

WEST HARDIN COUNTY CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT  
Saratoga, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2020

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## INTRODUCTORY SECTION

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2020

West Hardin County Consolidated Independent School District  
Name of School District

Hardin  
County

100-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of November, 2020.

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

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

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

## FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
West Hardin County Consolidated Independent School District  
Saratoga, 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 West Hardin County Consolidated Independent School District ("the District"), as of and for the year ended August 31, 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.

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information and required Texas Education Agency schedules, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The required TEA schedules have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
November 19, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of West Hardin County Consolidated Independent School District (the "District") for the year ending August 31, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, was \$5,033,490.
- For the fiscal year ended August 31, 2020, the District's general fund reported a total fund balance of \$3,992,202.
- At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$4,504,280.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts - *Management's Discussion and Analysis* (this section), the *Basic Financial* statements, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. These statements include a student activity fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflow/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows - the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activity:

***Governmental Activities*** - The District's basic services, such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.



## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the district in a custodial capacity - these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following finds of funds:

**Governmental Funds** - The District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**Fiduciary Funds** - The District serves as the trustee, or fiduciary, for certain funds such as student activity funds and various trust funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$5,033,490 at August 31, 2020. *Table A-1* focuses on net position while *Table A-2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2020.

*Table A-1* indicates the District's net position increased \$589,696 in total from the prior year. The details of this increase can be seen in *Table A-2*. Capital assets increased due to buses and facility repairs related to the recovery from Hurricane Harvey. The expenses changed significantly due to current year changes related to COVID-19 pandemic.

**Table A-1**  
**The District's Net Position**

	Governmental Activities		TOTAL CHANGE
	2020	2019	2020-2019
Current and other assets	\$ 5 396 941	\$ 5 116 613	\$ 280 328
Capital assets	7 093 250	6 608 704	484 546
TOTAL ASSETS	<u>12 490 191</u>	<u>11 725 317</u>	<u>764 874</u>
Deferred outflows - Pensions	1 002 548	1 009 823	(7 275)
Deferred outflows - OPEB	683 908	672 431	11 477
TOTAL DEFERRED OUTFLOWS	<u>1 686 456</u>	<u>1 682 254</u>	<u>4 202</u>
Current liabilities	566 553	608 949	(42 396)
Long-term liabilities	7 056 731	7 199 782	(143 051)
TOTAL LIABILITIES	<u>7 623 284</u>	<u>7 808 731</u>	<u>(185 447)</u>
Deferred state revenue	-	113 288	(113 288)
Deferred inflows - Pensions	357 066	195 387	161 679
Deferred inflows - OPEB	1 162 807	846 371	316 436
TOTAL DEFERRED INFLOWS	<u>1 519 873</u>	<u>1 155 046</u>	<u>364 827</u>
Net Position:			
Net investment in capital assets	3 690 662	3 228 306	462 356
Restricted	512 078	524 900	(12 822)
Unrestricted	830 750	690 588	140 162
TOTAL NET POSITION	<u>\$ 5 033 490</u>	<u>\$ 4 443 794</u>	<u>\$ 589 696</u>

**Table A-2**  
**Changes in the District's Net Position**

	GOVERNMENTAL ACTIVITIES		TOTAL CHANGE
	2020	2019	2020-2019
Revenues:			
Program Revenues:			
Charges for services	\$ 90 468	\$ 97 575	\$ (7 107)
Operating grants and contributions	786 080	1 305 940	(519 860)
General Revenues:			
Property taxes	2 856 364	2 558 619	297 745
Grants and contributions not restricted	4 153 794	3 457 274	696 520
Investment earnings	35 473	74 970	(39 497)
Other revenue	98 412	62 175	36 237
TOTAL REVENUES	<u>8 020 570</u>	<u>7 556 553</u>	<u>464 017</u>
Expenses:			
Instruction	3 536 075	3 402 356	133 719
Instructional resources and media services	90 832	89 850	982
Curriculum and staff development	12 635	22 049	(9 414)
Instructional leadership	100 111	105 531	(5 420)
School leadership	416 682	385 138	31 544
Guidance, counseling and evaluation services	92 655	91 051	1 604
Health service	43 418	45 279	(1 861)
Student (pupil) transportation	319 766	328 542	(8 776)
Food services	344 236	376 161	(31 925)
Extracurricular activities	426 768	430 149	(3 381)
General administration	456 358	452 654	3 704
Plant maintenance and operations	1 039 502	806 673	232 829
Security and monitoring services	104 027	34 400	69 627
Data processing services	220 913	137 872	83 041
Debt service - Interest	79 368	100 429	(21 061)
Payments to fiscal agent/member	299 761	292 422	7 339
Other intergovernmental charges	64 931	58 104	6 827
TOTAL EXPENSES	<u>7 648 038</u>	<u>7 158 660</u>	<u>498 378</u>
Extraordinary items	217 143	465 998	(248 855)
CHANGE IN NET POSITION	589 696	863 891	(274 195)
Beginning net position	4 443 794	3 579 903	863 891
ENDING NET POSITION	<u>\$ 5 033 490</u>	<u>\$ 4 443 794</u>	<u>\$ 589 696</u>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2020, the District's governmental funds reported a combined fund balance of \$4,504,280. This compares to a combined fund balance of \$4,152,767 at August 31, 2019. The fund balance in the general fund of \$3,992,202 increased by \$364,335 during the fiscal year. The increase can be attributed largely to an increase in extraordinary expenses related to Hurricane Harvey and loan proceeds. The fund balance in the debt service fund of \$484,580 increased by \$4,370, primarily due to increases in tax revenues.

### GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2020, the District amended its budget as required by State law and, to reflect current levels of revenue and anticipated expenditures. The general fund's actual revenues were more than budgeted revenues by \$320,860. Total general fund actual expenditures were less than budgeted expenditures by \$489,704.

## **CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2020, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2020, the District had a total of \$7,093,250 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$896,470 invested during the fiscal year ended August 31, 2020.

Major capital asset events during the fiscal year included the following:

- Buses
- Major repairs due to Hurricane damages

More detailed information about the District's capital assets can be found in Note 3 to the financial statements.

## **LONG-TERM DEBT**

At year end, the District had \$1,745,000 in unlimited tax refunding bonds, \$1,262,500 in maintenance tax notes, \$372,000 in time warrants, and \$23,088 in capital leases for a total outstanding debt of \$3,402,588 versus \$3,380,398 last year.

More detailed information about the District's long-term liabilities is presented in Note 3 to the financial statements.

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

The District's budgeted expenditures for the 2020-2021 school year total of \$8,096,140 and the District's Board adopted a maintenance and Operations tax rate of \$1.0547 and an Interest and Sinking rate of \$0.100 for a combined rate of \$1.1547 per \$100 of valuation.

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

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the West Hardin County Consolidated Independent School District business office at 39227 Hwy 105, Saratoga, Texas 77585 or by calling 936.274.5061.

## BASIC FINANCIAL STATEMENTS

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
August 31, 2020

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 4 216 219
1225	Property taxes receivable, net allowance of \$395,488	734 480
1240	Due from other governments	446 242
	Capital Assets:	
1510	Land	211 927
1520	Buildings and improvements, net	6 232 880
1530	Equipment and vehicles, net	648 443
1000	TOTAL ASSETS	<u>12 490 191</u>
	DEFERRED OUTFLOWS	
	Deferred pension outflows	1 002 548
	Deferred OPEB outflows	683 908
1700	TOTAL DEFERRED OUTFLOWS	<u>1 686 456</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>14 176 647</u>
	LIABILITIES	
2110	Accounts payable	59 019
2140	Interest payable	6 071
2165	Accrued liabilities	99 161
2501	Due within one year	402 302
	Noncurrent Liabilities:	
2502	Long-term liabilities due in more than one year	3 000 286
2516	Premium on bond payable	73 587
2550	Net OPEB liability	2 445 443
2540	Net pension liability	1 537 415
2000	TOTAL LIABILITIES	<u>7 623 284</u>
	DEFERRED INFLOWS	
	Deferred pension inflows	357 066
	Deferred OPEB inflows	1 162 807
2600	TOTAL DEFERRED INFLOWS	<u>1 519 873</u>
	NET POSITION	
3200	Net investment in capital assets	3 690 662
	Restricted for:	
3820	Federal and state programs	27 498
3850	Debt service	484 580
3900	Unrestricted	830 750
3000	TOTAL NET POSITION	<u>\$ 5 033 490</u>

The accompanying notes are an integral part of this statement.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3 PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
			CHARGES FOR SERVICES			
	Governmental Activities:					
11	Instruction	\$ 3 536 075	\$ 1 366	\$	427 520	\$ (3 107 189)
12	Instruction resources and media services	90 832	-		2 894	(87 938)
13	Curriculum and staff development	12 635	-		-	(12 635)
21	Instructional leadership	100 111	-		3 617	(96 494)
23	School leadership	416 682	-		16 351	(400 331)
31	Guidance, counseling, and evaluation services	92 655	-		5 349	(87 306)
33	Health services	43 418	-		53 894	10 476
34	Student transportation	319 766	-		6 556	(313 210)
35	Food services	344 236	65 305		228 608	(50 323)
36	Co-curricular/extracurricular activities	426 768	23 797		8 469	(394 502)
41	General administration	456 358	-		13 764	(442 594)
51	Plant maintenance and operations	1 039 502	-		12 846	(1 026 656)
52	Security and monitory services	104 027	-		3 390	(100 637)
53	Data processing services	220 913	-		2 822	(218 091)
72	Interest on long-term debt	79 368	-		-	(79 368)
93	Shared service arrangement	299 761	-		-	(299 761)
99	Other intergovernmental charges	64 931	-		-	(64 931)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>7 648 038</u>	<u>90 468</u>		<u>786 080</u>	<u>(6 771 490)</u>
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>7 648 038</u>	\$ <u>90 468</u>	\$	<u>786 080</u>	<u>(6 771 490)</u>
	General Revenues:					
MT	Property taxes, levied for general purposes					2 618 550
DT	Property taxes, levied for debt service					237 814
IE	Investment earnings					35 473
GC	Grants and contributions not restricted to specific programs					4 153 794
MI	Miscellaneous					98 412
E1	Extraordinary items - Insurance recovery					217 143
TR	TOTAL GENERAL REVENUES					<u>7 361 186</u>
CN	CHANGE IN NET POSITION					589 696
NB	Net position - Beginning					4 443 794
NE	NET POSITION - ENDING					<u>\$ 5 033 490</u>

The accompanying notes are an integral part of this statement.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS

August 31, 2020

EXHIBIT C-1

DATA CONTROL CODES		10		50		NONMAJOR GOVERN- MENTAL FUND		98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND		DEBT SERVICE FUND				
	ASSETS							
1110	Cash and cash equivalents	\$ 3 704 038		\$ 484 581		\$ 27 600		\$ 4 216 219
1225	Taxes receivable, net	671 596		62 884		-		734 480
1240	Due from other governments	215 516		-		230 726		446 242
1260	Due to other funds	205 726		-		-		205 726
1000	TOTAL ASSETS	<u>\$ 4 796 876</u>		<u>\$ 547 465</u>		<u>\$ 258 326</u>		<u>\$ 5 602 667</u>
	LIABILITIES							
2110	Accounts payable	\$ 34 019		\$ -		\$ 25 000		\$ 59 019
2160	Accrued wages payable	99 059		-		102		99 161
2170	Due to other funds	-		-		205 726		205 726
2000	TOTAL LIABILITIES	<u>133 078</u>		<u>-</u>		<u>230 828</u>		<u>363 906</u>
	DEFERRED INFLOW							
2600	Deferred revenue	671 596		62 885		-		734 481
2600	TOTAL DEFERRED INFLOWS	<u>671 596</u>		<u>62 885</u>		<u>-</u>		<u>734 481</u>
	FUND BALANCES							
	Restricted:							
3480	Debt service	-		484 580		-		484 580
3450	Grant funds	-		-		27 498		27 498
3550	Assigned for capital projects	1 500 000		-		-		1 500 000
3600	Unassigned	2 492 202		-		-		2 492 202
3000	TOTAL FUND BALANCES	<u>3 992 202</u>		<u>484 580</u>		<u>27 498</u>		<u>4 504 280</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 4 796 876</u>		<u>\$ 547 465</u>		<u>\$ 258 326</u>		<u>\$ 5 602 667</u>

The accompanying notes are an integral part of this statement.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
August 31, 2020

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 4 504 280
Amount Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, no reported in the governmental funds.	
Capital assets - Net of depreciation	7 093 250
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	734 481
Some liabilities, including debt, pension and OPEB payables, are not reported as liabilities in the governmental funds.	
Accrued interest	(6 071)
Premium on bond issuance	(73 587)
Deferred outflows - Pensions	1 002 548
Deferred inflows - Pensions	(357 066)
Net pension liability	(1 537 415)
Deferred outflows - OPEB	683 908
Deferred inflows - OPEB	(1 162 807)
Net OPEB liability	(2 445 443)
Noncurrent liabilities due in one year	(402 302)
Noncurrent liabilities due in more than one year	(3 000 286)
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u>5 033 490</u>

The accompanying notes are an integral part of this statement.



WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2020

EXHIBIT C-2

DATA CONTROL CODES		10  GENERAL FUND	50  DEBT SERVICE FUND	NONMAJOR GOVERN- MENTAL FUND	98  TOTAL GOVERN- MENTAL FUNDS
	Revenues:				
5700	Local, intermediate and out-of-state	\$ 2 683 137	\$ 238 851	\$ 65 305	\$ 2 987 293
5800	State program revenues	4 151 119	2 319	33 470	4 186 908
5900	Federal program revenues	53 894	-	377 519	431 413
5020	TOTAL REVENUES	<u>6 888 150</u>	<u>241 170</u>	<u>590 355</u>	<u>7 719 675</u>
	Expenditures:				
	Current:				
0011	Instruction	2 827 907	-	302 637	3 130 544
0012	Instructional resources and media services	74 720	-	-	74 720
0013	Curriculum and staff development	12 250	-	-	12 250
0021	Instructional leadership	90 793	-	-	90 793
0023	School leadership	373 505	-	-	373 505
0031	Guidance, counseling and evaluation services	78 878	-	-	78 878
0033	Health services	43 418	-	-	43 418
0034	Student transportation	544 067	-	-	544 067
0035	Food services	-	-	304 910	304 910
0036	Co-curricular/extracurricular activities	356 502	-	-	356 502
0041	General administration	412 654	-	-	412 654
0051	Plant maintenance and operations	929 891	-	-	929 891
0052	Security and monitoring services	91 515	-	-	91 515
0053	Data processing services	213 384	-	-	213 384
0071	Principal on long-term debt	237 359	183 100	-	420 459
0072	Interest on long-term debt	-	53 700	-	53 700
0081	Building acquisition and construction	496 923	-	-	496 923
0093	Shared services arrangements	299 761	-	-	299 761
0099	Other governmental charges	64 931	-	-	64 931
6030	TOTAL EXPENDITURES	<u>7 148 458</u>	<u>236 800</u>	<u>607 547</u>	<u>7 992 805</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(260 308)</u>	<u>4 370</u>	<u>(17 192)</u>	<u>(273 130)</u>
	Other Financing Sources (Uses):				
7919	Extraordinary items - Insurance recovery	217 143	-	-	217 143
7914	Loan proceeds	407 500	-	-	407 500
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>624 643</u>	<u>-</u>	<u>-</u>	<u>624 643</u>
1200	NET CHANGE IN FUND BALANCES	364 335	4 370	(17 192)	351 513
0100	Fund balances - Beginning	<u>3 627 867</u>	<u>480 210</u>	<u>44 690</u>	<u>4 152 767</u>
3000	FUND BALANCES - ENDING	<u>\$ 3 992 202</u>	<u>\$ 484 580</u>	<u>\$ 27 498</u>	<u>\$ 4 504 280</u>

The accompanying notes are an integral part of this statement.

WEST HARDIN COUNTY CONSOLIDATED 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 August 31, 2020

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 351 513

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(411 924)
Capital outlay	896 470

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

93 424

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Debt proceeds	(407 500)
Principal and interest payments	385 310
Change in premiums	9 198
Accrued interest	283

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension liability	(84 212)
Deferred outflows - Pensions	(7 275)
Deferred inflows - Pensions	(161 679)
Change in net OPEB liability	231 047
Deferred outflows - OPEB	11 477
Deferred inflows - OPEB	<u>(316 436)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES \$ 589 696

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2020

EXHIBIT E-1

	<u>AGENCY</u> <u>FUND</u> <u>STUDENT</u> <u>ACTIVITY</u>
ASSETS	
Cash and cash equivalents	\$ <u>73 841</u>
TOTAL ASSETS	<u>73 841</u>
LIABILITIES	
Due to students	<u>73 841</u>
TOTAL LIABILITIES	<u>73 841</u>
NET POSITION	
Held in trust	<u>-</u>
TOTAL NET POSITION	\$ <u><u>-</u></u>

The accompanying notes are an integral part of this statement.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

West Hardin County Consolidated Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

**C. Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

**General Fund** - The general fund is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund** - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. While the debt service fund does not meet the requirements to be considered a major fund, it is reported as such due to its significance.

**Special Revenue Funds** - The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

**FIDUCIARY FUNDS**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District has the following type of fiduciary funds:

**Agency Funds** - The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

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

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

3. Inventories and Prepaid Items

Inventories of supplies on balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. 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 Agriculture 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. The District maintained no inventory on hand as of August 31.

Certain payments to vendors reflect costs applicable to future accounting periods. Such payments, if any, are recorded as prepaid items in both the general government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	20-50
Vehicles	2-15
Equipment	3-15

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Net Position Flow Assumption

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

8. 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.

9. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitments (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Data Control Codes

The data control codes refer to the account code structure prescribed by the TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

12. 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.

13. 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.



WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures.

- A. Expenditures In Excess of Appropriations  
None

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

As of August 31, 2020, the District had the following investments included in cash and cash equivalents:

<u>INVESTMENTS</u>	<u>AMOUNT</u>	<u>WEIGHTED AVERAGE MATURITY</u>
Lone Star Government Overnight Fund	\$ <u>3 219 049</u>	24 days

**Interest Rate Risk** - In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

**Credit Risk** - The District's policy requires that investment pools must be rated no lower than "AAA" or "AAA-m". Bankers' acceptances must be issued in the United States and carry a rating of "A1"/"P1" as provided by two of the top nationally recognized rating agencies. As of August 31, 2020, the District's investments in Lone Star were rated "AAA-m" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency.

**Custodial Credit Risk - Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2020, demand deposit accounts and certificates of deposit were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

**Custodial Credit Risk - Investments** - For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

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 nonmembers. Lone Star is rated "AAA" by Standard and Poor's and operated in a manner consistent with 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 \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintains a net asset value of \$1.00 and the Corporate Overnight Plus maintains a net asset value of \$0.50.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end was as follows:

	BEGINNING BALANCE 09/01/2019	INCREASES	DECREASES	ENDING BALANCE 08/31/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 211 927	\$ -	\$ -	\$ 211 927
Construction in progress	904 984	521 534	(1 426 518)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATION	1 116 911	521 534	(1 426 518)	211 927
Capital Assets, Being Depreciated:				
Buildings and improvements	10 196 492	1 434 459	-	11 630 951
Equipment	454 335	25 000	-	479 335
Vehicles	1 171 173	341 995	-	1 513 168
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	11 822 000	1 801 454	-	13 623 454
Less Accumulated Depreciation for:				
Buildings and improvements	(5 085 767)	(312 304)	-	(5 398 071)
Equipment	(380 458)	(14 677)	-	(395 135)
Vehicles	(863 982)	(84 943)	-	(948 925)
TOTAL ACCUMULATED DEPRECIATION	(6 330 207)	(411 924)	-	(6 742 131)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	5 491 793	1 389 530	-	6 881 323
TOTAL CAPITAL ASSETS	\$ 6 608 704	\$ 1 911 064	\$ (1 426 518)	\$ 7 093 250

Depreciation was charged to governmental functions as follows:

	GOVERNMENTAL ACTIVITIES
11 - Instruction	\$ 107 842
12 - Instructional resources/media services	8 656
13 - Curriculum and staff development	385
23 - School leadership	1 058
34 - Student (pupil) transportation	60 652
35 - Food service	23 368
36 - Extracurricular activities	48 450
41 - General administrative	8 248
51 - Plant maintenance and operations	149 224
52 - Security and monitoring services	3 781
53 - Data processing services	260
TOTAL DEPRECIATION EXPENSE	\$ 411 924

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities:

	INTEREST RATES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:						
Bonds Payable and Other Payables:						
Unlimited tax refunding bond, series 2015	4.0-4.25%	\$ 1 935 000	\$ -	\$ (190 000)	\$ 1 745 000	\$ 195 000
Premium on bond issue		82 785	-	(9 198)	73 587	-
Maintenance tax note, series 2016	3.08%	990 000	-	(60 000)	930 000	65 000
Time warrants	2.75%	418 000	-	(46 000)	372 000	49 000
Maintenance tax note, series 2019	1.55-1.80%	-	407 500	(75 000)	332 500	80 000
Capital lease	1.46%	37 398	-	(14 310)	23 088	13 302
		<u>3 463 183</u>	<u>407 500</u>	<u>(394 508)</u>	<u>3 476 175</u>	<u>402 302</u>
Other Liabilities:						
Net pension liability		1 453 203	84 212	-	1 537 415	-
Net OPEB liability		<u>2 676 490</u>	<u>-</u>	<u>(231 047)</u>	<u>2 445 443</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES		\$ <u>7 592 876</u>	\$ <u>491 712</u>	\$ <u>(625 555)</u>	\$ <u>7 459 033</u>	\$ <u>402 302</u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end were as follows:

BONDS PAYABLE			
YEAR ENDED AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2021	\$ 195 000	\$ 40 800	\$ 235 800
2022	200 000	36 900	236 900
2023	205 000	32 900	237 900
2024	210 000	28 800	238 800
2025	220 000	24 600	244 600
2026-2028	715 000	39 800	754 800
TOTAL	\$ <u>1 745 000</u>	\$ <u>203 800</u>	\$ <u>1 948 800</u>
TAX NOTES AND TIME WARRANTS			
YEAR ENDED AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2021	\$ 194 000	\$ 43 525	\$ 237 525
2022	197 500	38 902	236 402
2023	206 000	34 088	240 088
2024	208 000	29 041	237 041
2025	130 000	23 881	153 821
2026-2030	519 000	64 405	583 405
2031-2032	180 000	5 544	185 544
TOTAL	\$ <u>1 634 500</u>	\$ <u>239 326</u>	\$ <u>1 873 826</u>
CAPITAL LEASE			
YEAR ENDED AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2021	\$ 13 302	\$ 228	\$ 13 530
2022	9 786	54	9 840
TOTAL	\$ <u>23 088</u>	\$ <u>282</u>	\$ <u>23 370</u>

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Shared Services Arrangements

The District participates in a shared services arrangement (SSA), Big Thicket Special Education Cooperative, for special education services with several other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Lumberton Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

E. Contingency

During the year, the District received notification from the Texas Department of Emergency Management that records indicated the District had been overpaid in prior disaster assistance programs by \$175,630. The District's records do not indicate an overpayment, and the District is disputing the issue with the State.

F. Subsequent Event

Management has evaluated subsequent events through November 19, 2020, the date the financial statements were available to be issued.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The District received notification from the Texas Department of Public Safety during the year, that the District had been overpaid for previous disaster assistance grant. The state is seeking to recapture \$175,630 in funds. The District does not agree with the overpayment calculation and is attempting to resolve this dispute without payment.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

C. Defined Benefit Pension Plan

Teacher Retirement System

**Plan Description:**

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

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

**Pension Plan Fiduciary Net Position:**

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

**Benefits Provided:**

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

**Contributions:**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	CONTRIBUTION RATES	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2020		\$ 117 756
Member Contributions - 2020		\$ 268 791
NECE On-behalf Contributions - 2019		\$ 158 729

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).

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

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

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

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

**Actuarial Assumptions:**

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	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%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate:**

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
<b>Global Equity</b>	U.S. 18%	5.70%	1.04%
	Non-U.S. Developed 13%	6.90%	0.90%
	Emerging Markets 9%	8.95%	0.80%
	Directional Hedge Funds 4%	3.53%	0.14%
	Private Equity 13%	10.18%	1.32%
<b>Stable Value</b>	U.S. Treasuries 11%	1.11%	0.12%
	Absolute Return - %	- %	- %
	Stable Value Hedge Funds 4%	3.09%	0.12%
	Cash 1%	(0.30)%	- %
<b>Real Return</b>	Global Inflation Linked Bonds 3%	0.70%	0.02%
	Real Assets 14%	5.21%	0.73%
	Energy and Natural Resources 5%	7.48%	0.37%
	Commodities - %	- %	- %
<b>Risk Parity</b>	Risk Parity 5%	3.70%	0.18%
	Inflation Expectation		2.30%
	Volatility Drag**		(0.79)%
<b>Total</b>	<u>100%</u>		<u>7.25%</u>

\* Target allocations are based on the FY2016 policy model.

\*\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

For the fiscal year ended August 31, 2019, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**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 proportionate share of the net pension liability \$	2 363 230	\$ 1 537 415	\$ 868 345

**Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:**

At August 31, 2020, the District reported a liability of \$1,537,415 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 537 415
State's proportionate share that is associated with the District	<u>2 357 513</u>
<b>TOTAL</b>	<u>\$ 3 894 928</u>

The net pension liability was measured as of August 31, 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 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net pension liability was 0.0030% which was an increase of 0.0003% from its proportion measured as of August 31, 2018.

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

The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2019.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For the year ended August 31, 2020, the District recognized pension expense of \$370,332 and revenue of \$370,332 for support provided by the State.

At August 31, 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: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 6 459	\$ 53 381
Changes in actuarial assumptions	476 982	197 111
Difference between projected and actual investment earnings	92 430	76 992
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	308 921	29 582
Contributions paid to TRS subsequent to the measurement date	117 756	-
<b>TOTAL</b>	<b>\$ 1 002 548</b>	<b>\$ 357 066</b>

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 AUGUST 31,	PENSION EXPENSE AMOUNT
2020	\$ 135 712
2021	\$ 115 348
2022	\$ 111 746
2023	\$ 116 317
2024	\$ 55 914
Thereafter	\$ (7 311)

**D. Defined Other Post-Employment Benefit Plans (OPEB)**

**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.

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

**Benefits Provided**

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

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



WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

<b>TRS-Care Monthly for Retirees</b>			
January 1, 2019 - December 31, 2019			
		<b>Medicare</b>	<b>Non-Medicare</b>
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1 020	999

\* or surviving spouse

**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.

	<u>Contribution Rates</u>	
	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%
Employer Contributions - 2020	\$ 39 379	
Member Contributions - 2020	\$ 22 690	
NECE On-behalf Contributions - 2019	\$ 48 763	

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

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.

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2019
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
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.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

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

**Discount Rate**

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 0.27% 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.

**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 (2.63%) 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 the net OPEB Liability	\$ 2 952 435	\$ 2 445 443	\$ 2 048 824

**OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB**

At August 31, 2020, the District reported a liability of \$2,445,443 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide 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	\$ 2 445 443
State's proportionate share that is associated with the District	3 249 447
<b>TOTAL</b>	<b>\$ 5 694 890</b>

The Net OPEB Liability was measured as of 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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0052% which was a decrease of (0.0002)% from 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 4.5% rate is used.

	1% Decrease in Healthcare Trend Rate (3.5%)	Current Single Healthcare Trend Rate (4.5%)	1% Increase in Healthcare Trend Rate (5.5%)
District's proportionate share of the Net OPEB Liability	\$ 1 994 907	\$ 2 445 443	\$ 3 048 955

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
2. The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

3. The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent 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.
4. The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
5. Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$85,642 and revenue of \$85,642 for support provided by the State.

At August 31, 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 resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 119 970	\$ 400 171
Changes in actuarial assumptions	135 825	657 764
Difference between projected and actual investment earnings	317	53
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	388 417	104 819
Contributions paid to TRS subsequent to the measurement date	39 379	-
TOTAL	<u>\$ 683 908</u>	<u>\$ 1 162 807</u>

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2020	\$ (92 792)
2021	\$ (92 792)
2022	\$ (92 879)
2023	\$ (92 928)
2024	\$ (92 914)
Thereafter	\$ (53 973)

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$16,648, \$10,571 and \$8,798, respectively.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

E. Workers' Compensation Insurance

During the year ended August 31, 2020, the District participated in a fully self-funded workers' compensation program. Contributions were paid to a third-party administrator, acting on behalf of the self-funded pool. The contract between the District and the third-party administrator is renewable September 1, 2020, and the terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage through Midwest Employers. Reinsurance coverage was in effect for individual claims exceeding \$500,000 and for aggregate claims with a statutory limit of \$3,000,000. According to the latest information, there was no unfunded claim benefit obligation at August 31, 2020.

F. Unemployment Compensation

During the year ended August 31, 2020, the District met its statutory unemployment compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

NOTE 5 – HURRICANE HARVEY (EXTRAORDINARY ITEM)

On Wednesday, August 30, 2017, Hurricane Harvey made its second land fall off the coast of Texas as a tropical storm moving slowly across southeast Texas. This resulted in historic flooding in the District's boundaries causing extensive damage to the District's property. During 2020, the District received approximately \$217,143 in insurance proceeds for the final settlement related to damages to property and equipment within the District.

NOTE 6 - COVID-19 PANDEMIC IMPACT

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION  
 WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended August 31, 2020

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		3 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		1 ORIGINAL	2 FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 2 417 000	\$ 2 652 795	\$ 2 683 137	\$ 30 342
5800	State program revenues	3 200 000	3 462 242	4 151 119	688 877
5900	Federal program revenues	100 000	452 253	53 894	(398 359)
5020	TOTAL REVENUES	<u>5 717 000</u>	<u>6 567 290</u>	<u>6 888 150</u>	<u>320 860</u>
	Expenditures:				
	Current:				
0011	Instruction	3 029 868	3 029 868	2 827 907	201 961
0012	Instructional resources and media services	80 327	81 327	74 720	6 607
0013	Curriculum and staff development	24 000	24 000	12 250	11 750
0021	Instructional leadership	92 269	92 269	90 793	1 476
0023	School leadership	354 115	379 115	373 505	5 610
0031	Guidance, counseling and evaluation services	86 204	86 204	78 878	7 326
0033	Health services	56 363	56 363	43 418	12 945
0034	Student transportation	311 047	612 890	544 067	68 823
0036	Co-curricular/extracurricular activities	404 935	404 935	356 502	48 433
0041	General administration	485 000	485 000	412 654	72 346
0051	Plant maintenance and operations	950 100	950 100	929 891	20 209
0052	Security and monitoring services	90 216	94 216	91 515	2 701
0053	Data processing services	143 174	218 174	213 384	4 790
0071	Debt service	238 701	238 701	237 359	1 342
0081	Facilities acquisition and construction	180 000	500 000	496 923	3 077
0093	Shared services arrangements	305 000	305 000	299 761	5 239
0099	Other governmental charges	80 000	80 000	64 931	15 069
6030	TOTAL EXPENDITURES	<u>6 911 319</u>	<u>7 638 162</u>	<u>7 148 458</u>	<u>489 704</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1 194 319)</u>	<u>(1 070 872)</u>	<u>(260 308)</u>	<u>810 564</u>
	Other Financing Sources:				
7919	Extraordinary item - Insurance recovery	-	-	217 143	217 143
7914	Loan proceeds	-	-	407 500	407 500
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>624 643</u>	<u>624 643</u>
1200	NET CHANGE IN FUND BALANCE	<u>(1 194 319)</u>	<u>(1 070 872)</u>	<u>364 335</u>	<u>1 435 207</u>
0100	Fund balance - Beginning	<u>3 627 867</u>	<u>3 627 867</u>	<u>3 627 867</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 433 548</u>	<u>\$ 2 556 995</u>	<u>\$ 3 992 202</u>	<u>\$ 1 435 207</u>

See independent auditors' report.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0030%	0.0026%	0.0023%	0.0023%	0.0027%	0.0011%
District's proportionate share of the net pension liability (asset)	\$ 1 537 415	\$ 1 453 203	\$ 734 796	\$ 855 770	\$ 950 243	\$ 289 650
State's proportionate share of the net pension liability (asset) associated with the District	<u>2 357 513</u>	<u>2 515 753</u>	<u>1 595 327</u>	<u>2 034 760</u>	<u>2 139 720</u>	<u>2 032 587</u>
TOTAL	\$ <u><u>3 894 928</u></u>	\$ <u><u>3 968 956</u></u>	\$ <u><u>2 330 123</u></u>	\$ <u><u>2 890 530</u></u>	\$ <u><u>3 089 963</u></u>	\$ <u><u>2 322 237</u></u>
District's covered-employee payroll	\$ 3 057 860	\$ 2 731 920	\$ 2 815 477	\$ 2 931 338	\$ 3 161 242	\$ 3 208 730
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.28%	53.19%	26.10%	29.19%	30.06%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.40%	83.25%

\* This schedule is illustrating 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.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

EXHIBIT G-3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 117 756	\$ 112 081	\$ 89 172	\$ 75 442	\$ 72 265	\$ 79 598
Contributions in relation to the contractually required contribution	<u>(117 756)</u>	<u>(112 081)</u>	<u>(89 172)</u>	<u>(75 442)</u>	<u>(72 265)</u>	<u>(79 598)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 3 490 788	\$ 3 057 860	\$ 2 731 920	\$ 2 815 477	\$ 2 931 338	\$ 3 161 242
Contributions as a percentage of covered-employee payroll	3.37%	3.67%	3.26%	2.68%	2.47%	2.52%

See independent auditor's report.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY  
AND DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-4

<b>District's Proportionate Share of Liability</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the OPEBL	0.0052%	0.0054%	0.0046%
District's proportionate share of the OPEBL	\$ 2 445 443	\$ 2 676 490	\$ 1 979 252
State share of the OPEBL associated with the District	<u>3 249 447</u>	<u>2 365 244</u>	<u>2 235 405</u>
<b>TOTAL</b>	<b>\$ <u>5 694 890</u></b>	<b>\$ <u>5 041 734</u></b>	<b>\$ <u>4 214 657</u></b>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 3 057 860	\$ 2 371 920	\$ 2 815 477
Proportionate share/covered payroll	79.97%	112.84%	70.30%
Plan fiduciary net position/total OPEB liability	2.66%	1.57%	0.91%

  

<b>District Contributions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 39 379	\$ 41 667	\$ 37 063
Contributions to required contribution	<u>(39 379)</u>	<u>(41 667)</u>	<u>(37 063)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>
Current fiscal year TRS gross	\$ 3 490 788	\$ 3 057 860	\$ 2 371 920
Contributions to covered payroll	1.13%	1.36%	1.56%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is 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.



WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
August 31, 2020

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Child Nutrition Fund which is included in the Special Revenue Funds. The District presented the General Fund budgetary comparison schedule as required supplementary information. The Child Nutrition Fund, and Debt Service Fund budgetary comparison schedules are presented as required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. 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 canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

Defined Benefit Pension Plan and Other Post-Employment Benefit Plan (OPEB)

*Changes of benefit term and assumptions.*

See the notes on regarding any changes to the pension and OPEB liabilities.

## COMBINING STATEMENTS

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
August 31, 2020

DATA CONTROL CODES		211	240	255
		ESEA TITLE I	CHILD NUTRITION	TITLE II, PART A TRAINING
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 27 600	\$ -
1240	Due from other government	48 635	-	-
1000	TOTAL ASSETS	\$ 48 635	\$ 27 600	\$ -
	LIABILITIES AND FUND BALANCES			
	Liabilities:			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	102	-
2170	Due to other funds	48 635	-	-
2000	TOTAL LIABILITIES	48 635	102	-
	Fund Balances:			
	Restricted Fund Balances:			
3450	Restricted fund balance	-	27 498	-
3000	TOTAL FUND BALANCES	-	27 498	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 48 635	\$ 27 600	\$ -

See independent auditors' report.

270	289	410	429	SPECIAL
TITLE VI	SUMMER	TEXTBOOK	ACHIEVEMENT	REVENUE
PART B	SCHOOL	ALLOTMENT	ACADEMY	FUNDS
	LEP			(SEE
	FUND			EXHIBIT C-1)
\$ -	\$ -	\$ -	\$ -	\$ 27 600
33 030	10 000	114 061	25 000	230 726
\$ 33 030	\$ 10 000	\$ 114 061	\$ 25 000	\$ 258 326
\$ -	\$ -	\$ -	\$ 25 000	\$ 25 000
-	-	-	-	102
33 030	10 000	114 061	-	205 726
33 030	10 000	114 061	25 000	230 828
-	-	-	-	27 498
-	-	-	-	27 498
\$ 33 030	\$ 10 000	\$ 114 061	\$ 25 000	\$ 258 326

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2020

DATA CONTROL CODES		211	240	255
		ESEA TITLE I	CHILD NUTRITION	TITLE II, PART A TRAINING
	Revenues:			
5700	Local and intermediate and out-of-state sources	\$ -	\$ 65 305	\$ -
5800	State program revenues	-	6 866	-
5900	Federal program revenues	<u>110 283</u>	<u>215 547</u>	<u>8 659</u>
5020	TOTAL REVENUES	<u>110 283</u>	<u>287 718</u>	<u>8 659</u>
	Expenditures:			
	Current:			
0011	Instruction	110 283	-	8 659
0035	Food services	<u>-</u>	<u>304 910</u>	<u>-</u>
6030	TOTAL EXPENDITURES	<u>110 283</u>	<u>304 910</u>	<u>8 659</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>-</u>	<u>(17 192)</u>	<u>-</u>
	Other Financing Sources:			
7915	Transfer in	<u>-</u>	<u>-</u>	<u>-</u>
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	(17 192)	-
0100	Fund balance - Beginning	<u>-</u>	<u>44 690</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ 27 498</u>	<u>\$ -</u>

See independent auditors' report.

## EXHIBIT H-2

270	289	410	429	SPECIAL
TITLE VI	SUMMER	TEXTBOOK	ACHIEVEMENT	REVENUE
PART B	SCHOOL	ALLOTMENT	ACADEMY	FUNDS
	LEP			(SEE
	FUND			EXHIBIT C-2)
\$ -	\$ -	\$ -	\$ -	\$ 65 305
-	356	115 309	25 000	147 531
33 030	10 000	-	-	377 519
33 030	10 356	115 309	25 000	590 355
33 030	10 356	115 309	25 000	302 637
-	-	-	-	304 910
33 030	10 356	115 309	25 000	607 547
-	-	-	-	(17 192)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(17 192)
-	-	-	-	44 690
\$ -	\$ -	\$ -	\$ -	\$ 27 498

## REQUIRED TEA SCHEDULES

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
Fiscal Year Ended August 31, 2020

LAST 10 YEARS ENDED AUGUST 31,	(1)	(2)	(3)	
	TAX RATES		ASSESSED/APPRAISAL VALUE FOR SCHOOL TAX PURPOSES	
	MAINTENANCE	DEBT SERVICE		
2011 and prior years	Various	Various		Various
2012	1.040	0.130	\$	159 736 881
2013	1.040	0.130	\$	180 901 055
2014	1.040	0.152	\$	207 433 404
2015	1.040	0.152	\$	206 017 868
2016	1.040	0.120	\$	215 339 011
2017	1.170	0.170	\$	185 922 393
2018	1.170	0.230	\$	200 556 530
2019	1.170	0.032	\$	216 642 950
2020 (School year under audit)	1.068	0.100	\$	244 800 525
TOTALS				

See independent auditors' report.



## EXHIBIT J-1

(10) BEGINNING BALANCE 08/31/2019	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 09/01/2020
\$ 245 536	\$ -	\$ 1 580	\$ 148	\$ (14 416)	\$ 229 392
35 120	-	1 548	145	(14)	33 413
39 261	-	1 137	106	(14)	38 004
43 172	-	1 884	176	(14)	41 098
59 861	-	3 968	372	358	55 879
84 288	-	20 452	1 915	596	62 517
139 220	-	45 069	4 220	3 402	93 333
141 877	-	40 518	3 794	(85)	97 480
197 905	-	83 091	7 780	4 406	111 440
-	2 834 190	2 247 985	210 485	(8 308)	367 412
<u>\$ 986 240</u>	<u>\$ 2 834 190</u>	<u>\$ 2 447 232</u>	<u>\$ 229 141</u>	<u>\$ (14 089)</u>	<u>\$ 1 129 968</u>

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
For the Year Ended August 31, 2020

EXHIBIT J-2

DATA CONTROL CODES		1  ORIGINAL BUDGET	2  FINAL BUDGET	3  ACTUAL AMOUNTS	4  VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 162 500	\$ 65 355	\$ 65 305	\$ (50)
5800	State program revenues	8 000	6 867	6 866	(1)
5900	Federal program revenues	208 000	208 745	215 547	6 802
5020	TOTAL REVENUES	<u>378 500</u>	<u>280 967</u>	<u>287 718</u>	<u>6 751</u>
	Expenditures:				
	Current:				
0035	Food services	<u>376 767</u>	<u>376 767</u>	<u>304 910</u>	<u>71 857</u>
6030	TOTAL EXPENDITURES	<u>376 767</u>	<u>376 767</u>	<u>304 910</u>	<u>71 857</u>
1200	NET CHANGE IN FUND BALANCE	1 733	(95 800)	(17 192)	78 608
0100	Fund balance - Beginning	<u>44 690</u>	<u>44 690</u>	<u>44 690</u>	<u>-</u>
3000	FUND BALANCE - ENDING	\$ <u>46 423</u>	\$ <u>(51 110)</u>	\$ <u>27 498</u>	\$ <u>78 608</u>

See independent auditors' report.

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
For the Year Ended August 31, 2020

EXHIBIT J-3

DATA CONTROL CODES		1  ORIGINAL BUDGET	2  FINAL BUDGET	3  ACTUAL AMOUNTS	4  VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 238 000	\$ 236 143	\$ 238 851	\$ 2 708
5800	State program revenues	-	2 319	2 319	-
5020	TOTAL REVENUES	<u>238 000</u>	<u>238 462</u>	<u>241 170</u>	<u>2 708</u>
	Expenditures:				
	Current:				
0071	Debt service	<u>237 500</u>	<u>262 500</u>	<u>236 800</u>	<u>25 700</u>
6030	TOTAL EXPENDITURES	<u>237 500</u>	<u>262 500</u>	<u>236 800</u>	<u>25 700</u>
1200	NET CHANGE IN FUND BALANCE	500	(24 038)	4 370	28 408
0100	Fund balance - Beginning	<u>480 210</u>	<u>480 210</u>	<u>480 210</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 480 710</u>	<u>\$ 456 172</u>	<u>\$ 484 580</u>	<u>\$ 28 408</u>

See independent auditors' report.

## COMPLIANCE SECTION

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  
West Hardin County Consolidated Independent School District  
Saratoga, Texas

Members of the Board:

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 West Hardin County Consolidated Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 19, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Hardin County Consolidated 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 West Hardin County Consolidated Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Hardin County Consolidated 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 limitation during our audit we did not identify any deficiencies in internal controls that we consider a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Hardin County Consolidated 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 did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.

## District's Response to Findings

The District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## 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.

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
November 19, 2020

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2020

A. Summary of the Auditor's Results

Type of report on financial statements

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes    X No

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

\_\_\_ Yes    X None reported

B. Findings related to the financial statements which are  
required to be reported in Accordance with Generally  
Accepted Auditing Standards.

None

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2020

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
<u>2019-001</u> The District has inadequate segregation of duties related to financial transaction processing.	This Superintendent and the outside business consultant have become more active in the monitoring of financial activities to improve the controls.	N/A



WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2020

None

WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2020

EXHIBIT L-1

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 debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district 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 Administration Code and other statutes, laws, rules that were in effect at the school district 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.	\$ N/A