918,629
2015	1.170000	0.000000	95,483,178
2016	1.170000	0.275000	87,553,124
2017	1.170000	0.250000	86,091,011
2018	1.170000	0.250000	87,832,419
2019	1.170000	0.250000	87,249,213
2020	1.068300	0.250000	124,994,483
2021	1.054700	0.250000	116,551,291
2022 (School year under audit)	1.051700	0.250000	118,997,158
1000 TOTALS			



(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 20,701	\$ -	\$ -	\$ -	\$ (14,300)	\$ 6,401
924	-	-	-	-	924
955	-	31	-	-	924
1,368	-	113	27	-	1,228
2,732	-	933	199	-	1,600
3,505	-	1,200	256	(39)	2,010
5,046	-	2,221	475	(115)	2,235
457,869	-	1,763	413	(248)	455,445
17,961	-	6,955	1,649	(2,483)	6,874
-	1,548,986	1,210,286	288,360	(30,411)	19,929
<u>\$ 511,061</u>	<u>\$ 1,548,986</u>	<u>\$ 1,223,502</u>	<u>\$ 291,379</u>	<u>\$ (47,596)</u>	<u>\$ 497,570</u>



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 25,000	\$ 4,648	\$ 4,648	\$ -
5800 State Program Revenues	800	20,083	20,909	826
5900 Federal Program Revenues	138,000	126,560	149,694	23,134
5020 Total Revenues	163,800	151,291	175,251	23,960
EXPENDITURES:				
Current:				
0035 Food Services	199,392	178,940	195,543	(16,603)
6030 Total Expenditures	199,392	178,940	195,543	(16,603)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,592)	(27,649)	(20,292)	7,357
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	35,592	35,592	20,292	(15,300)
1200 Net Change in Fund Balances	-	7,943	-	(7,943)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 7,943	\$ -	\$ (7,943)



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 287,680	\$ 294,552	\$ 296,452	\$ 1,900
5800 State Program Revenues	-	-	2,799	2,799
5020 Total Revenues	287,680	294,552	299,251	4,699
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	120,000	120,000	120,000	-
0072 Interest on Long-Term Liabilities	81,850	81,200	81,850	(650)
0073 Bond Issuance Cost and Fees	1,000	1,000	350	650
6030 Total Expenditures	202,850	202,200	202,200	-
1200 Net Change in Fund Balances	84,830	92,352	97,051	4,699
0100 Fund Balance - September 1 (Beginning)	202,054	202,054	202,054	-
3000 Fund Balance - August 31 (Ending)	\$ 286,884	\$ 294,406	\$ 299,105	\$ 4,699



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

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	268,114
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	149,019

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	9,685
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	14,129





JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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
Kress Independent School District
Kress, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Kress Independent School District** (the District) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is disclosed in the accompanying Schedule of Findings and Questioned Costs at item **2022-001**.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Johnson & Sheldon PLLC

Johnson & Sheldon, PLLC
Amarillo, Texas
January 12, 2023



**KRESS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2022**

I. Summary of the Auditor's Results:

1. The type of report issued on the basic financial statements was an unmodified opinion.
2. There were no significant deficiencies in internal control disclosed by the audit of the basic financial statements and there were no material weaknesses.
3. The audit did not disclose noncompliance which is material to the basic financial statements of the District.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

2022-001 - Budget Variance (Repeat):

Criteria: Under current State regulations, the District is required to adopt an annual budget for the General Fund, Food Service Fund and Debt Service Fund. The budgets should be monitored throughout the year and amended as needed by the District's Administration.

Condition and Context: We noted that at year end, the overall expenditures for the General Fund exceeded the final amended budget in seven (7) functional categories; overall expenditures for the Child Nutrition Fund exceed the final amended budget in one (1) functional category; and overall expenditures for the Debt Service Fund exceeded the final amended budget in one (1) functional category. The cause for these variances was due to unbudgeted expenses at year end.

Cause: The District did not maintain adequate Internal Controls over the budgeting amendment process to ensure that year end expenses and accruals are considered in the final budget amendment process.

Effect or Potential Effect: The District did not properly budget for expenditures incurred in the General Fund, Child Nutrition Fund, and Debt Service Fund in the following functions for the year ended August 31, 2022, which is a potential violation of State budgetary laws.

General Fund

- Function 11 (Instruction)
- Function 23 (School Leadership)
- Function 31 (Guidance, Counseling, and Evaluation Services)
- Function 33 (Health Services)
- Function 36 (Extracurricular Activities)
- Function 41 (General Administration)
- Function 51 (Facilities Maintenance and Operations)

Child Nutrition Fund

- Function 35 (Food Services)

Debt Service Fund

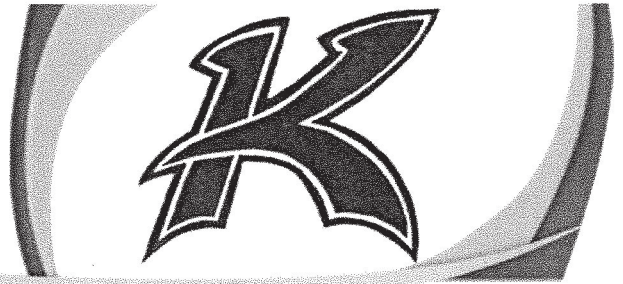
- Function 72 (Interest on Long-Term Liabilities)

Recommendation: We recommend that the District enhance its Internal Controls to properly monitor the budgeted amounts to actual expenditures incurred, with any necessary budget amendments being made and approved by the Board of Trustees.

Responsible Official's Response: The District's Business Manager will run the PEIMS edit annually, during August, to ensure the District's expenditures do not exceed budgeted amounts. The budgets will be amended by the Board of Trustees to cover all expenditures.



Leah Zeigler
Superintendent
200 E. 5th
Kress, TX 79052
(806) 684-2652
Leah.zeigler@region16.net



**KRESS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2022**

(Prepared by the District's Administration)

Identifying Number: 2021-001 - Financial management lacks general knowledge to apply *Governmental Accounting Standards* in the preparation of the annual financial statements.

Audit Finding: As of August 31, 2021, it was noted that the District had not provided the Business Manager with sufficient training and education so that she can comfortably apply *Governmental Accounting Standards* in the preparation of the District's annual financial statements.

Prior to commencing the audit fieldwork, various trial balance files were provided for which the District's funds were out of balance and/or reflected deficit fund balance. During the audit, 11 audit adjustments, were recorded to correct errors in the District's account balances including:

- Correct deficit cash in the District's governmental funds.
- Adoption of GASB 84, new accounting standard.
- Adjust end of year payable balances for state allotments.
- Reclassify credit balances in prepaid asset accounts.
- Reclassify debit balances in accounts payable accounts.
- Adjust inter-fund accounts to balance between funds.

Corrective Action Taken: Completed as of August 31, 2022.

Identifying Number: 2021-002 - Budget variance.

Audit Finding: At August 31, 2021 it was noted that the overall expenditures for the General Fund exceeded the final amended budget in one functional category. The cause for this variance was due to unbudgeted expenses at year end.

Corrective Action Taken: In progress as of August 31, 2022.

Leah Zeigler

Leah Zeigler, Superintendent

Kress Independent School District

Leah Zeigler
Superintendent
200 E. 5th
Kress, TX 79052
(806) 684-2652
Leah.zeigler@region16.net



**KRESS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended August 31, 2022**

(Prepared by the District's Administration)

2022-001 - Budget Variance (Repeat):

- The name of the contact person responsible for the corrective action: Leah Zeigler, Superintendent
- The corrective action planned: The District's Business Manager will run the PEIMS edit annually, during August, to ensure the District's expenditures do not exceed budgeted amounts. The budgets will be amended by the Board of Trustees to cover all expenditures.
- The anticipated completion date: No later than August 2023.

Leah Zeigler

Leah Zeigler, Superintendent

Kress Independent School District

SCHOOLS FIRST QUESTIONNAIRE

Kress Independent School District

Fiscal Year 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0

