

HARDIN-JEFFERSON  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED JUNE 30, 2019*

Hardin-Jefferson Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Net Position - Internal Service Fund.....	17	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	21	E-2
Notes to the Financial Statements .....	22	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	48	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	50	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	52	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	54	G-4
Schedule of District's Contributions - OPEB Plan.....	56	G-5
Notes to Required Supplementary Information.....	58	

Hardin-Jefferson Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	59	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	61	J-2
Debt Service Fund.....	62	J-3
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> .....	63	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	65	
Schedule of Findings and Questioned Costs .....	67	
Schedule of Expenditures of Federal Awards .....	68	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	69	
Schedule of Required Responses to Selected School First Indicators.....	70	K-2

*Introductory Section*

CERTIFICATE OF BOARD

Hardin-Jefferson Independent School District  
Name of School District

Hardin  
County

100-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended June 30, 2019, at a meeting of the board of trustees of such school district on the 18<sup>th</sup> day of November, 2019.

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

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

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

*Financial Section*

**West, Davis & Company, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' Report**

To the Board of Trustees  
Hardin-Jefferson Independent School District  
Sour Lake, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin-Jefferson Independent School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Jefferson Independent School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin-Jefferson Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

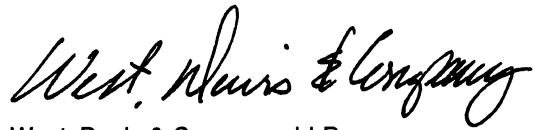
The individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 on our consideration of Hardin-Jefferson Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Hardin-Jefferson Independent School District's internal control over financial reporting and compliance.



West, Davis & Company, LLP  
Austin, Texas  
November 4, 2019

## Hardin-Jefferson Independent School District

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Hardin-Jefferson Independent School District (the District), discuss and analyze the District's financial performance for the year ended June 30, 2019. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 11. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### **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 11 and 12). 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 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

#### **Reporting the District as a Whole**

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

The analysis of the District's overall financial condition and operations begins on page 11. 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 them. The District's Net Position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we classify the District's activities as Governmental activities:

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

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

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

The fund financial statements begin on page 13 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 two kinds of funds—governmental and proprietary—use different 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.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

## The District as Trustee

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

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. 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

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental and business-type activities.

Net Position of the District's governmental activities increased by \$1.7 million.

**Table I**  
**Hardin-Jefferson Independent School District**

	NET POSITION	
	in thousands	
	Governmental Activities	
	2019	2018
Current and other assets	17,670	16,078
Capital assets	35,825	36,315
Total assets	53,495	52,393
Deferred outflow related to pensions	2,954	1,361
Deferred outflow related to OPEB	637	92
Total deferred outflows of resources	3,591	1,453
Long-term liabilities	47,978	46,458
Other liabilities	1,885	1,712
Total liabilities	49,863	48,170
Deferred inflow related to pensions	443	647
Deferred inflow related to OPEB	3,069	3,017
Total deferred inflows of resources	3,512	3,664
Net position:		
Invested in capital assets, net of related debt	2,791	2,334
Restricted	2,931	2,389
Unrestricted	-2,011	-2,711
Total net position	3,711	2,012

**Table II**  
**Hardin-Jefferson Independent School District**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	625	482
Operating grants and contributions	3,034	342
General revenues:		
Maintenance and operations taxes	8,657	8,732
Debt service taxes	2,485	2,521
State aid - formula grants	10,426	12,076
Investment Earnings	154	15
Miscellaneous	2,640	2,459
Total Revenues	<u>28,021</u>	<u>26,627</u>
Expenses:		
Instruction, curriculum and media services	12,217	7,362
Instructional and school leadership	1,496	997
Student support services	2,167	1,452
Child nutrition	941	741
Extracurricular activities	1,161	566
General administration	1,631	579
Plant maintenance, security & data processing	3,476	7,216
Debt services	1,930	1,127
Other	1,303	1,060
Total Expenses	<u>26,322</u>	<u>21,100</u>
Change in Net Position	<u>1,699</u>	<u>5,527</u>

Changes in expenses for the year are not comparable to the prior year due to the overall effects of GASB 75 on expenses. Prior year on-behalf activity was negative by \$3.1 million. Therefore, nearly every functional category was affected by this significant net decrease in expenses.

**NET OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) LIABILITY (GASB 75)**

With the implementation of GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefit Plans (OPEB), the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System. The District's net OPEB liability at year end totaled \$7.7 million.

## **THE DISTRICT'S FUNDS**

As the District completed this annual period, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$13.6 million.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2018). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

## **CAPITAL ASSET AND DEBT ADMINISTRATIONS**

### **Capital Assets**

At the end of 2019, the District had \$35.8 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

More detailed information about the District's capital assets is presented in Note D to the financial statements.

### **Debt**

At year-end, the District had \$34.1 million in bonds outstanding versus \$35.2 million last year. More detailed information about the District's long-term liabilities is presented in Note G to the financial statements.

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

The District's elected officials considered many factors when setting the fiscal year 2019-2020 budget and tax rates. Those factors include property values, changes in enrollment, the economy, and legislative mandates.

The District increased fund balance by \$1.7 million in 2018-2019 and continued to remain one of the top performing districts in the. In 2019 House Bill 3, a school finance bill, was passed into legislature in 2019. This bill provides more money for Texas classrooms, increases teacher compensation, reduces recapture and lower local property taxes for taxpayers. This has allowed the District to increase salaries by \$1 million. Teachers received a \$3,500 to \$7,000 pay increase. All other District employees received a 4% cost of living increase.

Enrollment has remained steady with a slight increase over the past few years. The District has adopted a surplus budget of \$1 million. The Maintenance & Operations (M&O) tax rate stayed at 1.04 while the Interest & Sinking (I&S) tax rate stayed at \$0.30. Taxable property values have increase by \$1.5 million in the last year, which puts the District in a strong position for 2019-2020.

Hurricane Harvey destroyed one of the District's four campuses along with other ancillary buildings. The District is currently working on project development with FEMA. The District anticipates the need for a bond to supplement insurance and FEMA funding to fully recover. Estimated project completion is 2023.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Hardin-Jefferson Independent School District, P.O. Box 2003, Sour Lake, Texas 77659.

*Basic Financial Statements*



**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019

Data Control Codes	1
	Governmental Activities
<b>ASSETS:</b>	
1110 Cash and Cash Equivalents	\$ 12,484,700
1225 Property Taxes Receivable (Net)	2,157,901
1240 Due from Other Governments	2,822,549
1290 Other Receivables (Net)	7,700
1300 Inventories	3,906
1410 Unrealized Expenses	193,674
Capital Assets:	
1510 Land	337,750
1520 Buildings and Improvements, Net	34,172,661
1530 Furniture and Equipment, Net	1,313,187
1550 Capital Lease Assets, Net	1,000
1000 Total Assets	53,495,028
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
	2,953,995
	637,123
1700 Total Deferred Outflows of Resources	3,591,118
<b>LIABILITIES:</b>	
2110 Accounts Payable	149,673
2140 Interest Payable	407,788
2165 Accrued Liabilities	1,086,461
2177 Due to Fiduciary	2,416
2180 Due to Other Governments	222,653
2300 Unearned Revenue	16,086
Noncurrent Liabilities:	
2501 Due Within One Year	1,360,000
2502 Due in More Than One Year	33,664,024
2540 Net Pension Liability	5,246,416
2545 Net OPEB Liability	7,707,167
2000 Total Liabilities	49,862,684
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
	443,488
	3,069,024
2600 Total Deferred Inflows of Resources	3,512,512
<b>NET POSITION:</b>	
3200 Net Investment in Capital Assets	2,791,119
Restricted For:	
3820 State and Federal Programs	666,327
3850 Debt Service	2,072,375
3870 Campus Activities	83,296
3890 Other Purposes	109,056
3900 Unrestricted	(2,011,223)
3000 Total Net Position	\$ 3,710,950

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Functions/Programs	1  Expenses	3  Program Revenues		4  Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
	Governmental Activities:					
11	Instruction	\$ 11,929,547	\$ 58,510	\$ 579,816	\$ (11,291,221)	
12	Instructional Resources and Media Services	229,606	--	(2,090)	(231,696)	
13	Curriculum and Staff Development	57,579	--	4,610	(52,969)	
21	Instructional Leadership	226,691	--	(3,565)	(230,256)	
23	School Leadership	1,269,108	--	(23,995)	(1,293,103)	
31	Guidance, Counseling, & Evaluation Services	855,309	--	211,799	(643,510)	
33	Health Services	115,627	--	(2,086)	(117,713)	
34	Student Transportation	1,196,526	--	(11,927)	(1,208,453)	
35	Food Service	940,616	516,805	603,868	180,057	
36	Cocurricular/Extracurricular Activities	1,161,479	43,446	(14,090)	(1,132,123)	
41	General Administration	1,630,536	--	(16,847)	(1,647,383)	
51	Facilities Maintenance and Operations	3,012,905	5,888	200,072	(2,806,945)	
52	Security and Monitoring Services	144,771	--	(4,959)	(149,730)	
53	Data Processing Services	318,379	--	1,230,865	912,486	
72	Interest on Long-term Debt	1,090,141	--	--	(1,090,141)	
73	Bond Issuance Costs and Fees	839,416	--	--	(839,416)	
93	Payments Related to Shared Services Arrangements	1,065,254	--	282,149	(783,105)	
95	Payments to Juvenile Justice Alternative Ed. Programs	11,349	--	--	(11,349)	
99	Other Intergovernmental Charges	226,786	--	--	(226,786)	
TG	Total Governmental Activities	<u>26,321,625</u>	<u>624,649</u>	<u>3,033,620</u>	<u>(22,663,356)</u>	
TP	Total Primary Government	<u>\$ 26,321,625</u>	<u>\$ 624,649</u>	<u>\$ 3,033,620</u>	<u>(22,663,356)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				8,656,820	
DT	Property Taxes, Levied for Debt Service				2,484,536	
IE	Investment Earnings				153,818	
GC	Grants and Contributions Not Restricted to Specific Programs				10,426,392	
MI	Miscellaneous				2,640,649	
TR	Total General Revenues				<u>24,362,215</u>	
CN	Change in Net Position				<u>1,698,859</u>	
NB	Net Position - Beginning				2,012,091	
NE	Net Position - Ending				<u>\$ 3,710,950</u>	

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 8,258,649	\$ 2,057,188	\$ 1,966,487	\$ 12,282,324
1225	Taxes Receivable, Net	1,770,334	387,567	--	2,157,901
1240	Due from Other Governments	2,536,053	--	286,496	2,822,549
1290	Other Receivables	7,700	--	--	7,700
1300	Inventories	--	--	3,906	3,906
1000	Total Assets	<u>12,572,736</u>	<u>2,444,755</u>	<u>2,256,889</u>	<u>17,274,380</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 29,591	\$ --	\$ 112,052	\$ 141,643
2150	Payroll Deductions & Withholdings	(11,290)	--	--	(11,290)
2160	Accrued Wages Payable	1,097,751	--	--	1,097,751
2170	Due to Other Funds	424	--	1,992	2,416
2180	Due to Other Governments	--	--	222,653	222,653
2300	Unearned Revenue	1,770,334	387,567	16,086	2,173,987
2000	Total Liabilities	<u>2,886,810</u>	<u>387,567</u>	<u>352,783</u>	<u>3,627,160</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	3,906	3,906
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	666,327	666,327
3470	Capital Acquisitions & Contractual Obligations	--	--	1,041,521	1,041,521
3480	Retirement of Long-Term Debt	--	2,057,188	--	2,057,188
3490	Other Restrictions of Fund Balance	--	--	192,352	192,352
3600	Unassigned	9,685,926	--	--	9,685,926
3000	Total Fund Balances	<u>9,685,926</u>	<u>2,057,188</u>	<u>1,904,106</u>	<u>13,647,220</u>
4000	Total Liabilities and Fund Balances	<u>\$ 12,572,736</u>	<u>\$ 2,444,755</u>	<u>\$ 2,256,889</u>	<u>\$ 17,274,380</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

Total fund balances - governmental funds balance sheet	\$ 13,647,220
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,824,598
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,157,901
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	194,346
Payables for bond principal which are not due in the current period are not reported in the funds.	(34,075,001)
Payables for capital leases which are not due in the current period are not reported in the funds.	1
Payables for bond interest which are not due in the current period are not reported in the funds.	(407,788)
Unrealized insurance expenses are not recorded in the funds.	193,674
Bond premiums are amortized in the SNP but not in the funds.	(1,821,326)
The accounting loss on refunding bonds is not reported in the funds.	872,302
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,246,416)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(443,488)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,953,995
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,707,167)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,069,024)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>637,123</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,710,950</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 10,584,970	\$ 2,494,752	\$ 1,289,106	\$ 14,368,828
5800 State Program Revenues	10,091,217	70,152	253,051	10,414,420
5900 Federal Program Revenues	283,274	--	2,525,473	2,808,747
5020 Total Revenues	<u>20,959,461</u>	<u>2,564,904</u>	<u>4,067,630</u>	<u>27,591,995</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	9,510,943	--	1,121,170	10,632,113
0012 Instructional Resources and Media Services	179,889	--	26,967	206,856
0013 Curriculum and Staff Development	31,443	--	19,425	50,868
0021 Instructional Leadership	31,907	--	181,420	213,327
0023 School Leadership	1,071,062	--	54,008	1,125,070
0031 Guidance, Counseling, & Evaluation Services	335,698	--	457,898	793,596
0033 Health Services	98,598	--	1,220	99,818
0034 Student Transportation	1,252,599	--	3,547	1,256,146
0035 Food Service	4,432	--	912,767	917,199
0036 Cocurricular/Extracurricular Activities	1,052,959	--	8,443	1,061,402
0041 General Administration	1,451,455	--	14,432	1,465,887
0051 Facilities Maintenance and Operations	2,291,861	--	228,970	2,520,831
0052 Security and Monitoring Services	122,967	--	234	123,201
0053 Data Processing Services	427,347	--	--	427,347
0071 Principal on Long-term Debt	--	922,008	--	922,008
0072 Interest on Long-term Debt	--	1,527,712	--	1,527,712
0073 Bond Issuance Costs and Fees	--	839,416	--	839,416
0081 Capital Outlay	832,443	--	195,437	1,027,880
0093 Payments to Shared Service Arrangements	312,000	--	753,254	1,065,254
0095 Payments to Juvenile Justice Alternative Education Programs	11,349	--	--	11,349
0099 Other Intergovernmental Charges	226,786	--	--	226,786
6030 Total Expenditures	<u>19,245,738</u>	<u>3,289,136</u>	<u>3,979,192</u>	<u>26,514,066</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,713,723</u>	<u>(724,232)</u>	<u>88,438</u>	<u>1,077,929</u>
Other Financing Sources and (Uses):				
7901 Refunding Bonds Issued	--	8,310,000	--	8,310,000
7915 Transfers In	63,965	--	--	63,965
7916 Premium or Discount on Issuance of Bonds	--	493,327	--	493,327
8911 Transfers Out	--	--	(63,965)	(63,965)
8940 Payment to Bond Refunding Escrow Agent	--	(8,603,353)	--	(8,603,353)
7080 Total Other Financing Sources and (Uses)	<u>63,965</u>	<u>199,974</u>	<u>(63,965)</u>	<u>199,974</u>
1200 Net Change in Fund Balances	<u>1,777,688</u>	<u>(524,258)</u>	<u>24,473</u>	<u>1,277,903</u>
0100 Fund Balances - Beginning	7,908,238	2,581,446	1,879,633	12,369,317
3000 Fund Balances - Ending	<u>\$ 9,685,926</u>	<u>\$ 2,057,188</u>	<u>\$ 1,904,106</u>	<u>\$ 13,647,220</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 1,277,903
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,156,256
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,646,777)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	91,463
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	15,179
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	922,008
The accretion of interest on capital appreciation bonds is not reported in the funds.	454,706
(Increase) decrease in accrued interest from beginning of period to end of period.	31,873
To record State's total proportionate share of pension expense.	(1,083,958)
The net revenue (expense) of internal service funds is reported with governmental activities.	2,903
Amounts transferred to bond escrow paying agent is not reflected in the SOA.	8,603,353
To increase (decrease) the State's proportionate share of pension expense.	1,083,958
Reverse contributions made after the prior year measurement date and before the end of the prior period.	(272,340)
Deferred Outflows for contributions made after the current measurement date & before the year end.	299,658
District contributions must be de-expended for the prior fiscal year.	321,095
The District's proportionate share of Teacher Retirement System plan wide pension expense.	(956,537)
The amortization of the accounting loss on refunding bonds is recorded in the SOA but not in the funds.	(49,008)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,310,000)
Bond premiums are reported in the funds but not in the SOA.	(393,145)
Current year amortization of previous year deferred resource outflows an inflows.	1,768,720
Pension contributions made post measurement date but in current FY were de-expended & reduced NPL.	(1,617,908)
GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(90,767)
OPEB contributions made post measurement date but in current FY were de-expended & reduced NPL.	98,144
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(7,920)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,698,859</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2019

Data Control Codes		Nonmajor Internal Service Fund
		Workers' Compensation
	<b>ASSETS:</b>	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 202,376
	Total Current Assets	<u>202,376</u>
1000	Total Assets	<u>202,376</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 8,030
	Total Current Liabilities	<u>8,030</u>
2000	Total Liabilities	<u>8,030</u>
	<b>NET POSITION:</b>	
3900	<i>Unrestricted</i>	194,346
3000	Total Net Position	<u>\$ 194,346</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - INTERNAL SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Nonmajor Internal Service Fund
	Workers' Compensation
<b>OPERATING REVENUES:</b>	
5700 <i>Local and Intermediate Sources</i>	\$ 1,008
5020 Total Revenues	<u>1,008</u>
<b>OPERATING EXPENSES:</b>	
6100 <i>Payroll Costs</i>	(2,198)
6400 <i>Other Operating Costs</i>	<u>303</u>
6030 Total Expenses	<u>(1,895)</u>
1300 Change in Net Position	2,903
0100 Total Net Position - Beginning	191,443
3300 Total Net Position - Ending	<u>\$ 194,346</u>

The accompanying notes are an integral part of this statement.



**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	\$ --
<i>Interest and Dividends on Investments</i>	1,008
<i>Cash Payments to Employees for Benefits</i>	2,198
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,501)
Net Cash Provided (Used) by Operating Activities	<u>705</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers From (To) Primary Government</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	705
Cash and Cash Equivalents at Beginning of Year	201,671
Cash and Cash Equivalents at End of Year	<u>\$ 202,376</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 2,903
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	(2,198)
Total Adjustments	<u>(2,198)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 705</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2019

Data Control Codes	Private-purpose Trust Funds	Scholarship Fund	Agency Funds
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 24,770		\$ 179,454
1260 <i>Due from Other Funds</i>	--		2,416
1800 <i>Restricted Assets</i>	78,000		--
1000 Total Assets	<u>102,770</u>		<u>181,870</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 17,390		\$ 1,634
2190 <i>Due to Student Groups</i>	--		180,236
2000 Total Liabilities	<u>17,390</u>		<u>181,870</u>
<b>NET POSITION:</b>			
3800 <i>Held in Trust</i>		85,380	--
3000 Total Net Position	<u>\$ 85,380</u>		<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Private- Purpose Trusts	Scholarship Fund
<b>Additions:</b>		
Investment Income	\$ 1,922	
Gifts and Bequests	--	
Total Additions	<u>1,922</u>	
<b>Deductions:</b>		
Scholarship Awards	--	
Total Deductions	<u>--</u>	
<b>Change in Net Assets</b>		1,922
Net Assets-Beginning of the Year		<u>83,458</u>
Net Assets-End of the Year		<u>\$ 85,380</u>

The accompanying notes are an integral part of this statement.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for property taxes assessed to pay for principal and interest due on the District's outstanding bonded debt.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

In addition, the District reports the following fund types:

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

## **HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED JUNE 30, 2019*

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. 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.

5. Other Post-Employment Benefits

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



**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

*GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

*GASB Statement No. 83, Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

*GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

*GASB Statement No. 84, Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Actual expenditures exceeded budget.	Bond refundings will be more closely reviewed.

<u>Fund</u>	<u>Function</u>	<u>Overage</u>
Debt Service	Debt Service	\$ <u>134,369</u>

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

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

1. Cash Deposits:

At June 30, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,119,986 and the bank balance was \$2,406,167. The District's cash deposits at June 30, 2019 and during the year ended June 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

- \* Not all assets meeting the definition of an investment are required to be reported at fair value. Included among excepted investments are certain investments held by 2a7-like external investment pools. As detailed below, the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

The District's investments at June 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value Using Level</u>	<u>Fair Value</u>
TexStar	AAAm	19 days	*	\$ 3,874,251
Lone Star	AAAm	26 days	*	6,445,091
TexPool	AAAm	42 days	*	45,372
Total Investments				<u>\$ 10,364,714</u>

### 3. Analysis of Specific Deposit and Investment Risks

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

#### a. Credit Risk

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

At June 30, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

#### b. Custodial Credit Risk

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

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

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

#### c. Concentration of Credit Risk

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

#### d. Interest Rate Risk

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

## **HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED JUNE 30, 2019*

e. Foreign Currency Risk

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

#### Investment Accounting Policy

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

#### Public Funds Investment Pools

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### TexSTAR

The District invests in the Texas Short Term Asset Reserve Program (TexSTAR), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A.

## **HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019*

and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

#### Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

#### TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 337,750	\$ --	\$ --	\$ 337,750
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>337,750</u>	<u>--</u>	<u>--</u>	<u>337,750</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	44,621,208	733,089	--	45,354,297
Furniture and equipment	3,835,660	423,167	--	4,258,827
Assets under capital lease	1,371,707	--	--	1,371,707
Total capital assets being depreciated	<u>49,828,575</u>	<u>1,156,256</u>	<u>--</u>	<u>50,984,831</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,931,611)	(1,250,025)	--	(11,181,636)
Furniture and equipment	(2,624,395)	(321,245)	--	(2,945,640)
Assets under capital lease	(1,295,200)	(75,507)	--	(1,370,707)
Total accumulated depreciation	<u>(13,851,206)</u>	<u>(1,646,777)</u>	<u>--</u>	<u>(15,497,983)</u>
Total capital assets being depreciated, net	<u>35,977,369</u>	<u>(490,521)</u>	<u>--</u>	<u>35,486,848</u>
Governmental activities capital assets, net	<u>\$ 36,315,119</u>	<u>\$ (490,521)</u>	<u>\$ --</u>	<u>\$ 35,824,598</u>

Depreciation was charged to functions as follows:

Instruction	\$ 863,488
Instructional Resources and Media Services	17,488
Curriculum and Staff Development	5,115
Instructional Leadership	6,824
School Leadership	97,228
Guidance, Counseling, & Evaluation Services	31,929
Health Services	11,152
Student Transportation	113,877
Food Services	712
Extracurricular Activities	95,774
General Administration	138,906
Plant Maintenance and Operations	213,241
Security and Monitoring Services	11,817
Data Processing Services	39,226
	<u>\$ 1,646,777</u>

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**E. Interfund Balances and Activities**

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2019, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Agency Funds	General Fund	\$ 424	Temporary advances
Agency Funds	Other Governmental Funds	1,992	Temporary advances
	Total	<u>\$ 2,416</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Other Governmental Funds	General fund	\$ 63,965	Disaster grants
	Total	<u>\$ 63,965</u>	

**F. Long-Term Obligations**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 35,202,009	\$ 8,310,000	\$ 9,437,009	\$ 34,075,000	\$ 1,360,000
Accretion on CAB's	454,706	--	454,706	--	--
Premium/Discount	1,428,181	493,327	100,182	1,821,326	--
Accounting loss on refunding	(832,957)	(88,353)	(49,008)	(872,302)	--
	<u>36,251,939</u>	<u>8,714,974</u>	<u>9,942,889</u>	<u>35,024,024</u>	<u>1,360,000</u>
Net Pension Liability *	2,993,066	2,574,445	321,095	5,246,416	--
Net OPEB Liability *	7,213,148	600,503	106,484	7,707,167	--
Total governmental activities	<u>\$ 46,458,153</u>	<u>\$ 11,889,922</u>	<u>\$ 10,370,468</u>	<u>\$ 47,977,607</u>	<u>\$ 1,360,000</u>
				Due Within One Year	\$ 1,360,000
				Due in More Than One Year	33,664,024
					<u>\$ 35,024,024</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The following table displays total principal debt outstanding by issuance as of year end.

Date of Issue	Description	Interest Rates	Original Issue	Final Maturity Date	Debt Principal
3/1/2015	Series 2015	3.75 to 5	9,239,998	8/15/2037	8,540,000
8/1/2016	Series 2016	2.0 to 3.0	9,410,000	8/15/2038	8,425,000
5/1/2017	Series 2017	3.5 to 4.75	9,390,000	8/15/2037	8,850,000
10/1/2018	Series 2018	3 to 4	8,310,000	8/15/2038	8,260,000
					\$ 34,075,000

### 2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2019, are as follows:

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2020	\$ 1,360,000	1,066,895	2,426,895
2021	1,415,000	1,020,895	2,435,895
2022	1,450,000	973,345	2,423,345
2023	1,500,000	923,295	2,423,295
2024	1,555,000	870,395	2,425,395
2025-2029	8,540,000	3,572,363	12,112,363
2030-2034	9,000,000	2,256,629	11,256,629
2035-2039	9,255,000	849,293	10,104,293
Totals	\$ 34,075,000	\$ 11,533,110	\$ 45,608,110

### 3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2019, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
2007	\$ 9,140,000
2008	11,530,000
2009	8,120,000
Total	\$ 28,790,000

In October 2018, the District issued \$8,310,000 in Unlimited Tax Refunding Bonds to refund the District's Series 2009 bonds. The proceeds of the refunding bonds net of the related debt service costs amounted to \$8.8 million and were deposited with an escrow agent to purchase direct obligations of the United States. As a result of the refunding, the District decreased its aggregate debt service payment to maturity by \$1.2 million and realized an economic gain (difference between the present value of debt service payments on the old debt and the new debt) of \$926 thousand. The accounting loss (\$88 thousand) along with \$493 thousand in premium will be deferred and amortized over the life of the refunding bonds.



## **HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019*

#### G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, 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.

#### H. Pension Plan

##### 1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and 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.

##### 2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

##### 4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<b>Contribution Rates</b>	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 350,474	
District's 2019 Member Contributions	\$ 968,468	
2018 NECE On-Behalf Contributions (state)	\$ 669,876	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July, 2018.

6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Rate of Return</b>			
<b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
<b>Total</b>	<b>100.0%</b>		<b>7.2%</b>

\* Target allocation are based on the FY 2016 policy model.

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 7,918,100	\$ 5,246,416	\$ 3,083,530

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

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

At June 30, 2019, the District reported a liability of \$5,246,416 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	\$ 5,246,416
State's proportionate share that is associated with District	<u>10,952,021</u>
Total	<u>\$ 16,198,437</u>

The net pension liability was measured as of June 30, 2017 and rolled forward to June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0095316%. which was an increase (decrease) of .0001708281% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation -**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

## HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$1,840,928 and revenue of \$1,083,958 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,702	\$ 128,726
Changes in actuarial assumptions	1,891,586	59,112
Difference between projected and actual investment earnings	--	99,547
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	730,049	156,103
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>299,658</u>	<u>--</u>
Total	<u>\$ 2,953,995</u>	<u>\$ 443,488</u>

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

Year Ended June 30	Pension Expense Amount
2020	\$ 622,486
2021	\$ 412,995
2022	\$ 346,854
2023	\$ 317,463
2024	\$ 297,844
Thereafter	\$ 213,206

#### I. Defined Other Post-Employment Benefit Plans

##### 1. 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.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2018	2019
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 2019 Employer Contributions	\$	114,943
District's 2019 Member Contributions	\$	81,736
2018 NECE On-Behalf Contributions (state)	\$	144,055

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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



**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
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.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

\*Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

\*\*8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

\*\*\* Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 9,174,177	\$ 7,707,167	\$ 6,546,668

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

At June 30, 2019, the District reported a liability of \$7,707,167 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	\$ 7,707,167
State's proportionate share that is associated with the District	\$ <u>10,441,366</u>
 Total	 \$ <u><u>18,148,533</u></u>

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0154357, compared to .0165871927% at August 31, 2018.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 6,400,928	\$ 7,707,167	\$ 9,427,512

9. Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

## **HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED JUNE 30, 2019*

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850 / \$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized OPEB expense of \$478,481 and revenue of \$379,794 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 408,991	\$ 121,630
Changes in actuarial assumptions	128,612	2,315,561
Differences between projected and actual investment earnings	1,348	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	28	631,833
Contributions paid to TRS subsequent to the measurement date	<u>98,144</u>	
Total	<u>\$ 637,123</u>	<u>\$ 3,069,024</u>

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

Year ended August 31,	Amount
2020	\$ (381,930)
2021	\$ (381,930)
2022	\$ (381,930)
2023	\$ (382,185)
2024	\$ (382,331)
Thereafter	\$ (619,741)

10. Medicare Part D Subsidies

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. For the current fiscal year ended June 30, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$39,272.

J. Employee Health Care Coverage

During the current fiscal year, employees of the District were covered by a statewide health insurance plan, TRS Active Care. The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. Administration is provided by Aetna.

The latest financial information on TRS Active Care is available from TRS (see note on pension plan).

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at June 30, 2019.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides HELP: Type in the specific service provided by the SSA in place of the word "services on the line below. special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in HELP: Type in the specific fund in place of "a special revenue fund" on the line below. a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Hardin-Jefferson ISD	\$ 321,049
Hamshire Fannett ISD	293,077
Total	\$ <u>614,126</u>

### *Required Supplementary Information*

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

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT G-1  
 Page 1 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
<b>REVENUES:</b>					
5700	<i>Local and Intermediate Sources</i>	\$ 8,533,047	\$ 9,428,812	\$ 10,584,970	\$ 1,156,158
5800	<i>State Program Revenues</i>	7,949,521	7,949,521	10,091,217	2,141,696
5900	<i>Federal Program Revenues</i>	111,250	111,250	283,274	172,024
5020	<b>Total Revenues</b>	<u>16,593,818</u>	<u>17,489,583</u>	<u>20,959,461</u>	<u>3,469,878</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	<i>Instruction</i>	9,330,569	9,705,456	9,510,943	194,513
0012	<i>Instructional Resources and Media Services</i>	128,729	196,560	179,889	16,671
0013	<i>Curriculum and Staff Development</i>	137,073	57,488	31,443	26,045
	<b>Total Instruction &amp; Instr. Related Services</b>	<u>9,596,371</u>	<u>9,959,505</u>	<u>9,722,275</u>	<u>237,230</u>
Instructional and School Leadership:					
0021	<i>Instructional Leadership</i>	156,700	76,700	31,907	44,793
0023	<i>School Leadership</i>	1,039,025	1,092,830	1,071,062	21,768
	<b>Total Instructional &amp; School Leadership</b>	<u>1,195,725</u>	<u>1,169,530</u>	<u>1,102,969</u>	<u>66,561</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling and Evaluation Services</i>	358,880	358,880	335,698	23,182
0033	<i>Health Services</i>	125,346	125,346	98,598	26,748
0034	<i>Student (Pupil) Transportation</i>	1,100,467	1,279,967	1,252,599	27,368
0035	<i>Food Services</i>	8,000	8,000	4,432	3,568
0036	<i>Cocurricular/Extracurricular Activities</i>	831,038	1,076,489	1,052,959	23,530
	<b>Total Support Services - Student (Pupil)</b>	<u>2,423,731</u>	<u>2,848,682</u>	<u>2,744,286</u>	<u>104,396</u>
Administrative Support Services:					
0041	<i>General Administration</i>	824,788	1,561,288	1,451,455	109,833
	<b>Total Administrative Support Services</b>	<u>824,788</u>	<u>1,561,288</u>	<u>1,451,455</u>	<u>109,833</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	2,421,593	2,396,803	2,291,861	104,942
0052	<i>Security and Monitoring Services</i>	88,799	132,816	122,967	9,849
0053	<i>Data Processing Services</i>	440,898	440,898	427,347	13,551
	<b>Total Support Services - Nonstudent Based</b>	<u>2,951,290</u>	<u>2,970,517</u>	<u>2,842,175</u>	<u>128,342</u>
Capital Outlay:					
0081	<i>Capital Outlay</i>	--	1,516,009	832,443	683,566
	<b>Total Capital Outlay</b>	<u>--</u>	<u>1,516,009</u>	<u>832,443</u>	<u>683,566</u>
Intergovernmental Charges:					
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	326,000	326,000	312,000	14,000
0095	<i>Payments to Juvenile Justice Alternative</i>				
0095	<i>Education Programs</i>	11,000	11,349	11,349	--
0099	<i>Other Intergovernmental Charges</i>	247,000	247,000	226,786	20,214
	<b>Total Intergovernmental Charges</b>	<u>584,000</u>	<u>584,349</u>	<u>550,135</u>	<u>34,214</u>
6030	<b>Total Expenditures</b>	<u>17,575,905</u>	<u>20,609,880</u>	<u>19,245,738</u>	<u>1,364,142</u>

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

**EXHIBIT G-1**  
 Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(982,087)	(3,120,297)	1,713,723	4,834,020
	Other Financing Sources (Uses):				
7915	Transfers In	--	--	63,965	63,965
7080	Total Other Financing Sources and (Uses)	--	--	63,965	63,965
1200	Net Change in Fund Balance	(982,087)	(3,120,297)	1,777,688	4,897,985
0100	Fund Balance - Beginning	7,908,238	7,908,238	7,908,238	--
3000	Fund Balance - Ending	\$ 6,926,151	\$ 4,787,941	\$ 9,685,926	\$ 4,897,985



# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS \*

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.9531586%	0.0093608%	0.0099897%	0.0102275%	0.0021233%
District's proportionate share of the net pension liability (asset)	\$ 5,246,416	\$ 2,993,066	\$ 3,774,958	\$ 3,615,285	\$ 1,314,761
State's proportionate share of the net pension liability (asset) associated with the District	10,952,021	6,521,824	7,991,312	7,621,686	6,770,880
Total	<u>\$ 16,198,437</u>	<u>\$ 9,514,890</u>	<u>\$ 11,766,270</u>	<u>\$ 11,236,971</u>	<u>\$ 8,085,641</u>
District's covered-employee payroll	\$ 12,265,233	\$ 11,872,338	\$ 11,924,213	\$ 11,499,882	\$ 11,118,545
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.77%	25.21%	31.66%	31.44%	11.82%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Measurement Year Ended August 31,				
2013	2012	2011	2010	2009
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Fiscal Year				
	2018	2017	2017	2016	2015
Contractually required contribution	\$ 350,474	\$ 322,485	\$ 309,508	\$ 317,558	\$ 276,870
Contributions in relation to the contractually required contribution	(350,474)	(322,485)	(309,508)	(317,558)	(276,870)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 12,578,783	\$ 12,185,386	\$ 11,893,403	\$ 11,843,038	\$ 11,467,710
Contributions as a percentage of covered-employee payroll	2.79%	2.65%	2.60%	2.68%	2.41%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**EXHIBIT G-3**

		Fiscal Year					
		2014	2013	2012	2011	2010	
\$	--	\$	--	\$	--	\$	--
	--		--		--		--
\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>
\$	--	\$	--	\$	--	\$	--
	--		--		--		--

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
TEACHERS RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \*

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's proportion of the collective net OPEB liability	0.015436%	0.016587%	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 7,707,167	\$ 7,213,148	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 10,441,366	\$ 9,268,863	\$ 1	\$ --	\$ --
Total	<u>\$ 18,148,533</u>	<u>\$ 16,482,011</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 12,265,233	\$ 11,872,338	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	62.84%	60.76%	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	1.570%	0.910%	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Measurement Year Ended August 31,				
2013	2012	2011	2010	2009
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

### TEACHER RETIREMENT SYSTEM OF TEXAS

#### LAST TEN FISCAL YEARS \*

	Fiscal Year Ended				
	2018	2018	2017	2016	2015
Statorily or contractually required District contribution	\$ 114,943	\$ 104,175	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(114,943)	(104,175)	--	--	--
Contribution deficiency (excess)	<u>\$ 229,886</u>	<u>\$ 208,350</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 12,574,822	\$ 12,185,485	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.91%	0.85%	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Fiscal Year Ended				
2014	2013	2012	2011	2010
\$ --	\$ --	\$ --	\$ --	\$ --
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
\$ --	\$ --	\$ --	\$ --	\$ --



# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

### Budget

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

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

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

### Defined Benefit Pension Plan

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

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

### *Other Supplementary Information*

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

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2019*

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
2011		1.04		.235		1,015,280,784
2012		1.04		.245		919,133,696
2013		1.04		.23		928,220,056
2014		1.04		.26		805,809,952
2015		1.04		.28		806,914,394
2016		1.04		.28		791,045,682
2017		1.04		.33		749,102,773
2018		1.04		.30		834,187,036
2019 (School Year Under Audit)		1.04		.30		825,617,812

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 7/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
\$ 625,884	\$ --	\$ 20,427	\$ 2,878	\$ (24,337)	\$ 578,243
109,912	--	10,967	2,953	--	95,992
96,014	--	2,633	595	(20)	92,766
194,233	--	(8,742)	(2,059)	(16,907)	188,128
112,784	--	(3,629)	(803)	(15,422)	101,793
128,630	--	12,772	3,193	4,726	117,390
168,393	--	18,066	4,864	(119)	145,345
239,590	--	31,480	8,475	(5,820)	193,815
477,100	--	172,465	54,725	(23,617)	226,293
--	11,063,279	8,175,357	2,358,276	(21,595)	508,050
<u>\$ 2,152,540</u>	<u>\$ 11,063,279</u>	<u>\$ 8,431,796</u>	<u>\$ 2,433,097</u>	<u>\$ (103,112)</u>	<u>\$ 2,247,814</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 499,500	\$ 516,805	\$ 17,305
5800 <i>State Program Revenues</i>	4,961	27,316	22,355
5900 <i>Federal Program Revenues</i>	570,000	594,353	24,353
5020 <b>Total Revenues</b>	<u>1,074,461</u>	<u>1,138,474</u>	<u>64,013</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	976,251	912,767	63,484
<b>Total Support Services - Student (Pupil)</b>	<u>976,251</u>	<u>912,767</u>	<u>63,484</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	98,000	68,539	29,461
<b>Total Support Services - Nonstudent Based</b>	<u>98,000</u>	<u>68,539</u>	<u>29,461</u>
Capital Outlay:			
0081 <i>Capital Outlay</i>	19,000	8,208	10,792
<b>Total Capital Outlay</b>	<u>19,000</u>	<u>8,208</u>	<u>10,792</u>
6030 <b>Total Expenditures</b>	<u>1,093,251</u>	<u>989,514</u>	<u>103,737</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	(18,790)	148,960	167,750
1200 <b>Net Change in Fund Balance</b>	<u>(18,790)</u>	<u>148,960</u>	<u>167,750</u>
0100 <b>Fund Balance - Beginning</b>	419,868	419,868	--
3000 <b>Fund Balance - Ending</b>	<u>\$ 401,078</u>	<u>\$ 568,828</u>	<u>\$ 167,750</u>

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 2,367,650	\$ 2,494,752	\$ 127,102
5800 <i>State Program Revenues</i>	--	70,152	70,152
5020 <b>Total Revenues</b>	<u>2,367,650</u>	<u>2,564,904</u>	<u>197,254</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,385,000	922,008	462,992
0072 <i>Interest on Long-Term Debt</i>	1,113,244	1,527,712	(414,468)
0073 <i>Bond Issuance Costs and Fees</i>	656,523	839,416	(182,893)
<b>Total Debt Service</b>	<u>3,154,767</u>	<u>3,289,136</u>	<u>(134,369)</u>
6030 <b>Total Expenditures</b>	<u>3,154,767</u>	<u>3,289,136</u>	<u>(134,369)</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>(787,117)</u>	<u>(724,232)</u>	<u>62,885</u>
Other Financing Sources (Uses):			
7901 <i>Refunding Bonds Issued</i>	--	8,310,000	8,310,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	493,327	493,327
8940 <i>Payment to Bond Refunding Escrow Agent</i>	--	(8,603,353)	(8,603,353)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>199,974</u>	<u>199,974</u>
1200 <b>Net Change in Fund Balance</b>	<u>(787,117)</u>	<u>(524,258)</u>	<u>262,859</u>
0100 <b>Fund Balance - Beginning</b>	<u>2,581,446</u>	<u>2,581,446</u>	<u>--</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ 1,794,329</u>	<u>\$ 2,057,188</u>	<u>\$ 262,859</u>

**West, Davis & Company, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

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

Board of Trustees  
Hardin-Jefferson Independent School District  
Sour Lake, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin-Jefferson Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hardin-Jefferson Independent School District's basic financial statements, and have issued our report thereon dated November 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hardin-Jefferson Independent School 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 Hardin-Jefferson Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin-Jefferson Independent School District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hardin-Jefferson Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



West, Davis & Company, LLP  
Austin, Texas  
November 4, 2019



**West, Davis & Company, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Hardin-Jefferson Independent School District  
Sour Lake, Texas

Members of the Board of Trustees:

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

We have audited the Hardin-Jefferson Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hardin-Jefferson Independent School District's major federal program for the year ended June 30, 2019. Hardin-Jefferson Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Hardin-Jefferson Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

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



West, Davis & Company, LLP  
Austin, Texas  
November 4, 2019

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Public Assistance Grants	94.036

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

# HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71401901	\$ --	\$ 121,913
National School Lunch Program (Non-cash)	10.555	100-905	--	59,340
National School Lunch Program	10.555	71301901	--	413,100
Total CFDA Number 10.555			--	472,440
Total Passed Through State Department of Education			--	594,353
Total U. S. Department of Agriculture			--	594,353
Total Child Nutrition Cluster			--	594,353
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
SSA IDEA-B Formula	84.027A	186600011009056000	--	397,387
SSA IDEA-B Discretionary	84.027A	186600061009056000	--	33,259
SSA IDEA-B Formula	84.027A	196600011009056000	--	427,115
SSA IDEA-B Discretionary	84.027A	196600061009056000	--	56,910
Total CFDA Number 84.027A			--	914,671
SSA IDEA-B Preschool	84.173A	186610011009056000	--	8,399
SSA IDEA-B Preschool	84.173A	196610011009056000	--	26,586
Total CFDA Number 84.173A			--	34,985
Total Passed Through State Department of Education			--	949,656
Total U. S. Department of Education			--	949,656
Total Special Education (IDEA) Cluster			--	949,656
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101100905	--	1,074
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101100905	--	179,659
Total CFDA Number 84.010A			--	180,733
Career and Technical - Basic Grant	84.048A	18420006100905	--	472
Career and Technical - Basic Grant	84.048A	19420006100905	--	11,531
Total CFDA Number 84.048A			--	12,003
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	19694501100905	--	34,762
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.424A	100-905	--	1,098
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.424A	100-905	--	3,784
Total CFDA Number 84.424A			--	4,882
Total Passed Through State Department of Education			--	232,380
Total U. S. Department of Education			--	232,380
<b>FEMA</b>				
Passed Through Texas Division of Emergency Management:				
Public Assistance Grant, Texas Hurricane Harvey	97.036	4332DRTXP0000001	--	3,720,435
Total FEMA			--	3,720,435
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ --	\$ 5,496,824

The accompanying notes are an integral part of this schedule.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED JUNE 30, 2019*

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Hardin-Jefferson Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Hardin-Jefferson Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*  
*AS OF JUNE 30, 2019*

<u>Data Control Codes</u>	<u>Responses</u>
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 at fiscal year end?  No
SF4	Was there an unmodified opinion in the Annual Financial Report?  Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?  Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?  Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?  \$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.  \$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.  \$ 5,246,416
SF13	Pension Expense (object 6147) at fiscal year-end.  \$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."