

**HARDIN-JEFFERSON
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Hardin-Jefferson Independent School District
Annual Financial Report
For The Year Ended June 30, 2020

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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, 2020, at a meeting of the board of trustees of such school district on the 16th day of November, 2020.



Signature of Board Secretary



Signature of Board President

Via- MA

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
www.westdavis.com / gary@westdavis.com

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, 2020, 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, 2020, 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 6, 2020 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 6, 2020

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, 2020. 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 \$2.5 million.

Table I
Hardin-Jefferson Independent School District

	NET POSITION	
	in thousands	
	Governmental Activities	
	2020	2019
Current and other assets	23,868	17,670
Capital assets	37,219	35,825
Total assets	<u>61,087</u>	<u>53,495</u>
Deferred outflow related to pensions	2,616	2,954
Deferred outflow related to OPEB	1,480	637
Total deferred outflows of resources	<u>4,096</u>	<u>3,591</u>
Long-term liabilities	46,561	47,978
Other liabilities	7,550	1,885
Total liabilities	<u>54,111</u>	<u>49,863</u>
Deferred inflow related to pensions	966	443
Deferred inflow related to OPEB	3,918	3,069
Total deferred inflows of resources	<u>4,884</u>	<u>3,512</u>
Net position:		
Invested in capital assets, net of related debt	4,735	2,791
Restricted	2,996	2,931
Unrestricted	-1,543	-2,011
Total net position	<u>6,188</u>	<u>3,711</u>

Table II
Hardin-Jefferson Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	519	625
Operating grants and contributions	2,919	3,034
General revenues:		
Maintenance and operations taxes	9,659	8,657
Debt service taxes	2,993	2,485
State aid - formula grants	12,380	10,426
Investment Earnings	185	154
Miscellaneous	700	2,640
Total Revenues	<u>29,355</u>	<u>28,021</u>
Expenses:		
Instruction, curriculum and media services	14,259	12,217
Instructional and school leadership	1,733	1,496
Student support services	2,568	2,167
Child nutrition	1,094	941
Extracurricular activities	946	1,161
General administration	1,121	1,631
Plant maintenance, security & data processing	3,784	3,476
Debt services	1,100	1,930
Other	273	1,303
Total Expenses	<u>26,878</u>	<u>26,322</u>
Change in Net Position	<u>2,477</u>	<u>1,699</u>

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 \$7.8 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 \$13.9 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 2019). 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 2020, the District had \$37.2 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 \$32.7 million in bonds outstanding versus \$34.1 million last year. More detailed information about the District's long-term liabilities is presented in Note F 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 2020 budget and tax rates. Those factors include changes in enrollment, property values, the economy, and legislative mandates.

Over the last three years enrollment has continued to increase at an average of 3.72%, with a 7% increase in 2019-2020. This, in addition to an increase in taxable property values of 23.5%, led the District to adopt a surplus budget of \$1 million. The Maintenance & Operations (M&O) tax rate was decreased to \$0.97, while the Interest & Sinking (I&S) tax rate increased to \$0.30.

During 2020, the District dealt with the COVID-19 pandemic, which resulted in school closures and students learning remotely from home. This created many challenges for the District including, remote teaching, staffing, and budgeting. Despite these challenges, the District remained one of the top performing districts in the area and was able to use the \$450 thousand surplus created along with fund balance to complete \$1 million in capital projects in the summer of 2019-2020.

The District is taking a conservative approach to budgeting for 2020-2021. Non-essential capital projects will not be funded and fund balance will be preserved in order to compensate for any further issues that may develop due to the COVID-19 pandemic.

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, 2020

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 17,361,440
1225	<i>Property Taxes Receivable (Net)</i>	2,384,198
1240	<i>Due from Other Governments</i>	3,852,748
1290	<i>Other Receivables (Net)</i>	7,700
1300	<i>Inventories</i>	407
1410	<i>Unrealized Expenses</i>	261,721
Capital Assets:		
1510	<i>Land</i>	337,750
1520	<i>Buildings and Improvements, Net</i>	33,832,237
1530	<i>Furniture and Equipment, Net</i>	1,428,093
1550	<i>Capital Lease Assets, Net</i>	1,000
1580	<i>Construction in Progress</i>	1,619,814
1000	Total Assets	<u>61,087,108</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	2,616,026
	<i>Deferred Outflow Related to OPEB</i>	1,479,941
1700	Total Deferred Outflows of Resources	<u>4,095,967</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	747,104
2140	<i>Interest Payable</i>	390,925
2165	<i>Accrued Liabilities</i>	1,525,119
2177	<i>Due to Fiduciary</i>	32
2180	<i>Due to Other Governments</i>	296,693
2300	<i>Unearned Revenue</i>	4,590,050
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	1,415,000
2502	<i>Due in More Than One Year</i>	32,197,850
2540	<i>Net Pension Liability</i>	5,170,806
2545	<i>Net OPEB Liability</i>	7,777,977
2000	Total Liabilities	<u>54,111,556</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	965,688
	<i>Deferred Inflow Related to OPEB</i>	3,918,102
2600	Total Deferred Inflows of Resources	<u>4,883,790</u>
NET POSITION:		
3200	Net Investment in Capital Assets	4,734,719
Restricted For:		
3850	Debt Service	2,712,982
3870	Campus Activities	81,325
3890	Other Purposes	201,821
3900	Unrestricted	(1,543,118)
3000	Total Net Position	<u>\$ 6,187,729</u>

The accompanying notes are an integral part of this statement.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

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		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 14,036,794	\$ 49,990	\$ 1,952,155	\$ (12,034,649)	
12	<i>Instructional Resources and Media Services</i>	182,152	--	--	(182,152)	
13	<i>Curriculum and Staff Development</i>	40,023	--	136	(39,887)	
21	<i>Instructional Leadership</i>	371,786	--	--	(371,786)	
23	<i>School Leadership</i>	1,360,848	--	--	(1,360,848)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	867,150	--	95,740	(771,410)	
33	<i>Health Services</i>	147,763	--	--	(147,763)	
34	<i>Student Transportation</i>	1,552,899	--	340	(1,552,559)	
35	<i>Food Service</i>	1,093,760	426,887	741,233	74,360	
36	<i>Cocurricular/Extracurricular Activities</i>	945,730	39,266	--	(906,464)	
41	<i>General Administration</i>	1,120,907	--	--	(1,120,907)	
51	<i>Facilities Maintenance and Operations</i>	3,263,741	2,625	114,312	(3,146,804)	
52	<i>Security and Monitoring Services</i>	170,767	--	12,898	(157,869)	
53	<i>Data Processing Services</i>	349,059	--	--	(349,059)	
72	<i>Interest on Long-term Debt</i>	1,099,040	--	--	(1,099,040)	
73	<i>Bond Issuance Costs and Fees</i>	1,030	--	--	(1,030)	
93	<i>Payments Related to Shared Services Arrangements</i>	1,536	--	1,536	--	
95	<i>Payments to Juvenile Justice Alternative Ed. Programs</i>	11,349	--	--	(11,349)	
99	<i>Other Intergovernmental Charges</i>	261,074	--	--	(261,074)	
TG	Total Governmental Activities	<u>26,877,408</u>	<u>518,768</u>	<u>2,918,350</u>	<u>(23,440,290)</u>	
TP	Total Primary Government	<u>\$ 26,877,408</u>	<u>\$ 518,768</u>	<u>\$ 2,918,350</u>	<u>(23,440,290)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				9,659,147	
DT	<i>Property Taxes, Levied for Debt Service</i>				2,993,264	
IE	<i>Investment Earnings</i>				184,671	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				12,379,640	
MI	<i>Miscellaneous</i>				700,346	
TR	Total General Revenues				<u>25,917,068</u>	
CN	Change in Net Position				<u>2,476,778</u>	
NB	Net Position - Beginning				<u>3,710,951</u>	
NE	Net Position - Ending				<u>\$ 6,187,729</u>	

The accompanying notes are an integral part of this statement.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT*BALANCE SHEET - GOVERNMENTAL FUNDS*

JUNE 30, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 13,514,408	\$ 2,648,892	\$ 995,336	\$ 17,158,636
1225	Taxes Receivable, Net	1,932,541	451,657	--	2,384,198
1240	Due from Other Governments	3,459,025	--	393,723	3,852,748
1290	Other Receivables	7,700	--	--	7,700
1300	Inventories	--	--	407	407
1000	Total Assets	<u>18,913,674</u>	<u>3,100,549</u>	<u>1,389,466</u>	<u>23,403,689</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 536,653	\$ --	\$ 199,951	\$ 736,604
2160	Accrued Wages Payable	1,480,354	--	--	1,480,354
2170	Due to Other Funds	32	--	--	32
2180	Due to Other Governments	261,251	--	35,442	296,693
2200	Accrued Expenditures	25,548	--	19,217	44,765
2300	Unearned Revenue	6,495,088	451,657	27,503	6,974,248
2000	Total Liabilities	<u>8,798,926</u>	<u>451,657</u>	<u>282,113</u>	<u>9,532,696</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	407	407
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	676,456	676,456
3470	Capital Acquisitions & Contractual Obligations	--	--	217,100	217,100
3480	Retirement of Long-Term Debt	--	2,648,892	--	2,648,892
3490	Other Restrictions of Fund Balance	--	--	213,390	213,390
Committed Fund Balances:					
3545	Other Committed Fund Balance	4,242,742	--	--	4,242,742
3600	Unassigned	5,872,006	--	--	5,872,006
3000	Total Fund Balances	<u>10,114,748</u>	<u>2,648,892</u>	<u>1,107,353</u>	<u>13,870,993</u>
4000	Total Liabilities and Fund Balances	<u>\$ 18,913,674</u>	<u>\$ 3,100,549</u>	<u>\$ 1,389,466</u>	<u>\$ 23,403,689</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, 2020*

Total fund balances - governmental funds balance sheet	\$ 13,870,993
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.	37,218,894
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,384,198
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	192,304
Payables for bond principal which are not due in the current period are not reported in the funds.	(32,715,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(390,925)
Unrealized insurance premiums are amortized in the SNP but not in the funds.	261,721
Bond premiums are amortized in the SNP but not in the funds.	(1,721,144)
The accounting loss on refunding bonds is not reported in the funds.	823,294
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,170,806)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(965,688)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,616,026
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,777,977)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,918,102)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,479,941</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 6,187,729</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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 10,198,037	\$ 2,941,365	\$ 590,315	\$ 13,729,717
5800 State Program Revenues	11,952,275	78,264	359,282	12,389,821
5900 Federal Program Revenues	301,173	--	1,810,063	2,111,236
5020 Total Revenues	<u>22,451,485</u>	<u>3,019,629</u>	<u>2,759,660</u>	<u>28,230,774</u>
EXPENDITURES:				
Current:				
0011 Instruction	11,062,871	--	1,034,736	12,097,607
0012 Instructional Resources and Media Services	140,623	--	18,415	159,038
0013 Curriculum and Staff Development	35,500	--	1,597	37,097
0021 Instructional Leadership	327,588	--	--	327,588
0023 School Leadership	1,106,016	--	52,104	1,158,120
0031 Guidance, Counseling, & Evaluation Services	654,756	--	95,707	750,463
0033 Health Services	125,302	--	--	125,302
0034 Student Transportation	1,359,002	--	1,289	1,360,291
0035 Food Service	4,366	--	1,023,300	1,027,666
0036 Cocurricular/Extracurricular Activities	803,210	--	15,671	818,881
0041 General Administration	964,576	--	238	964,814
0051 Facilities Maintenance and Operations	3,191,753	--	326,508	3,518,261
0052 Security and Monitoring Services	145,970	--	12,898	158,868
0053 Data Processing Services	300,351	--	--	300,351
0071 Principal on Long-term Debt	--	1,360,000	--	1,360,000
0072 Interest on Long-term Debt	--	1,066,895	--	1,066,895
0073 Bond Issuance Costs and Fees	--	1,030	--	1,030
0081 Capital Outlay	1,528,357	--	972,414	2,500,771
0093 Payments to Shared Service Arrangements	--	--	1,536	1,536
0095 Payments to Juvenile Justice Alternative	--	--	--	--
0095 Education Programs	11,349	--	--	11,349
0099 Other Intergovernmental Charges	261,074	--	--	261,074
6030 Total Expenditures	<u>22,022,664</u>	<u>2,427,925</u>	<u>3,556,413</u>	<u>28,007,002</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	428,821	591,704	(796,753)	223,772
1200 Net Change in Fund Balances	<u>428,821</u>	<u>591,704</u>	<u>(796,753)</u>	<u>223,772</u>
0100 Fund Balances - Beginning	9,685,927	2,057,188	1,904,106	13,647,221
3000 Fund Balances - Ending	<u>\$ 10,114,748</u>	<u>\$ 2,648,892</u>	<u>\$ 1,107,353</u>	<u>\$ 13,870,993</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, 2020*

Net change in fund balances - total governmental funds	\$ 223,772
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,042,757
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,648,461)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	226,297
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	68,047
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,360,000
(Increase) decrease in accrued interest from beginning of period to end of period.	16,863
The net revenue (expense) of internal service funds is reported with governmental activities.	(2,042)
The accounting loss on refunding bonds is not reported in the funds.	(49,008)
Bond premiums are reported in the funds but not in the SOA.	100,182
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(299,658)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	311,930
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(796,831)
GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(98,144)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	105,912
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(84,838)
Rounding difference	(1)
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,476,778</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, 2020

Data Control Codes		Nonmajor Internal Service Fund	Workers' Compensation
	ASSETS:		
	Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 202,804	
	Total Current Assets	<u>202,804</u>	
1000	Total Assets	<u>202,804</u>	
	LIABILITIES:		
	Current Liabilities:		
2110	<i>Accounts Payable</i>	\$ 10,500	
	Total Current Liabilities	<u>10,500</u>	
2000	Total Liabilities	<u>10,500</u>	
	NET POSITION:		
3900	<i>Unrestricted</i>		192,304
3000	Total Net Position	<u>\$ 192,304</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, 2020

Data Control Codes		Nonmajor Internal Service Fund
		Workers' Compensation
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 655
5020	Total Revenues	<u>655</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	2,697
6030	Total Expenses	<u>2,697</u>
1300	Change in Net Position	(2,042)
0100	Total Net Position - Beginning	194,346
3300	Total Net Position - Ending	<u>\$ 192,304</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, 2020

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ --
<i>Interest and Dividends on Investments</i>	655
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(227)
Net Cash Provided (Used) by Operating Activities	<u>428</u>
Cash Flows from Non-capital Financing Activities:	
<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	428
Cash and Cash Equivalents at Beginning of Year	202,376
Cash and Cash Equivalents at End of Year	<u>\$ 202,804</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (2,042)
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>	2,470
Total Adjustments	<u>2,470</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 428</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, 2020

Data Control Codes	Private-purpose Trust Funds	Scholarship Fund	Custodial Funds
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 41,859		\$ 190,706
1260 <i>Due from Other Funds</i>	32		--
1800 <i>Restricted Assets</i>	63,000		--
1000 Total Assets	<u>104,891</u>		<u>190,706</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 25,361		\$ 1,634
2190 <i>Due to Student Groups</i>	--		189,072
2000 Total Liabilities	<u>25,361</u>		<u>190,706</u>
NET POSITION:			
3800 <i>Held in Trust</i>		79,530	--
3000 Total Net Position	<u>\$ 79,530</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, 2020

	Private- Purpose Trusts	Scholarship Fund
	<u> </u>	<u> </u>
Additions:		
Investment Income	\$ 1,150	
Gifts and Bequests	--	
Total Additions	<u>1,150</u>	
Deductions:		
Scholarship Awards		<u>7,000</u>
Total Deductions		<u>7,000</u>
Change in Net Assets		(5,850)
Net Assets-Beginning of the Year		<u>85,380</u>
Net Assets-End of the Year	\$	<u><u>79,530</u></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, 2020

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, 2020

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, 2020

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, 2020

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.

The District has committed fund balance in the General Fund relating to grants received for Hurricane Harvey recovery in the amount of \$4.2 million.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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. 92, *Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

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>
None reported	Not applicable

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

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,636,293 and the bank balance was \$1,982,232. The District's cash deposits at June 30, 2020 and during the year ended June 30, 2020, 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.

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, 2020 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	35 days	*	\$ 2,962,771
Lone Star	AAAm	24 days	*	7,072,096
TexPool	AAAm	38 days	*	5,690,281
Total Investments				<u>\$ 15,725,148</u>

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, 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 shown above.

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.

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.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED JUNE 30, 2020

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. 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

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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.

D. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 337,750	\$ --	\$ --	\$ 337,750
Construction in progress	--	1,619,814	--	1,619,814
Total capital assets not being depreciated	<u>337,750</u>	<u>1,619,814</u>	<u>--</u>	<u>1,957,564</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	45,354,297	962,207	--	46,316,504
Furniture and equipment	4,258,827	460,736	--	4,719,563
Capital lease assets	1,371,707	--	--	1,371,707
Total capital assets being depreciated	<u>50,984,831</u>	<u>1,422,943</u>	<u>--</u>	<u>52,407,774</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,181,636)	(1,302,631)	--	(12,484,267)
Furniture and equipment	(2,945,640)	(345,830)	--	(3,291,470)
Capital lease assets	(1,370,707)	--	--	(1,370,707)
Total accumulated depreciation	<u>(15,497,983)</u>	<u>(1,648,461)</u>	<u>--</u>	<u>(17,146,444)</u>
Total capital assets being depreciated, net	<u>35,486,848</u>	<u>(225,518)</u>	<u>--</u>	<u>35,261,330</u>
Governmental activities capital assets, net	<u>\$ 35,824,598</u>	<u>\$ 1,394,296</u>	<u>\$ --</u>	<u>\$ 37,218,894</u>

Depreciation was charged to functions as follows:

Instruction	\$ 901,831
Instructional Resources and Media Services	11,463
Curriculum and Staff Development	2,894
Instructional Leadership	26,705
School Leadership	90,161
Guidance, Counseling, & Evaluation Services	53,375
Health Services	10,214
Student Transportation	110,784
Food Services	356
Extracurricular Activities	65,477
General Administration	78,631
Plant Maintenance and Operations	260,187
Security and Monitoring Services	11,899
Data Processing Services	24,484
	<u>\$ 1,648,461</u>

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Agency Funds	General Fund	\$ 32	Temporary advances
	Total	\$ 32	

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, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None			

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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 34,075,000	\$ --	\$ 1,360,000	\$ 32,715,000	\$ 1,415,000
Premium/Discount	1,821,326	--	100,182	1,721,144	--
Accounting loss on refunding	(872,302)	--	(49,008)	(823,294)	--
Net Pension Liability *	5,246,416	272,550	348,160	5,170,806	--
Net OPEB Liability *	7,707,167	187,538	116,728	7,777,977	--
Total governmental activities	\$ 47,977,607	\$ 460,088	\$ 1,876,062	\$ 46,561,633	\$ 1,415,000

* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

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	\$ 8,510,000
8/1/2016	Series 2016	2.0 to 3.0	9,410,000	8/15/2038	7,915,000
5/1/2017	Series 2017	3.5 to 4.75	9,390,000	8/15/2037	8,425,000
10/1/2018	Series 2018	3 to 4	8,310,000	8/15/2038	7,865,000
					\$ 32,715,000

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2020, are as follows:

Year Ending June 30,	Governmental Activities		Total
	Principal	Interest	
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	1,605,000	817,445	2,422,445
2026-2030	8,790,000	3,315,557	12,105,557
2031-2035	8,840,000	1,988,877	10,828,877
2036-2039	7,560,000	556,406	8,116,406
Totals	\$ 32,715,000	\$ 10,466,215	\$ 43,181,215

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, 2020, 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	\$ 8,755,000
2008	11,125,000
2009	7,700,000
Total	\$ 27,580,000

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 2020, 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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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.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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% (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.

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.

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

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.

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

Contribution Rates

	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2019 Employer Contributions	\$ 365,010	
District's 2019 Member Contributions	\$ 1,068,079	
2019 NECE On-Behalf Contributions (state)	\$ 678,482	

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED JUNE 30, 2020

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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

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FOR THE YEAR ENDED JUNE 30, 2020

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 7,948,280	\$ 5,170,806	\$ 2,920,516

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

At June 30, 2020, the District reported a liability of \$5,170,806 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

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 5,170,806
State's proportionate share that is associated with District	<u>10,077,111</u>
Total	<u>\$ 15,247,917</u>

The net pension liability was measured as of June 30, 2018 and rolled forward to June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.009947086%. which was an increase of 0.0004155005% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$2,679,461 and revenue of \$1,582,972 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 21,722	\$ 179,539
Changes in actuarial assumptions	1,604,238	662,947
Difference between projected and actual investment earnings	51,920	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>626,216</u>	<u>123,202</u>
Total as of August 31, 2019 measurement date	2,304,096	965,688
Contributions paid to TRS subsequent to the measurement date	<u>311,930</u>	<u>--</u>
Total	<u>\$ 2,616,026</u>	<u>\$ 965,688</u>

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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
2021	\$ 382,706
2022	\$ 314,548
2023	\$ 292,178
2024	\$ 272,103
2025	\$ 115,536
Thereafter	\$ (38,662)

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.

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>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Contribution Rates		
	2019	2020
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 2020 Employer Contributions		\$ 125,026
District's 2020 Member Contributions		\$ 90,140
2019 NECE On-Behalf Contributions (state)		\$ 155,096

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

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

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% 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 (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 9,390,513	\$ 7,777,976	\$ 6,516,487

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the District reported a liability of \$7,777,977 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	\$ 7,777,977
State's proportionate share that is associated with the District	<u>\$ 10,335,191</u>
Total	<u>\$ 18,113,168</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0164469756% which was an increase of 0.0010113144% from its proportion measured 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	\$ 6,345,000	\$ 7,777,976	\$ 9,697,506

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 (TOL) since the prior measurement period:

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, the District recognized OPEB expense of \$455,375 and revenue of \$272,393 for support provided by the State.

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 381,576	\$ 1,272,783
Changes in actuarial assumptions	432,006	2,092,085
Differences between projected and actual investment earnings	839	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	559,608	553,234
Total as of August 31, 2019 measurement date	1,374,029	3,918,102
Contributions paid to TRS subsequent to the measurement date	105,912	
Total	\$ 1,479,941	\$ 3,918,102

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,	OPEB Expense Amount
2021	\$ (438,102)
2022	\$ (438,102)
2023	\$ (438,373)
2024	\$ (438,529)
2025	\$ (438,488)
Thereafter	\$ (352,479)

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, 2020 the subsidy payment received by TRS-Care on behalf of the District was \$66,193.

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 \$278 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, 2020

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, 2020.

L. Infectious Disease Outbreak - COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, The Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, imposed limitations on social gatherings of more than 10 people, ordered closure of in-person classroom attendance at school districts through the remainder of the 2019-2020 school year and maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household. These include, for example, the issuance on June 3, 2020 of Executive Order GA-26 which, among other things, provided that public schools may resume operations for the summer as provided by, and under the minimum standard health protocols found in, guidance issued by the TEA. Notwithstanding anything therein to the contrary, schools may conduct graduation ceremonies consistent with the minimum standard health protocols found in guidance issued by TEA. Prior orders permitted public school districts to offer summer school programs, special education evaluations, specialized assessments, and individualized tutoring, under the minimum standard health protocols found in guidance issued by the TEA. Executive Order GA-26 remains in place until amended, rescinded or superseded by the Governor. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools.

On July 7, 2020, TEA issued public planning health guidance to support school systems in planning for the 2020-2021 school year, addressing on campus and virtual instruction, administrative and extracurricular activities, and school visits. Within the guidance, TEA instructs schools to provide parental and public notices of the school district's plan to follow in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others to prevent the spread of COVID-19.

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. A reduction in property values may require an increase in the ad valorem tax rate required to pay debt as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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, 2020

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 8,764,938	\$ 9,819,344	\$ 10,198,037	\$ 378,693		
5800	State Program Revenues	11,601,909	12,026,764	11,952,275	(74,489)		
5900	Federal Program Revenues	160,000	200,000	301,173	101,173		
5020	Total Revenues	20,526,847	22,046,108	22,451,485	405,377		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	11,143,015	11,274,936	11,062,871	212,065		
0012	Instructional Resources and Media Services	128,985	143,245	140,623	2,622		
0013	Curriculum and Staff Development	78,725	40,155	35,500	4,655		
	Total Instruction & Instr. Related Services	11,350,725	11,458,336	11,238,994	219,342		
Instructional and School Leadership:							
0021	Instructional Leadership	142,115	328,950	327,588	1,362		
0023	School Leadership	1,129,860	1,118,191	1,106,016	12,175		
	Total Instructional & School Leadership	1,271,975	1,447,141	1,433,604	13,537		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	490,647	655,824	654,756	1,068		
0033	Health Services	99,466	130,867	125,302	5,565		
0034	Student (Pupil) Transportation	1,408,800	1,390,291	1,359,002	31,289		
0035	Food Services	4,077	5,577	4,366	1,211		
0036	Cocurricular/Extracurricular Activities	849,101	828,115	803,210	24,905		
	Total Support Services - Student (Pupil)	2,852,091	3,010,674	2,946,636	64,038		
Administrative Support Services:							
0041	General Administration	889,819	968,294	964,576	3,718		
	Total Administrative Support Services	889,819	968,294	964,576	3,718		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	2,647,350	3,879,083	3,191,753	687,330		
0052	Security and Monitoring Services	125,000	166,500	145,970	20,530		
0053	Data Processing Services	293,354	308,804	300,351	8,453		
	Total Support Services - Nonstudent Based	3,065,704	4,354,387	3,638,074	716,313		
Capital Outlay:							
0081	Capital Outlay	--	2,407,481	1,528,357	879,124		
	Total Capital Outlay	--	2,407,481	1,528,357	879,124		
Intergovernmental Charges:							
0095	Payments to Juvenile Justice Alternative						
0095	Education Programs	11,349	11,349	11,349	--		
0099	Other Intergovernmental Charges	247,000	267,000	261,074	5,926		
	Total Intergovernmental Charges	258,349	278,349	272,423	5,926		
6030	Total Expenditures	19,688,663	23,924,662	22,022,664	1,901,998		

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2020

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	838,184	(1,878,554)	428,821	2,307,375
1200 Net Change in Fund Balance	838,184	(1,878,554)	428,821	2,307,375
0100 Fund Balance - Beginning	9,685,927	9,685,927	9,685,927	--
3000 Fund Balance - Ending	\$ 10,524,111	\$ 7,807,373	\$ 10,114,748	\$ 2,307,375

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,				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.9947086%	0.9531586%	0.0093608%	0.0099897%	0.0102275%
District's proportionate share of the net pension liability (asset)	\$ 5,170,806	\$ 5,246,416	\$ 2,993,066	\$ 3,774,958	\$ 3,615,285
State's proportionate share of the net pension liability (asset) associated with the District	10,077,111	10,952,021	6,521,824	7,991,312	7,621,686
Total	<u>\$ 15,247,917</u>	<u>\$ 16,198,437</u>	<u>\$ 9,514,890</u>	<u>\$ 11,766,270</u>	<u>\$ 11,236,971</u>
District's covered-employee payroll	\$ 12,697,454	\$ 12,265,233	\$ 11,872,338	\$ 11,924,213	\$ 11,499,882
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.72%	42.77%	25.21%	31.66%	31.44%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	82.17%	82.17%	78.00%	78.43%

* 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,					
2014	2013	2012	2011	2010	
0.0021233%	--	--	--	--	
\$ 1,314,761	\$ --	\$ --	\$ --	\$ --	
6,770,880	--	--	--	--	
<u>\$ 8,085,641</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	
\$ 11,118,545	\$ --	\$ --	\$ --	\$ --	
11.82%	--	--	--	--	
83.25%	--	--	--	--	

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year				
	2019	2018	2017	2017	2016
Contractually required contribution	\$ 365,010	\$ 350,474	\$ 322,485	\$ 309,508	\$ 317,558
Contributions in relation to the contractually required contribution	(365,010)	(350,474)	(322,485)	(309,508)	(317,558)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 13,692,631	\$ 12,578,783	\$ 12,185,386	\$ 11,893,403	\$ 11,843,038
Contributions as a percentage of covered-employee payroll	2.67%	2.79%	2.65%	2.60%	2.68%

* 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					
		2015	2014	2013	2012	2011	
\$	276,870	\$	--	\$	--	\$	--
	(276,870)		--		--		--
\$	<u> -- </u>	\$	<u> -- </u>	\$	<u> -- </u>	\$	<u> -- </u>
\$	11,467,710	\$	--	\$	--	\$	--
	2.41%		--		--		--

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,				
	2019	2018	2017	2016	2015
District's proportion of the collective net OPEB liability	0.016447%	0.015436%	0.016587%	--	--
District's proportionate share of the collective net OPEB liability	\$ 7,777,977	\$ 7,707,167	\$ 7,213,148	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 10,335,191	\$ 10,441,366	\$ 9,268,863	\$ --	\$ --
Total	\$ 18,113,168	\$ 18,148,533	\$ 16,482,011	\$ --	\$ --
District's covered-employee payroll	\$ 12,693,860	\$ 12,265,233	\$ 11,872,338	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	61.27%	62.84%	60.76%	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	2.660%	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,										
	2014	2013	2012	2011	2010					
	--	--	--	--	--					
\$	--	\$ --	\$ --	\$ --	\$ --	\$	--	\$	--	\$ --
\$	--	\$ --	\$ --	\$ --	\$ --	\$	--	\$	--	\$ --
\$	--	\$ --	\$ --	\$ --	\$ --	\$	--	\$	--	\$ --
\$	--	\$ --	\$ --	\$ --	\$ --	\$	--	\$	--	\$ --
	--	--	--	--	--					
	--	--	--	--	--					

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

LAST TEN FISCAL YEARS *

	Fiscal Year Ended				
	2020	2019	2018	2017	2016
Statorily or contractually required District contribution	\$ 125,026	\$ 114,943	\$ 104,175	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(125,026)	(114,943)	(104,175)	--	--
Contribution deficiency (excess)	\$ --	\$ 229,886	\$ 208,350	\$ --	\$ --
District's covered-employee payroll	\$ 13,692,282	\$ 12,574,822	\$ 12,185,485	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.91%	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				
2015	2014	2013	2012	2011
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<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, 2020

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, 2020*

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.04		.235		919,133,696
2013		1.04		.245		928,220,056
2014		1.04		.23		805,809,952
2015		1.04		.26		806,914,394
2016		1.04		.28		791,045,682
2017		1.04		.28		749,102,773
2018		1.04		.33		834,187,036
2019		1.04		.30		825,617,812
2020 (School Year Under Audit)		.97		.30		997,926,929

1000 Totals

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

10 Beginning Balance 7/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/20
\$ 674,235	\$ --	\$ 10,508	\$ 2,829	\$ (31,830)	\$ 629,068
92,766	--	2,350	531	(1,330)	88,555
188,128	--	2,670	629	(1,510)	183,319
101,793	--	4,377	968	(1,535)	94,913
117,390	--	(3,116)	(779)	(13,435)	107,850
145,345	--	6,578	1,771	(10,216)	126,780
193,815	--	20,778	5,594	(2,867)	164,576
226,293	--	26,169	8,304	(16,861)	174,959
508,050	--	170,485	49,178	(27,256)	261,131
--	12,673,672	9,132,620	2,824,522	(64,142)	652,388
<u>\$ 2,247,814</u>	<u>\$ 12,673,672</u>	<u>\$ 9,373,419</u>	<u>\$ 2,893,547</u>	<u>\$ (170,982)</u>	<u>\$ 2,483,538</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 500,150	\$ 426,887	\$ (73,263)
5800	State Program Revenues	25,000	33,189	8,189
5900	Federal Program Revenues	551,000	741,233	190,233
5020	Total Revenues	1,076,150	1,201,309	125,159
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	1,176,325	1,023,300	153,025
	Total Support Services - Student (Pupil)	1,176,325	1,023,300	153,025
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	58,000	41,819	16,181
	Total Support Services - Nonstudent Based	58,000	41,819	16,181
Capital Outlay:				
0081	Capital Outlay	630,000	129,598	500,402
	Total Capital Outlay	630,000	129,598	500,402
6030	Total Expenditures	1,864,325	1,194,717	669,608
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(788,175)	6,592	794,767
1200	Net Change in Fund Balance	(788,175)	6,592	794,767
0100	Fund Balance - Beginning	568,828	568,828	--
3000	Fund Balance - Ending	\$ (219,347)	\$ 575,420	\$ 794,767

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 2,926,318	\$ 2,941,365	\$ 15,047
5800 <i>State Program Revenues</i>	78,264	78,264	--
5020 <i>Total Revenues</i>	<u>3,004,582</u>	<u>3,019,629</u>	<u>15,047</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,360,000	1,360,000	--
0072 <i>Interest on Long-Term Debt</i>	1,127,329	1,066,895	60,434
0073 <i>Bond Issuance Costs and Fees</i>	5,090	1,030	4,060
<i>Total Debt Service</i>	<u>2,492,419</u>	<u>2,427,925</u>	<u>64,494</u>
6030 <i>Total Expenditures</i>	<u>2,492,419</u>	<u>2,427,925</u>	<u>64,494</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	512,163	591,704	79,541
1200 <i>Net Change in Fund Balance</i>	512,163	591,704	79,541
0100 <i>Fund Balance - Beginning</i>	2,057,188	2,057,188	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 2,569,351</u>	<u>\$ 2,648,892</u>	<u>\$ 79,541</u>

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

Board of Trustees
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, 2020, 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 6, 2020.

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.

A handwritten signature in cursive script that reads "West, Davis & Company".

West, Davis & Company, LLP
Austin, Texas
November 6, 2020

WEST, DAVIS & COMPANY, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759
www.westdavis.com / gary@westdavis.com

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 each of the Hardin-Jefferson Independent School District's major federal programs for the year ended June 30, 2020. Hardin-Jefferson Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 each of its major federal programs for the year ended June 30, 2020.

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 6, 2020

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

Version of compliance supplement used in audit: August 2020

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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	SPECIAL EDUCATION CLUSTER
84.027A	IDEA-Part B Formula
84.027A	IDEA-Part B Discretionary
84.173A	IDEA-Part B Preschool

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

HARDIN-JEFFERSON INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients
			Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402001	196,073
National School Lunch Program (Non-cash)	10.555	100-905	56,493
National School Lunch Program	10.555	71302001	488,667
Total CFDA Number 10.555			545,160
Total Passed Through State Department of Education			741,233
Total U. S. Department of Agriculture			741,233
Total Child Nutrition Cluster			741,233
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
SSA IDEA-B Formula	84.027A	19660001100905	66,765
IDEA-Part B, Formula	84.027A	20660001100905	340,022
IDEA-Part B, Discretionary	84.027A	66002006	28,116
Total CFDA Number 84.027A			434,903
SSA IDEA-B Preschool	84.173A	19661001100905	3,612
IDEA-Part B, Preschool	84.173A	20661001100905	17,609
Total CFDA Number 84.173A			21,221
Total Passed Through State Department of Education			456,124
Total U. S. Department of Education			456,124
Total Special Education (IDEA) Cluster			456,124
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101100905	53,717
ESEA Title I Part A - Improving Basic Programs	84.010A	20610101100905	176,435
Total CFDA Number 84.010A			230,152
Career and Technical - Basic Grant	84.048A	19420006100905	5,054
Career and Technical Education - Basic Grant	84.048A	20420006100905	17,220
Total CFDA Number 84.048A			22,274
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	19694501100905	9,786
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	20694501100905	25,513
Total CFDA Number 84.367A			35,299
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.424A	19680101100905	10,865
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.424A	20680101100905	12,898
Total CFDA Number 84.424A			23,763
Restart for 2019 Flooding	84.938A	20511703100905	186,906
CARES Act Coronavirus Relief Fund (CRF) - ESSER	84.425D	20521001100905	114,312
Total Passed Through State Department of Education			612,706
Total U. S. Department of Education			1,068,830
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,810,063

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, 2020

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, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --