

Barbers Hill Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Barbers Hill Independent School District
 Annual Financial Report
 For the Fiscal Year Ended June 30, 2019
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Certificate of the Board

Barbers Hill Independent School District

Name of School District

Chambers

County

036-902

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ approved _____ disapproved for the fiscal year ended June 30, 2019 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2019.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Barbers Hill Independent School District
Mont Belvieu, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and 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 Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees of
Barbers Hill Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 22, 2019

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Management's Discussion and Analysis

As management of the Barbers Hill Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and net pension and other post-employment benefit (OPEB) liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$28,053,883 (net position). Of this amount, \$4,680,202 (unrestricted net position) is available to meet the District's ongoing obligations in subsequent years.
- The District's total net position increased by \$12,746,753.
- At the end of the year, unassigned fund balance in the general fund was \$27,176,531 while total fund balance in the general fund was \$47,021,643, an increase of \$771,897.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information, supplementary information, and other information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Contracted Instructional Services between Schools, Payments to Juvenile Justice Alternative Education Programs and Other Intergovernmental Charges.*

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained fifteen individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, national school breakfast and lunch program special revenue fund and debt service fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information, supplementary information and other information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,053,883.

Barbers Hill Independent School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 109,486,256	30	\$ 144,271,450	39	\$ (34,785,194)	(24)
Capital assets, net of accumulated depreciation	<u>259,062,374</u>	<u>70</u>	<u>227,895,830</u>	<u>61</u>	<u>31,166,544</u>	14
Total assets	368,548,630	100	372,167,280	100	(3,618,650)	
Total deferred outflows of resources	17,780,911	100	6,201,177	100	11,579,734	187
Other liabilities	16,675,643	5	14,447,955	4	2,227,688	15
Long-term liabilities outstanding	<u>331,462,049</u>	<u>95</u>	<u>338,198,853</u>	<u>96</u>	<u>(6,736,804)</u>	(2)
Total liabilities	348,137,692	100	352,646,808	100	(4,509,116)	
Total deferred inflows of resources	10,137,966	100	10,414,519	100	(276,553)	(3)
Net position:						
Net investment in capital assets	14,284,337	51	4,497,556	29	9,786,781	218
Restricted	9,089,344	32	8,743,650	57	345,694	4
Unrestricted	<u>4,680,202</u>	<u>17</u>	<u>2,065,924</u>	<u>14</u>	<u>2,614,278</u>	127
Total net position	<u>\$ 28,053,883</u>	<u>100</u>	<u>\$ 15,307,130</u>	<u>100</u>	<u>\$ 12,746,753</u>	

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment and construction in progress), less any related debt used to acquire those assets is \$14,284,337, an increase of \$9.8 million from June 30, 2018. The District utilizes capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totals \$9,089,344 or 32 percent of net position.

The remaining balance of net position, *unrestricted net position* of \$4,680,202, may be used to meet future obligations to students and creditors.

Governmental Activities. Governmental activities increased the District's net position by \$12,746,753 from current operations. The elements giving rise to this change may be determined from the table below.

Barbers Hill Independent School District's Changes in Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 3,468,216	3	\$ 2,976,798	3	\$ 491,418	17
Operating grants and contributions	7,025,869	6	(7,385,308)	(7)	14,411,177	(195)
General revenues:						
Property taxes, levied for general purpose	49,711,600	40	46,544,092	47	3,167,508	7
Property taxes, levied for debt service	26,712,693	21	23,835,251	24	2,877,442	12
Grants and contributions not restricted to specific programs	30,179,654	24	29,273,387	29	906,267	3
Investment earnings	3,564,964	3	1,117,915	1	2,447,049	219
County available	940,705	1	693,832	1	246,873	36
County equalization	2,320,989	2	2,093,676	2	227,313	11
Miscellaneous	615,363	-	359,721	-	255,642	71
Total revenues	124,540,053	100	99,509,364	100	25,030,689	
Expenses:						
Instruction	47,668,563	43	26,363,429	34	21,305,134	81
Instructional resources and media services	827,520	1	517,751	1	309,769	60
Curriculum and instructional staff development	1,701,275	2	882,201	1	819,074	93
Instructional leadership	860,200	1	173,863	-	686,337	395
School leadership	3,578,603	3	2,155,533	3	1,423,070	66
Guidance, counseling, and evaluation services	2,512,215	2	1,312,866	2	1,199,349	91
Social work services	90,226	-	46,705	-	43,521	93
Health services	917,578	1	496,697	1	420,881	85
Student transportation	2,535,573	2	1,688,729	2	846,844	50
Food services	3,472,684	3	2,542,848	3	929,836	37
Extracurricular activities	3,256,610	3	2,590,865	3	665,745	26
General administration	3,728,526	3	1,951,764	3	1,776,762	91
Plant maintenance and operations	8,849,274	8	7,110,877	9	1,738,397	24
Security and monitoring services	673,473	1	460,117	1	213,356	46
Data processing services	1,343,907	1	1,180,829	2	163,078	14
Community services	10,259,838	9	8,911,970	12	1,347,868	15
Interest on long-term debt	9,312,248	9	8,878,933	11	433,315	5
Issuance costs and fees	302,474	-	1,047,083	1	(744,609)	(71)
Facilities repair and maintenance	424,123	-	209,847	-	214,276	102
Contracted instructional services between schools	8,925,909	8	8,259,866	11	666,043	8
Other intergovernmental charges	552,481	-	532,739	-	19,742	4
Total expenses	111,793,300	100	77,315,512	100	34,477,788	
Change in net position	12,746,753		22,193,852		(9,447,099)	
Net position - beginning, as originally reported	15,307,130		28,924,121		(13,616,991)	
Prior period adjustment - implement GASB 75 for OPEB (a)	-		(35,810,843)		35,810,843	
Net position - beginning, as restated	15,307,130		(6,886,722)		22,193,852	
Net position - ending	\$ 28,053,883		\$ 15,307,130		\$ 12,746,753	

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018.

The implementation is discussed previously in MD&A.

The current period increase in net position primarily resulted from an increase in property tax collections of \$6,044,950 and grants and contributions of \$14,411,177.

Revenues, aggregating \$124,540,053, were generated primarily from two sources. Property taxes totaling \$76,424,293 represent 61 percent of total revenues; while grants and contributions, including those not restricted for program-specific use as well as for general operations, totaling \$30,179,654, represent 24 percent of total revenues. The remaining revenue is generated from investment earnings, charges for services, county equalization and miscellaneous revenues.

The primary functional expenses of the District are instruction \$47,668,563, which represents 43 percent of total expenses, community services \$10,259,838 which represents 9 percent of total expenses, interest on long-term debt \$9,312,248 which represents 9 percent of total expenses, contracted instructional services between public schools \$8,925,909 which represents 8 percent of total expenses, and plant maintenance and operations \$8,849,274 which represents 8 percent of total expenses. The remaining functional expense categories are 8 percent or less of total expenses.

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$95,484,902, a decrease of \$37,505,980 from the preceding year. Comments as to each major individual fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$27,176,531, while total fund balance was \$47,021,643. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total general fund expenditures, while total fund balance represents 54 percent of that same total. The fund balance of the general fund increased \$771,897 during the year.

The debt service fund ended the year with a total fund balance of \$12,324,391, all of which is reserved for the payment of principal and interest on debt. The debt service fund balance increased by \$526,643 during the year.

The capital projects fund ended the year with a total fund balance of \$35,427,235, all of which is reserved for capital acquisition program and contractual obligations. The capital projects fund balance decreased by \$38,743,992 primarily due to funds used for construction projects.

Governmental funds financial statements may be found by referring to the table of contents.

General Fund Budgetary Highlights

The significant differences between the original adopted budget and the final amended budget of the general fund were primarily from an increase in projected property tax revenues resulting from revised estimates of the certified taxable values, an increase in payments in lieu of taxes, and an increase in community services expenditures.

There were no significant differences between budget and actual.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 was \$259,062,374 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in total capital assets, net of accumulated depreciation, for the current fiscal year was \$31,166,544.

Major capital asset activity during the year included the following:

- \$28.7 million on early childhood center building
- \$3.1 million on high school additions and renovations
- \$1.7 million on middle school north additions and renovations
- \$3.9 million on middle school south additions and renovations

Barbers Hill Independent School District's Capital Assets (net of depreciation)

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 4,528,055	2	\$ 4,751,708	2	\$ (223,653)	(5)
Buildings and improvements	213,972,359	83	156,490,602	69	57,481,757	37
Furniture and equipment	6,261,151	2	6,963,486	3	(702,335)	(10)
Construction in progress	34,300,809	13	59,690,034	26	(25,389,225)	(43)
Totals	\$ 259,062,374	100	\$ 227,895,830	100	\$ 31,166,544	

Additional information on the District's capital assets can be found in Note 3.D. of the notes to the financial statements as noted in the table of contents of this report.

Construction Commitments. At the end of the current fiscal year, the District's commitments with construction contractors, including purchase orders, totaled \$7,512,480.

Noncurrent Liabilities. At year-end, the District had the following long-term liabilities:

Barbers Hill Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 283,401,309	86	\$ 302,076,217	89	\$ (18,674,908)	(6)
Note payable	-	-	3,269,499	1	(3,269,499)	(100)
Workers' compensation	41,902	-	116,496	-	(74,594)	(64)
Compensated absences	33,111	-	32,757	-	354	1
Net pension liability	23,237,589	7	12,307,296	4	10,930,293	89
Net OPEB liability*	24,748,138	7	20,396,588	6	4,351,550	21
Totals	\$ 331,462,049	100	\$ 338,198,853	100	\$ (6,736,804)	

* Per GASB Statement No. 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability as of July 1, 2017.

The District's total long-term liabilities decreased by \$6,736,804. The key factor was the retirement of \$13,145,000 of general obligation bonds.

The District's general obligation debt is backed by the full faith and credit of the District and when eligible, is further guaranteed by the Texas Permanent School Fund Guarantee Program. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note 3. E. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4. C. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Student enrollment is 5,730 compared to 5,375 in the prior year.
- District staff totals 842 employees in 2018-19, which includes 403 teachers and 147 teacher aids and secretaries.
- Certified property values of the District increased by 18% for maintenance and operations and increased by 17% for interest and sinking for the 2019-20 year.
- A maintenance and operations tax rate of \$0.99 and a debt service tax rate of \$.2698, a total rate of \$1.2598, was adopted for 2019-20, which is a decrease from fiscal year 2019.
- Unemployment rates for the State and County were 3.4% and 4.7%, respectively.

All of these factors and others were considered in preparing the District's budget for the 2018-19 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$27,176,531. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Barbers Hill Independent School District, P.O. Box 1108, Mont Belvieu, Texas 77580.

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Basic Financial Statements

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Barbers Hill Independent School District
Statement of Net Position
June 30, 2019

Exhibit A-1

Data Control Codes		1	
		Primary Government	Component Unit
		Governmental Activities	Barbers Hill ISD Education Foundation
ASSETS			
1110	Cash and cash equivalents	\$ 39,839,408	\$ 10,755
1120	Investments	61,691,216	51,275,603
1220	Property taxes receivable	1,656,338	-
1230	Allowance for uncollectable taxes	(99,380)	-
1240	Due from other governments	5,151,054	-
1250	Accrued interest	392,442	132,851
1290	Other receivables	10,066	-
1300	Inventories	173,130	-
1410	Prepaid items	671,982	-
	Capital assets:		
1510	Land and improvements	4,528,055	-
1520	Buildings and improvements (net)	213,972,359	-
1530	Furniture and equipment (net)	6,261,151	-
1580	Construction in progress	34,300,809	-
1000	Total assets	368,548,630	51,419,209
DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows - pension	12,314,295	-
1706	Deferred outflow - OPEB	3,500,212	-
1710	Deferred charge on refunding	1,966,404	-
1700	Total deferred outflows of resources	17,780,911	-
LIABILITIES			
2110	Accounts payable	4,974,505	56,750
2140	Interest payable	4,231,247	-
2150	Payroll deductions and withholdings	219,078	-
2160	Accrued wages payable	4,707,645	-
2180	Due to other governments	2,504,525	-
2200	Accrued liabilities	35,539	-
2300	Unearned revenue	3,104	-
	Noncurrent liabilities:		
2501	Due within one year	13,405,013	-
2502	Due in more than one year	270,071,309	-
2540	Net pension liabilities	23,237,589	-
2545	Net OPEB liability	24,748,138	-
2000	Total liabilities	348,137,692	56,750
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	1,273,558	-
2606	Deferred inflows - OPEB	7,825,958	-
2610	Deferred gain on refunding	1,038,450	-
2600	Total deferred inflows of resources	10,137,966	-
NET POSITION			
3200	Net investment in capital assets	14,284,337	-
3820	Restricted for grants	711,633	-
3850	Restricted for debt service	8,377,711	-
3900	Unrestricted	4,680,202	51,362,459
3000	TOTAL NET POSITION	\$ 28,053,883	\$ 51,362,459

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Charges for Services	Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities:			
0011	Instruction	\$ 47,668,563	\$ 578,838	\$ 4,710,658
0012	Instructional resources and media services	827,520	-	58,987
0013	Curriculum and instructional staff development	1,701,275	-	206,042
0021	Instructional leadership	860,200	-	50,561
0023	School leadership	3,578,603	-	254,996
0031	Guidance, counseling, & evaluation services	2,512,215	-	194,228
0032	Social work services	90,226	-	7,418
0033	Health services	917,578	-	65,639
0034	Student transportation	2,535,573	-	90,059
0035	Food services	3,472,684	2,627,655	712,566
0036	Extracurricular activities	3,256,610	261,723	138,365
0041	General administration	3,728,526	-	144,753
0051	Plant maintenance and operations	8,849,274	-	189,096
0052	Security and monitoring services	673,473	-	27,761
0053	Data processing services	1,343,907	-	46,266
0061	Community services	10,259,838	-	2,636
0072	Interest on long-term debt	9,312,248	-	109,448
0073	Issuance costs and fees	302,474	-	-
0081	Facilities repair and maintenance	424,123	-	16,390
0091	Contracted instructional services between schools	8,925,909	-	-
0099	Other intergovernmental charges	552,481	-	-
TG	Total governmental activities	<u>111,793,300</u>	<u>3,468,216</u>	<u>7,025,869</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 111,793,300</u>	<u>\$ 3,468,216</u>	<u>\$ 7,025,869</u>
	COMPONENT UNIT			
1C	Barbers Hill ISD Education Foundation	<u>\$ 491,737</u>	<u>\$ -</u>	<u>\$ -</u>
	General revenues:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
CA	County available			
CE	County equalization			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning, as originally reported			
NE	NET POSITION - ENDING			

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Barbers Hill ISD Education Foundation
\$ (42,379,067)	\$ -
(768,533)	-
(1,495,233)	-
(809,639)	-
(3,323,607)	-
(2,317,987)	-
(82,808)	-
(851,939)	-
(2,445,514)	-
(132,463)	-
(2,856,522)	-
(3,583,773)	(350,633)
(8,660,178)	-
(645,712)	-
(1,297,641)	-
(10,257,202)	(141,104)
(9,202,800)	-
(302,474)	-
(407,733)	-
(8,925,909)	-
(552,481)	-
(101,299,215)	(491,737)
(101,299,215)	-
-	(491,737)
49,711,600	-
26,712,693	-
30,179,654	15,446,109
3,564,964	4,564,564
940,705	-
2,320,989	-
615,363	-
114,045,968	20,010,673
12,746,753	19,518,936
15,307,130	31,843,523
\$ 28,053,883	\$ 51,362,459

Barbers Hill Independent School District

Balance Sheet
 Governmental Funds
 June 30, 2019

Data Control Codes		199	599
		<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 19,704,144	\$ 983,052
1120	Investments	28,852,200	11,280,559
1220	Property taxes receivable	1,353,607	302,731
1230	Allowance for uncollectable taxes	(81,216)	(18,164)
1240	Due from other governments	4,867,781	7,443
1250	Accrued interest	314,047	53,337
1260	Due from other funds	198,891	-
1290	Other receivables	10,066	-
1300	Inventories	173,130	-
1410	Prepaid items	671,982	-
		<u>671,982</u>	<u>-</u>
1000	Total assets	<u>\$ 56,064,632</u>	<u>\$ 12,608,958</u>
LIABILITIES			
2110	Accounts payable	\$ 523,652	\$ -
2150	Payroll deductions and withholdings	208,968	-
2160	Accrued wages payable	4,495,551	-
2170	Due to other funds	-	-
2180	Due to other governments	2,503,784	-
2200	Accrued liabilities	35,539	-
2300	Unearned revenue	3,104	-
		<u>3,104</u>	<u>-</u>
2000	Total liabilities	7,770,598	-
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	1,272,391	284,567
	Total deferred inflows of resources	1,272,391	284,567
FUND BALANCES			
3410	Nonspendable - inventories	173,130	-
3430	Nonspendable - prepaid items	671,982	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	12,324,391
3520	Committed - claims and judgements	5,000,000	-
3545	Committed - other	14,000,000	-
3600	Unassigned	27,176,531	-
		<u>27,176,531</u>	<u>-</u>
3000	Total fund balances	<u>47,021,643</u>	<u>12,324,391</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
4000		<u>\$ 56,064,632</u>	<u>\$ 12,608,958</u>

The Notes to the Financial Statements are an integral part of this statement.

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 18,292,842	\$ 859,370	\$ 39,839,408
21,558,457	-	61,691,216
-	-	1,656,338
-	-	(99,380)
-	275,830	5,151,054
25,058	-	392,442
-	-	198,891
-	-	10,066
-	-	173,130
-	-	671,982
<u>\$ 39,876,357</u>	<u>\$ 1,135,200</u>	<u>\$ 109,685,147</u>
\$ 4,449,122	\$ 1,731	\$ 4,974,505
-	10,110	219,078
-	212,094	4,707,645
-	198,891	198,891
-	741	2,504,525
-	-	35,539
-	-	3,104
<u>4,449,122</u>	<u>423,567</u>	<u>12,643,287</u>
-	-	1,556,958
<u>-</u>	<u>-</u>	<u>1,556,958</u>
-	-	173,130
-	-	671,982
-	711,633	711,633
35,427,235	-	35,427,235
-	-	12,324,391
-	-	5,000,000
-	-	14,000,000
-	-	27,176,531
<u>35,427,235</u>	<u>711,633</u>	<u>95,484,902</u>
<u>\$ 39,876,357</u>	<u>\$ 1,135,200</u>	<u>\$ 109,685,147</u>

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Barbers Hill Independent School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2019

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 95,484,902

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 342,244,312	
Accumulated depreciation of governmental capital assets	(83,181,938)	259,062,374

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	1,556,958
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Long-term liabilities and the respective accrued interest payable, including bonds payable, note payable, workers compensation, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$ (259,905,000)	
Premium on bonds payable	(23,526,209)	
Discount on bonds payable	29,900	
Accrued interest on the bonds	(4,231,247)	
Workers' compensation	(41,902)	
Compensated absences	(33,111)	
Net pension liability	(23,237,589)	
Net OPEB liability	(24,748,138)	(335,693,296)

Deferred charge on refunding is reported as a deferred outflow of resources in the statement of net position and it is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures.	1,966,404
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Deferred gain on refunding is reported as a deferred inflow of resources in the statement of net position and it is not reported in the governmental funds as it is not a current financial resource available to recognize as revenue.	(1,038,450)
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Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.	12,314,295
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Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(1,273,558)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.	3,500,212
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Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(7,825,958)
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 28,053,883

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate revenues	\$ 76,520,973	\$ 27,261,628
5800	State program revenues	11,003,214	109,448
5900	Federal program revenues	1,075,453	-
5020	Total revenues	88,599,640	27,371,076
EXPENDITURES:			
Current:			
0011	Instruction	37,370,557	-
0012	Instructional resources and media services	681,156	-
0013	Curriculum and instructional staff development	1,509,188	-
0021	Instructional leadership	837,802	-
0023	School leadership	3,364,157	-
0031	Guidance, counseling, and evaluation services	2,340,075	-
0032	Social work services	83,598	-
0033	Health services	845,531	-
0034	Student transportation	1,978,063	-
0035	Food services	26,364	-
0036	Extracurricular activities	2,318,409	-
0041	General administration	3,492,813	-
0051	Plant maintenance and operations	7,271,924	-
0052	Security and monitoring services	536,589	-
0053	Data processing services	1,211,558	-
0061	Community services	10,256,017	-
Debt service:			
0071	Principal on long-term debt	3,269,499	13,145,000
0072	Interest on long-term debt	650,496	11,193,173
0073	Issuance costs and fees	-	2,802,474
Capital outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0091	Contracted instructional services between schools	8,925,909	-
0099	Other intergovernmental charges	552,481	-
6030	Total expenditures	87,522,186	27,140,647
1100	Excess (deficiency) of revenues over (under) expenditures	1,077,454	230,429
OTHER FINANCING SOURCES (USES)			
7901	Issuance of refunding bonds	-	26,075,000
7912	Sale of real and personal property	-	-
7915	Transfers in	-	-
7916	Premium or (discount) on issuance of bonds	-	2,211,997
7949	State revenue pursuant to tax refund	3,943,747	-
8911	Transfers out	(25,000)	-
8940	Payment to refunded bonds escrow agent	-	(27,990,783)
8948	Tax refund pursuant to Texas Tax Code 313	(3,943,747)	-
8949	Other uses	(280,557)	-
7080	Total other financing sources (uses)	(305,557)	296,214
1200	Net change in fund balances	771,897	526,643
0100	Fund balances - beginning	46,249,746	11,797,748
3000	FUND BALANCES - ENDING	\$ 47,021,643	\$ 12,324,391

The Notes to the Financial Statements are an integral part of this statement.

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 1,695,657	\$ 2,627,772	\$ 108,106,030
16,651	418,484	11,547,797
-	1,713,474	2,788,927
<hr/>	<hr/>	<hr/>
1,712,308	4,759,730	122,442,754
1,320,132	1,357,699	40,048,388
74,733	-	755,889
22,177	123,888	1,655,253
-	-	837,802
25,349	-	3,389,506
1,338	-	2,341,413
-	-	83,598
12,992	-	858,523
645,367	-	2,623,430
-	3,335,347	3,361,711
220,200	3,324	2,541,933
14,568	-	3,507,381
312,949	-	7,584,873
42,937	-	579,526
62,880	-	1,274,438
-	-	10,256,017
-	-	16,414,499
-	-	11,843,669
-	-	2,802,474
<hr/>	<hr/>	<hr/>
38,507,614	-	38,507,614
-	-	8,925,909
-	-	552,481
<hr/>	<hr/>	<hr/>
41,263,236	4,820,258	160,746,327
(39,550,928)	(60,528)	(38,303,573)
-	-	26,075,000
781,936	-	781,936
25,000	-	25,000
-	-	2,211,997
-	-	3,943,747
-	-	(25,000)
-	-	(27,990,783)
-	-	(3,943,747)
-	-	(280,557)
<hr/>	<hr/>	<hr/>
806,936	-	797,593
(38,743,992)	(60,528)	(37,505,980)
<hr/>	<hr/>	<hr/>
74,171,227	772,161	132,990,882
<hr/>	<hr/>	<hr/>
\$ 35,427,235	\$ 711,633	\$ 95,484,902

Barbers Hill 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 Fiscal Year Ended June 30, 2019

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ (37,505,980)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized allocated over their estimated useful lives as depreciation expense.

Capital assets <i>increased</i>	\$ 38,995,153	
Depreciation expense	<u>(7,504,596)</u>	31,490,557

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (324,013)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 26,585

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (26,075,000)	
(Premium) discount	<u>(2,211,997)</u>	(28,286,997)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 13,145,000

Repayment of FEMA community disaster loan 3,269,499

Payment to escrow agent to refund bonds from refunding proceeds and District contribution. 30,490,783

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable <i>(increased) decreased</i>	\$ (130,328)	
Accrued interest on notes payable <i>(increased) decreased</i>	596,841	
Amortization of bond premium and discount	2,089,872	
Amortization of deferred charge and gain on refunding	<u>(24,964)</u>	2,531,421

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 74,594

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (354)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 8,589,108	
Deferred inflows (increased) decreased	609,030	
Net pension liability (increased) decreased	<u>(10,930,293)</u>	<u>(1,732,155)</u>

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 3,213,390	
Deferred inflows (increased) decreased	705,973	
Net OPEB liability (increased) decreased	<u>(4,351,550)</u>	<u>(432,187)</u>

CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 12,746,753

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District
 Statement of Assets and Liabilities
 Fiduciary Fund
 June 30, 2019

Exhibit E-1

<u>Data Control Codes</u>		<u>865 Agency Fund Student Activity</u>
	ASSETS	
1110	Cash and cash equivalents	\$ 569,187
1120	Investments	1,106
1290	Other receivables	7
		<hr/>
1000	TOTAL ASSETS	<u>\$ 570,300</u>
	LIABILITIES	
2110	Accounts payable	\$ 7,201
2190	Due to student groups	563,099
		<hr/>
2000	TOTAL LIABILITIES	<u>\$ 570,300</u>

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Barbers Hill Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of 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 primary government (the District) and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

B. Reporting Entity

The Barbers Hill Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The District is not included in any other governmental reporting entity. The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit. The Barbers Hill Independent School District Education Foundation (the Foundation) was created to provide grants to Barbers Hill Independent School District teachers for the purpose of enhancing education of the Barbers Hill Independent School District students. The Foundation is governed by at least 3 but not to exceed 15 members who are elected by the Foundation's directors. The District maintains the Foundation's accounting records. The District is reimbursed for the aforementioned functions. Due to the significant benefits provided by the Foundation to the District, the component unit is reported as a discretely presented component unit.

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 discussed earlier, the District has one discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Barbers Hill Independent School District

Notes to the Financial Statements

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, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

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 are eliminated in governmental activities.

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 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Barbers Hill Independent School District

Notes to the Financial Statements

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required 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.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in 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 120 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 120 days of year end). All other revenue items, including property taxes, 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 and bank demand or time deposits with original maturities of one year or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized costs or fair value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Food service commodities and food service supplies are recorded as expenditures when received or purchased at their estimated market value or costs, respectively.

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

Barbers Hill Independent School District

Notes to the Financial Statements

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	5-50
Furniture and equipment	3-50

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

Barbers Hill Independent School District

Notes to the Financial Statements

6. *Compensated Absences*

The District grants 3-5 local sick days per contract year depending on the number of days in the employees' contracts. Additionally, the State grants each employee 5 state days regardless of the number of days in their contract.

Prior to July 1, 1995, all accrued local and state days are vested and will be paid as follows:

- An eligible employee who has filed the necessary paperwork for retirement under the Texas Teacher Retirement System (TRS) shall be reimbursed for unused local leave at his or her current daily rate of pay for the balance of unused local leave days accumulated as of the last day of the 1995-96 contract or employment year.
- Prior to retirement, an eligible employee may request reimbursement at his or her current daily rate of pay for the balance of unused local leave days and/or vacation days accumulated as of the last day of the 1995-96 contract or employment year. A letter of request must be submitted to the Superintendent or designee.

Effective July 1, 1995, employees' local and state days accrue and vest up to 20 days at 35% of their midpoint upon retirement through TRS.

A liability for accrued, vested amounts is included in long term liabilities in the Statement of Net Position.

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 balance of governmental funds is 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 commitment (committed fund balance) or an assignment (assigned fund balance).

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 board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until performance of commitment or a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Barbers Hill Independent School District

Notes to the Financial Statements

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 Board has, by policy, authorized the superintendent or his designee to assign fund balance. The 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 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.

In the general fund, the District shall maintain at a minimum unassigned fund balance equal to or greater than 20% of the combined budgeted expenditures of the District's general fund.

10. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

11. Other Postemployment Benefits (OPEB)

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 postemployment 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 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

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District adopts its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Barbers Hill Independent School District

Notes to the Financial Statements

H. Use of Estimates

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

I. Data Control Codes

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, National School Breakfast/Lunch Program special revenue fund, and Debt Service Fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made one supplemental budgetary amendment during the year.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Barbers Hill Independent School District

Notes to the Financial Statements

Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances Included in: Restricted Fund Balance</u>
Capital projects fund	<u>\$ 7,512,480</u>
Total encumbrances	<u>\$ 7,512,480</u>

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

Barbers Hill Independent School District

Notes to the Financial Statements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's governmental and fiduciary funds investment balances, recurring fair value measurements weighted average maturity of such investments, and investment ratings are presented in the following tables:

Governmental Funds' Investment Type	S&P Rating	June 30, 2019	Fair Value Measurements Using			Percentage of Total Investments	Weighted Average Maturity (Days)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments measured at amortized costs, not subject to level reporting							
Investment pools:							
TexPool	AAA	\$ 5,085	\$ -	\$ -	\$ -	0%	35
Lone Star - Corporate Overnight	AAA	4,477	-	-	-	0%	39
TexStar	AAA	2,702	-	-	-	0%	38
Investments measured at fair value, subject to level reporting:							
U.S. government agencies	AA to AA+	4,472,786	-	4,472,786	-	7%	104
Municipal government securities	BBB+ to AAA	23,686,831	-	23,686,831	-	39%	2237
Commerical Paper	A-1	32,290,915	-	32,290,915	-	52%	72
Certificates of Deposit	BBB to A+	1,228,420	-	1,228,420	-	2%	260
Total value		\$ 61,691,216	\$ -	\$ 61,678,952	\$ -	100%	
Portfolio weighted average maturity							909

Fiduciary Funds' Investment Type	S&P Rating	June 30, 2019	Fair Value Measurements Using			Percentage of Total Investments	Weighted Average Maturity (Days)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments measured at amortized costs, not subject to level reporting							
Investment pools:							
Lone Star - Corporate Overnight	AAA	\$ 1,106	\$ -	\$ -	\$ -	100%	39
Total value		\$ 1,106	\$ -	\$ -	\$ -	100%	
Portfolio weighted average maturity							39

Barbers Hill Independent School District

Notes to the Financial Statements

Investment pools are measured at amortized cost. Such investments are not required to be reported in the fair value hierarchy.

U.S. Government Agency Securities, Municipal Government Securities, commercial paper and brokered Certificates of Deposit are classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Standish Mellon Asset Management and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The TexPool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

TexSTAR is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management.

The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, and yield. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share. TexSTAR may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; and SEC-registered no-load money-market fund which meet the requirements of the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Credit Risk

At year-end, the District's investments were rated as noted in the table above. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFI and the District's investment policy.

Barbers Hill Independent School District

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. Investments with maturities longer than one year shall be authorized by the Superintendent and shall not exceed legal limits prescribed by the state and federal laws.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

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. On June 30, 2019, the District's banks' balances of \$36,246,219 were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, 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. The District's investments are held by the District's agent in the District's name for the benefit of the District.

As of June 30, 2019, the Barbers Hill Independent School District Education Foundation had investments as follows:

Barbers Hill ISD Education Foundation	S&P Rating	June 30, 2019	Fair Value Measurements Using			Percentage of Total Investments	Weighted Average Maturity (Days)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments measured at amortized costs, not subject to level reporting							
Money market funds	Not Rated	\$ 150,701	\$ -	\$ -	\$ -	0%	1
Investments measured at fair value, subject to level reporting:							
Fixed income funds	BBB- to AAA	14,789,318	-	14,789,318	-	29%	1354
Equity securities	Not Rated	36,335,584	36,335,584	-	-	71%	N/A
Total value		\$ 51,275,603	\$ 36,335,584	\$ 14,789,318	\$ -	100%	
Portfolio weighted average maturity							390

The Foundation follows the investment policy approved by the Foundation's Board of Trustees.

Money Market Funds are measured at amortized cost. Such investments are not required to be reported in the fair value hierarchy.

Equity Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Fixed Income Funds (Corporate Bonds) classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Barbers Hill Independent School District

Notes to the Financial Statements

B. Receivables

Tax revenues of the general and debt service funds are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ (1,064)
Change in uncollectibles related to debt service property taxes	<u>(633)</u>
Total change in uncollectibles of the current fiscal year	<u><u>\$ (1,697)</u></u>

Approximately 73% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

A concentration of risk exists for local revenue sources since approximately 29% of the District's taxable property value is attributed to two taxpayers. Similarly, the District's ten largest taxpayers approximate 66% of the total taxable value of the District.

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2019, is as follows:

<u>Due From/To Other Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 198,891	\$ -
Nonmajor governmental funds	<u>-</u>	<u>198,891</u>
Totals	<u><u>\$ 198,891</u></u>	<u><u>\$ 198,891</u></u>

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

The composition of interfund transfers between the various funds at June 30, 2019, is as follows:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Capital projects fund	<u>\$ 25,000</u>
Total		<u><u>\$ 25,000</u></u>

The transfer was made to supplement construction projects.

Barbers Hill Independent School District
Notes to the Financial Statements

D. Capital Assets

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

	Beginning Balance	Additions	Reductions	Transfers & Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 4,751,708	\$ 100,360	\$ (324,013)	\$ -	\$ 4,528,055
Construction in progress	59,690,034	29,211,141	-	(54,600,366)	34,300,809
Total capital assets, not being depreciated	64,441,742	29,311,501	(324,013)	(54,600,366)	38,828,864
Capital assets, being depreciated:					
Buildings and improvements	216,409,492	8,809,742	-	54,600,366	279,819,600
Furniture and equipment	23,043,689	873,910	(321,751)	-	23,595,848
Total capital assets, being depreciated	239,453,181	9,683,652	(321,751)	54,600,366	303,415,448
Less accumulated depreciation for:					
Buildings and improvements	(59,918,890)	(5,928,351)	-	-	(65,847,241)
Furniture and equipment	(16,080,203)	(1,576,245)	321,751	-	(17,334,697)
Total accumulated depreciation	(75,999,093)	(7,504,596)	321,751	-	(83,181,938)
Total capital assets, being depreciated, net	163,454,088	2,179,056	-	54,600,366	220,233,510
Governmental activities capital assets, net	\$ 227,895,830	\$ 31,490,557	\$ (324,013)	\$ -	\$ 259,062,374

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
11 Instruction	\$ 4,645,816
12 Instructional resources and media services	24,259
13 Curriculum and instructional staff development	723
23 School leadership	176
33 Health services	750
34 Student transportation	523,969
35 Food services	51,471
36 Extracurricular activities	683,568
41 General administration	105,559
51 Plant maintenance and operations	1,277,364
52 Security and monitoring services	125,531
53 Data processing services	64,631
61 Community services	779
Total depreciation expense-governmental activities	\$ 7,504,596

Barbers Hill Independent School District

Notes to the Financial Statements

Construction Commitments

The District has active construction projects as of June 30, 2019. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
High school additions and renovations	\$ 54,894
Middle school north additions and renovations	27,095
Middle school south additions and renovations	15,331
Early childhood center	7,415,160
Totals	\$ 7,512,480

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, note payable, workers' compensation claims, compensated absences, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The general fund has been used to liquidate any other long-term liability not accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 276,870,000	\$ 26,075,000	\$ (43,040,000)	\$ 259,905,000	\$ 13,330,000
Issuance premiums (CIB's)	25,239,189	2,211,997	(3,924,977)	23,526,209	-
Issuance discounts (CIB's)	(32,972)	-	3,072	(29,900)	-
Total bonds payable, net	302,076,217	28,286,997	(46,961,905)	283,401,309	13,330,000
Note payable	3,269,499	-	(3,269,499)	-	-
Workers' compensation	116,496	-	(74,594)	41,902	41,902
Compensated absences	32,757	354	-	33,111	33,111
Net pension liability	12,307,296	12,352,497	(1,422,204)	23,237,589	-
Net OPEB liability	20,396,588	4,693,476	(341,926)	24,748,138	-
Governmental activities long-term liabilities	\$ 338,198,853	\$ 45,333,324	\$ (52,070,128)	\$ 331,462,049	\$ 13,405,013

Barbers Hill Independent School District

Notes to the Financial Statements

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG and QSCB) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2007 BLDG	4.00-5.50%	\$ 9,660,000	2025	\$ 2,515,000	\$ -	\$ (2,515,000)	\$ -
2010 REF	3.00-4.00%	2,340,000	2027	1,405,000	-	(135,000)	1,270,000
2011 BLDG	4.25-4.50%	9,450,000	2036	9,450,000	-	-	9,450,000
2012 BLDG	2.00-5.00%	65,395,000	2037	58,120,000	-	(2,010,000)	56,110,000
2012 QSCB	3.88%	7,085,000	2029	7,085,000	-	-	7,085,000
2012 REF	2.00-5.00%	7,220,000	2022	3,400,000	-	(805,000)	2,595,000
2013 REF	2.00-3.00%	9,375,000	2029	7,370,000	-	-	7,370,000
2014 BLDG	2.00-5.00%	42,895,000	2025	32,575,000	-	(32,575,000)	-
2014 REF	2.00-5.00%	21,195,000	2030	17,250,000	-	(1,375,000)	15,875,000
2014A REF	2.00-5.00%	28,885,000	2027	22,620,000	-	(2,045,000)	20,575,000
2015 REF	2.00-4.00%	8,845,000	2032	8,740,000	-	-	8,740,000
2016 BLDG	2.00-4.00%	13,860,000	2037	10,170,000	-	(355,000)	9,815,000
2017 BLDG	2.00-5.00%	45,620,000	2042	45,505,000	-	(210,000)	45,295,000
2018 BLDG	3.00-5.00%	50,665,000	2037	50,665,000	-	(465,000)	50,200,000
2018 REF	3.00-5.00%	26,075,000	2025	-	26,075,000	(550,000)	25,525,000
Totals				<u>\$ 276,870,000</u>	<u>\$ 26,075,000</u>	<u>\$ (43,040,000)</u>	<u>\$ 259,905,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 13,330,000	\$ 11,200,361	\$ 24,530,361
2021	14,045,000	10,586,461	24,631,461
2022	15,270,000	9,900,911	25,170,911
2023	14,950,000	9,207,111	24,157,111
2024	13,155,000	8,528,611	21,683,611
2025	12,725,000	7,964,161	20,689,161
2026	13,430,000	7,446,936	20,876,936
2027	13,260,000	6,863,111	20,123,111
2028	13,295,000	6,329,561	19,624,561
2029	18,880,000	5,764,511	24,644,511
2030	12,450,000	4,992,163	17,442,163
2031	13,000,000	4,462,263	17,462,263
2032	13,090,000	3,902,563	16,992,563
2033	13,655,000	3,372,638	17,027,638
2034	12,285,000	2,780,563	15,065,563
2035	12,880,000	2,246,013	15,126,013
2036	13,010,000	1,682,875	14,692,875
2037	13,350,000	1,151,325	14,501,325
2038	2,525,000	605,600	3,130,600
2039	2,655,000	479,350	3,134,350
2040	2,775,000	346,600	3,121,600
2041	2,885,000	235,600	3,120,600
2042	3,005,000	120,192	3,125,192
Totals	<u>\$ 259,905,000</u>	<u>\$ 110,169,480</u>	<u>\$ 370,074,480</u>

Barbers Hill Independent School District

Notes to the Financial Statements

As of June 30, 2019, the District has \$14,000,000 of authorized but unissued bonds from the May 2017 bond election or any other election.

Beginning February 2015, the 2012 Qualified School Construction Bond (QSCB) payments are deposited annually into an escrow account in the Debt Service Fund until maturity of the bonds on February 15, 2029. At which time, the accumulation of deposits will total \$7,085,000 and will pay off the outstanding QSCB debt.

In October 2018, the District issued \$26,075,000 of unlimited tax refunding bonds. The proceeds of the refunding bonds were used to legally defease \$29,895,000 of previously issued District bonds in order to lower its overall debt service requirements. The net carrying value of the old debt exceeded the reacquisition price by \$1,236,250. The amount is netted against the new debt and amortized over the life of the new debt. The refunding resulted in a debt service savings of \$4,089,636 and an economic gain of \$1,221,584.

In prior and current fiscal years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, the District had no outstanding defeased bonds.

Note Payable

On March 23, 2009, the District received a community disaster loan from the Federal Emergency Management Agency (FEMA) in the amount of \$5,000,000. The interest rate on the loan is 2.00%. The District submitted a cancellation application to FEMA on January 27, 2014 as a result of the major disaster declaration on September 13, 2008 for the State of Texas. The application was approved by FEMA for a partial cancellation in the amount of \$1,730,501. Principal and interest on the original loan was due on April 27, 2014. A time extension was granted by FEMA to extend the loan due date until April 27, 2019. The District paid off the note during the fiscal year 2019 including \$3,269,499 in principal and \$650,496 in interest.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General fund:	
Potential property value decline	\$ 5,000,000
Future Expansion	9,000,000
	<hr/>
Total other committed fund balance	\$ 14,000,000

Barbers Hill Independent School District

Notes to the Financial Statements

G. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Totals
Property taxes	\$ 49,694,922	\$ 26,702,786	\$ -	\$ -	\$ 76,397,708
Payments in lieu of taxes	20,741,890	-	-	-	20,741,890
Charges for services	840,561	-	-	2,627,655	3,468,216
County equalization	2,320,989	-	-	-	2,320,989
County available	940,705	-	-	-	940,705
Investment earnings	1,568,289	558,842	1,437,716	117	3,564,964
Other	413,617	-	257,941	-	671,558
Totals	\$ 76,520,973	\$ 27,261,628	\$ 1,695,657	\$ 2,627,772	\$ 108,106,030

Note 4. Other Information

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2019, the District purchased commercial insurance or participated in risk pools in which the District transfers the risk for claims related to property and liability risks.

Health Care Coverage

During the year ended June 30, 2019, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$175 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

During the year ended June 30, 2019, the District met its statutory workers' compensation obligations through participation in 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 Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Barbers Hill ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

Barbers Hill Independent School District

Notes to the Financial Statements

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the fiscal year ended June 30, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the fiscal year ended June 30:

	Year Ended 6/30/2019	Year Ended 6/30/2018
Unpaid claims, beginning of fiscal year	\$ 116,496	\$ 101,156
Incurred claims (including IBNR's and changes in provisions)	(53,917)	77,902
Claim payments	(20,677)	(62,562)
Unpaid claims, end of fiscal year	\$ 41,902	\$ 116,496

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

B. Litigation and Contingencies

The District is a defendant in a legal claim arising principally in the normal course of operations. In the opinion of the District's management, the District does not expect a loss and such matter will not have a material effect on the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2019, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

Barbers Hill Independent School District

Notes to the Financial Statements

C. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) 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 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 postemployment benefit changes; including automatic cost of living adjustments. Ad hoc postemployment benefit changes, including ad hoc cost of living adjustments can be granted by the Texas Legislature as noted in the Plan Description 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.

Barbers Hill Independent School District

Notes to the Financial Statements

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%	6.8%
Employers (District)	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 1,562,159
Member contributions	3,685,773
NECE on-behalf contributions (State)	2,218,816

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 GAA.

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

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

Barbers Hill Independent School District

Notes to the Financial Statements

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, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

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

Barbers Hill Independent School District

Notes to the Financial Statements

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.0%	5.7%	1.0%
Non-U.S. developed	13.0%	6.9%	0.9%
Emerging markets	9.0%	8.9%	0.8%
Directional hedge funds	4.0%	3.5%	0.1%
Private equity	13.0%	10.2%	1.3%
Stable value:			
U.S. treasuries	11.0%	1.1%	0.1%
Absolute return	-	-	-
Stable value hedge funds	4.0%	3.1%	0.1%
Cash	1.0%	(0.3%)	-
Real return:			
Global inflation linked bonds	3.0%	0.7%	-
Real assets	14.0%	5.2%	0.7%
Energy and natural resources	5.0%	7.5%	0.4%
Commodities	-	-	-
Risk parity:			
Risk parity	5.0%	3.7%	0.2%
Inflation expectation			2.3%
Volatility drag***			(0.8%)
Totals	100.0%		7.2%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4).

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

Barbers Hill Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 35,071,095	\$ 23,237,589	\$ 13,657,665

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

At June 30, 2019, the District reported a liability of \$23,237,589 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 are as follows:

District's proportionate share of the collective net pension liability	\$ 23,237,589
State's proportionate share of the net pension liability associated with the District	<u>33,097,397</u>
Total	<u>\$ 56,334,986</u>

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

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0422176%, which was an increase of 0.0037268% from its proportion measured as of August 31, 2017.

Changes since the Prior Actuarial Valuation

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

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

Barbers Hill Independent School District

Notes to the Financial Statements

There were no changes of benefit terms that affected measurement of the Total Pension Liability during the measurement period.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$6,570,074 and on-behalf revenue of \$3,275,760 for support provided by the State.

At June 30, 2019, the District reported deferred outflows of resources for contributions made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 144,844	\$ 570,159
Changes in actuarial assumptions	8,378,270	261,821
Net difference between projected and actual earnings on pension plan investments	-	440,917
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	2,473,161	661
District contributions paid after measurement date	<u>1,318,020</u>	<u>-</u>
Totals	<u><u>\$ 12,314,295</u></u>	<u><u>\$ 1,273,558</u></u>

\$1,318,020 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2020	\$ 2,483,177
2021	1,555,304
2022	1,317,059
2023	1,706,778
2024	1,613,867
Thereafter	<u>1,046,532</u>
Total	<u><u>\$ 9,722,717</u></u>

D. Defined Other Postemployment Benefit Plan

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 Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Barbers Hill Independent School District

Notes to the Financial Statements

OPEB Plan Fiduciary Net Position

Detailed 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 postemployment benefit changes; including automatic cost of living adjustments.

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

TRS-Care Monthly Premium Rates
Effective January 1, 2018-December 31, 2018

	Medicare	Non - Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

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 0.65% 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 District. The actual employer contribution rate is prescribed by the Legislature in the GAA.

Barbers Hill Independent School District

Notes to the Financial Statements

The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018	2017
Active Employee	0.65%	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%	1.00%
Employers (District)	0.75%	0.75%	0.55%
Federal/private funding remitted by Employers	1.25%	1.25%	1.00%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$	369,030
Member contributions		311,137
NECE on-behalf contributions (State)		587,936

The State of Texas also contributed \$141,126, \$134,155, and \$129,771 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

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 plan). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions

A change was made in the measurement date of the Total OPEB Liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

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 were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.

Barbers Hill Independent School District

Notes to the Financial Statements

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

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an 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 trend increase for the Medicare Advantage premiums reflects the anticipated return of the Health Insurer Fee in 2020.
Ad hoc postemployment benefit changes	None

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

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

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

Discount Rate

A single discount rate of 3.69% 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.

Barbers Hill Independent School District

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability

Discount Rate

The following table presents the District's proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
\$ 29,458,788	\$ 24,748,138	\$ 21,021,711

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
\$ 20,553,732	\$ 24,748,138	\$ 30,272,262

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

At June 30, 2019, the District reported a liability of \$24,748,138 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 24,748,138
State's proportionate share of the net OPEB liability associated with the District	<u>39,080,884</u>
Total	<u><u>\$ 63,829,022</u></u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0495648% which was an increase of 0.0026612% from its proportion measured as of August 31, 2017.

Barbers Hill Independent School District

Notes to the Financial Statements

Changes since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$2,222,745 and revenue of \$1,421,528 for support provided by the State.

At June 30, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,313,292	\$ 390,562
Changes of assumptions	412,979	7,435,396
Net difference between projected and actual earnings on OPEB investments	4,328	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	1,458,881	-
District contributions paid after measurement date	310,732	-
	<u> </u>	<u> </u>
Totals	<u><u>\$ 3,500,212</u></u>	<u><u>\$ 7,825,958</u></u>

Barbers Hill Independent School District

Notes to the Financial Statements

\$310,732 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2020	\$	(792,543)
2021		(792,543)
2022		(792,543)
2023		(793,361)
2024		(793,830)
Thereafter		<u>(671,658)</u>
Total	\$	<u><u>(4,636,478)</u></u>

Note 5. Tax Abatements

The District entered into property tax abatement agreements with local businesses under Texas Tax Code, Title 3. Subtitle B. Chapter 313. Texas Economic Development Act (the Act) beginning December 14, 2009 through June 25, 2018. Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. Barbers Hill Independent School District is a Category II district, which limits the minimum amount per qualified investment to \$80 million. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's office and the District's Board, are granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

The agreements were for local businesses to invest a minimum capital investment totaling \$1,320,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investments would be limited to taxable value of the lesser of qualified appraised value or the agreements that range individually from \$30,000,000 to \$80,000,000. The District's tax abatements expire in increments beginning in December 31, 2020 through December 31, 2031.

For the fiscal year ended June 30, 2019, the District foregoes collecting property taxes totaling \$55,233,858 resulting from the M&O tax rate of \$1.06 per \$100 of taxable value. The qualified property per the agreements had a taxable value of \$5,810,741,338 and was limited to a taxable value of \$600,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local businesses receiving such property tax abatements have committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District for the greater of \$100 per student per average daily attendance (ADA) or \$50,000 during the term of the agreement.

Required Supplementary Information

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Barbers Hill Independent School District
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2019

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 72,587,431	\$ 76,863,431	\$ 76,520,973	\$ (342,458)
5800	State program revenues	6,813,568	7,505,568	11,003,214	3,497,646
5900	Federal program revenues	405,000	1,102,000	1,075,453	(26,547)
5020	Total revenues	79,805,999	85,470,999	88,599,640	3,128,641
EXPENDITURES					
Current:					
0011	Instruction	37,497,935	37,497,935	37,370,557	127,378
0012	Instructional resources and media services	681,553	683,553	681,156	2,397
0013	Curriculum and instructional staff development	1,468,756	1,511,756	1,509,188	2,568
0021	Instructional leadership	924,719	924,719	837,802	86,917
0023	School leadership	3,378,394	3,406,394	3,364,157	42,237
0031	Guidance, counseling, and evaluation services	2,337,223	2,352,223	2,340,075	12,148
0032	Social work services	83,106	84,106	83,598	508
0033	Health services	837,068	864,068	845,531	18,537
0034	Student transportation	2,268,265	2,268,265	1,978,063	290,202
0035	Food services	-	27,000	26,364	636
0036	Extracurricular activities	2,263,379	2,339,380	2,318,409	20,971
0041	General administration	2,453,379	3,628,379	3,492,813	135,566
0051	Plant maintenance and operations	7,619,433	7,619,433	7,271,924	347,509
0052	Security and monitoring services	538,175	553,175	536,589	16,586
0053	Data processing services	1,202,035	1,222,035	1,211,558	10,477
0061	Community services	27,835	10,256,835	10,256,017	818
Debt service:					
0071	Principal on long-term debt	3,269,499	3,269,499	3,269,499	-
0072	Interest on long-term debt	652,000	652,000	650,496	1,504
Intergovernmental:					
0091	Contracted instructional services between schools	11,300,000	11,300,000	8,925,909	2,374,091
0099	Other intergovernmental charges	639,000	639,000	552,481	86,519
6030	Total expenditures	79,441,754	91,099,755	87,522,186	3,577,569
1100	Excess (deficiency) of revenues over (under) expenditures	364,245	(5,628,756)	1,077,454	6,706,210
OTHER FINANCING SOURCES (USES)					
7949	State revenue pursuant to tax refund	3,906,008	3,944,008	3,943,747	(261)
8911	Transfers out	-	(363,000)	(25,000)	338,000
8948	Tax refund pursuant to Texas Tax Code 313	(3,906,008)	(3,906,008)	(3,943,747)	(37,739)
8949	Other uses	-	-	(280,557)	(280,557)
7080	Total other financing sources (uses)	-	(325,000)	(305,557)	19,443
1200	Net change in fund balance	364,245	(5,953,756)	771,897	6,725,653
0100	Fund balance - beginning	46,249,746	46,249,746	46,249,746	-
3000	FUND BALANCE - ENDING	\$ 46,613,991	\$ 40,295,990	\$ 47,021,643	\$ 6,725,653

The Notes to the Required Supplementary Information are an integral part of this schedule.

Barbers Hill Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability
of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Five Fiscal Years*

	<u>2019</u>
District's proportion of the net pension liability	0.0422176%
District's proportionate share of the net pension liability	\$ 23,237,589
State's proportionate share of the net pension liability associated with the District	<u>33,097,397</u>
TOTALS	<u><u>\$ 56,334,986</u></u>
District's covered payroll	\$ 44,041,414
District's proportionate share of the net pension liability as a percentage of its covered payroll	52.76%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0384908%	0.0377107%	0.0379358%	0.0289778%
\$ 12,307,296	\$ 14,250,308	\$ 13,409,800	\$ 7,740,371
<u>20,767,188</u>	<u>23,482,791</u>	<u>21,228,484</u>	<u>17,284,882</u>
<u>\$ 33,074,484</u>	<u>\$ 37,733,099</u>	<u>\$ 34,638,284</u>	<u>\$ 25,025,253</u>
\$ 42,876,104	\$ 39,867,733	\$ 36,566,914	\$ 34,374,026
28.70%	35.74%	36.67%	22.52%
82.17%	78.00%	78.43%	83.25%

Barbers Hill Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas Pension Plan
 For the Last Five Fiscal Years*

	<u>2019</u>
TRS	
Contractually required contributions	\$ 1,562,159
Contributions in relation to the contractually required contributions	<u>(1,562,159)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>
District's covered payroll	\$ 47,867,176
Contributions as a percentage of covered payroll	3.26%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30.
 Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,427,277	\$ 1,011,809	\$ 1,185,438	\$ 1,062,115
<u>(1,427,277)</u>	<u>(1,011,809)</u>	<u>(1,185,438)</u>	<u>(1,062,115)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 44,684,592	\$ 41,232,770	\$ 39,298,947	\$ 36,325,507
3.19%	2.45%	3.02%	2.92%

Barbers Hill Independent School District**Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB
 Liability of a Cost-Sharing Multiple-Employer OPEB Plan
 Teacher Retirement System of Texas
 Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0495648%	0.0469035%
District's proportionate share of the net OPEB liability	\$ 24,748,138	\$ 20,396,588
State's proportionate share of the net OPEB liability associated with the District	<u>\$ 39,080,884</u>	<u>34,999,204</u>
TOTALS	<u><u>\$ 63,829,022</u></u>	<u><u>\$ 55,395,792</u></u>
District's covered payroll	\$ 44,041,414	\$ 42,876,104
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.19%	47.57%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
 Ten years of data is not available.

Barbers Hill Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 Last Two Fiscal Years*

Exhibit G-5

	<u>2019</u>	<u>2018</u>
TRS		
Contractually required contributions	\$ 369,030	\$ 329,178
Contributions in relation to the contractually required contributions	<u>(369,030)</u>	<u>(329,178)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 47,867,176	\$ 44,684,592
Contributions as a percentage of covered payroll	0.77%	0.74%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30.
 Ten years of data is not available.

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Barbers Hill Independent School District

Notes to the Required Supplementary Information

Note 1. Budget

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared no later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

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Supplementary Information

Barbers Hill Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds
 June 30, 2019

<u>Data Control Codes</u>		211	224
		ESSA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula
	ASSETS		
1110	Cash and cash equivalents	\$ -	\$ -
1240	Due from other governments	63,402	155,833
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 63,402</u>	<u>\$ 155,833</u>
	LIABILITIES		
2110	Accounts payable	\$ -	\$ 865
2150	Payroll deductions and withholdings	636	925
2160	Accrued wages payable	30,344	42,098
2170	Due to other funds	32,422	111,945
2180	Due to other governments	-	-
		<hr/>	<hr/>
2000	Total liabilities	63,402	155,833
	FUND BALANCES		
3450	Restricted - grants	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,402</u>	<u>\$ 155,833</u>

225	240	244	255	263
IDEA-Part B Preschool	National School Breakfast/Lunc h Program	Career and Technical Basic Grant	ESSA Title II, Part A,: Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition and Enhancement
\$ - 4,236	\$ 856,437 -	\$ - -	\$ - 36,754	\$ - 7,554
<u>\$ 4,236</u>	<u>\$ 856,437</u>	<u>\$ -</u>	<u>\$ 36,754</u>	<u>\$ 7,554</u>
\$ - 51 2,531 1,654 -	\$ 866 8,498 137,121 - -	\$ - - - - -	\$ - - - 36,013 741	\$ - - - 7,554 -
4,236	146,485	-	36,754	7,554
-	709,952	-	-	-
-	709,952	-	-	-
<u>\$ 4,236</u>	<u>\$ 856,437</u>	<u>\$ -</u>	<u>\$ 36,754</u>	<u>\$ 7,554</u>

Barbers Hill Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds

Special Revenue Funds – Continued

June 30, 2019

<u>Data Control Codes</u>		288	289
		<u>Summer School LEP</u>	<u>Federally Funded Special Revenue Funds</u>
	ASSETS		
1110	Cash and cash equivalents	\$ 1,252	\$ -
1240	Due from other governments	-	132
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 1,252</u>	<u>\$ 132</u>
	LIABILITIES		
2110	Accounts payable	\$ -	\$ -
2150	Payroll deductions and withholdings	-	-
2160	Accrued wages payable	-	-
2170	Due to other funds	1,252	132
2180	Due to other governments	-	-
		<hr/>	<hr/>
2000	Total liabilities	1,252	132
	FUND BALANCES		
3450	Restricted - grants	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,252</u>	<u>\$ 132</u>

397	404	410	
Advanced Placement Incentives	Student Success Initiatives	State Textbook Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ 1,600	\$ 81	\$ -	\$ 859,370
-	-	7,919	275,830
<u>\$ 1,600</u>	<u>\$ 81</u>	<u>\$ 7,919</u>	<u>\$ 1,135,200</u>
\$ -	\$ -	\$ -	\$ 1,731
-	-	-	10,110
-	-	-	212,094
-	-	7,919	198,891
-	-	-	741
-	-	7,919	423,567
<u>1,600</u>	<u>81</u>	<u>-</u>	<u>711,633</u>
<u>1,600</u>	<u>81</u>	<u>-</u>	<u>711,633</u>
<u>\$ 1,600</u>	<u>\$ 81</u>	<u>\$ 7,919</u>	<u>\$ 1,135,200</u>

Barbers Hill Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

<u>Data Control Codes</u>		211	224
		ESSA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula
REVENUES			
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	288,618	681,832
		<hr/>	<hr/>
5020	Total revenues	288,618	681,832
EXPENDITURES			
Current:			
0011	Instruction	274,122	681,832
0013	Curriculum and instructional staff development	14,496	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
		<hr/>	<hr/>
6030	Total expenditures	288,618	681,832
		<hr/>	<hr/>
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

225	240	244	255	263
IDEA-Part B Preschool	National School Breakfast/Lunc h Program	Career and Technical Basic Grant	ESSA Title II, Part A, : Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition and Enhancement
\$ -	\$ 2,627,772	\$ -	\$ -	\$ -
-	59,882	-	-	-
17,830	585,565	17,596	80,900	21,370
17,830	3,273,219	17,596	80,900	21,370
17,830	-	17,596	-	11,265
-	-	-	80,900	10,105
-	3,335,347	-	-	-
-	-	-	-	-
17,830	3,335,347	17,596	80,900	21,370
-	(62,128)	-	-	-
-	772,080	-	-	-
\$ -	\$ 709,952	\$ -	\$ -	\$ -

Barbers Hill Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the Fiscal Year Ended June 30, 2019

<u>Data Control Codes</u>		288	289
		<u>Summer School LEP</u>	<u>Federally Funded Special Revenue Funds</u>
REVENUES			
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	1,252	18,511
		<hr/>	<hr/>
5020	Total revenues	1,252	18,511
EXPENDITURES			
Current:			
0011	Instruction	1,252	-
0013	Curriculum and instructional staff development	-	15,187
0035	Food services	-	-
0036	Extracurricular activities	-	3,324
		<hr/>	<hr/>
6030	Total expenditures	1,252	18,511
		<hr/>	<hr/>
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

397	404	410	Total Nonmajor Funds (See Exhibit C-2)
Advanced Placement Incentives	Student Success Initiatives	State Textbook Fund	
\$ -	\$ -	\$ -	\$ 2,627,772
4,800	-	353,802	418,484
-	-	-	1,713,474
4,800	-	353,802	4,759,730
-	-	353,802	1,357,699
3,200	-	-	123,888
-	-	-	3,335,347
-	-	-	3,324
3,200	-	353,802	4,820,258
1,600	-	-	(60,528)
-	81	-	772,161
\$ 1,600	\$ 81	\$ -	\$ 711,633

Barbers Hill Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended June 30, 2019

Year Ended June 30,	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and prior years	\$	Various	\$	Various	\$	Various
2011		1.0601		.2698		2,788,955,260
2012		1.0600		.2698		3,262,025,643
2013		1.0600		.2698		3,947,441,269
2014		1.0600		.2698		4,055,523,537
2015		1.0600		.2698		4,805,775,079
2016		1.0600		.2698		5,586,723,191
2017		1.0600		.2698		4,874,789,592
2018		1.0600		.2698		5,336,109,490
2019		1.0600		.2698		5,774,458,189

1000 TOTALS

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

Exhibit J-1

<u>10</u> <u>Beginning</u> <u>Balance</u> <u>7/1/18</u>	<u>20</u> <u>Current</u> <u>Year's</u> <u>Total Levy</u>	<u>31</u> <u>Maintenance</u> <u>Collections</u>	<u>32</u> <u>Debt Service</u> <u>Collections</u>	<u>40</u> <u>Entire</u> <u>Year's</u> <u>Adjustments</u>	<u>50</u> <u>Ending</u> <u>Balance</u> <u>6/30/19</u>
\$ 923,293	\$ -	\$ 16,142	\$ 3,121	\$ (91,871)	\$ 812,159
37,436	-	826	210	(233)	36,167
31,611	-	1,026	261	(235)	30,089
30,383	-	2,506	638	(236)	27,003
34,263	-	2,896	737	(2,146)	28,484
36,520	-	1,816	462	(1,705)	32,537
61,162	-	5,925	1,508	(1,729)	52,000
83,516	-	(30,620)	(7,794)	(63,621)	58,309
389,872	-	111,524	28,386	(141,387)	108,575
-	76,788,745	49,414,726	26,636,026	(266,978)	471,015
<u>\$ 1,628,056</u>	<u>\$ 76,788,745</u>	<u>\$ 49,526,767</u>	<u>\$ 26,663,555</u>	<u>\$ (570,141)</u>	<u>\$ 1,656,338</u>
		\$ -	\$ -		

Barbers Hill Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance – Budget and Actual
 National School Breakfast and Lunch Program
 For the Fiscal Year Ended June 30, 2019

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 2,443,000	\$ 2,638,000	\$ 2,627,772	\$ (10,228)
5800	State program revenues	6,000	62,000	59,882	(2,118)
5900	Federal program revenues	507,000	596,000	585,565	(10,435)
5020	Total revenues	2,956,000	3,296,000	3,273,219	(22,781)
EXPENDITURES					
Current:					
0035	Food services	3,022,478	3,353,478	3,335,347	18,131
6030	Total expenditures	3,022,478	3,353,478	3,335,347	18,131
1200	Net change in fund balance	(66,478)	(57,478)	(62,128)	(4,650)
0100	Fund balance - beginning	772,080	772,080	772,080	-
3000	FUND BALANCE - ENDING	<u>\$ 705,602</u>	<u>\$ 714,602</u>	<u>\$ 709,952</u>	<u>\$ (4,650)</u>

Barbers Hill Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance – Budget and Actual
 Debt Service Fund
 For the Fiscal Year Ended June 30, 2019

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 25,385,124	\$ 27,403,124	\$ 27,261,628	\$ (141,496)
5800	State program revenues	106,976	112,976	109,448	(3,528)
5020	Total revenues	25,492,100	27,516,100	27,371,076	(145,024)
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	13,395,000	13,245,000	13,145,000	100,000
0072	Interest on long-term debt	11,440,243	11,290,243	11,193,173	97,070
0073	Issuance costs and fees	20,000	2,820,000	2,802,474	17,526
6030	Total expenditures	24,855,243	27,355,243	27,140,647	214,596
1100	Excess (deficiency) of revenues over (under) expenditures	636,857	160,857	230,429	69,572
OTHER FINANCING SOURCES (USES)					
7901	Issuance of refunding bonds	-	26,075,000	26,075,000	-
7916	Premium or (discount) on issuance of bonds	-	2,212,000	2,211,997	(3)
8940	Payment to refunded bonds escrow agent	-	(27,991,000)	(27,990,783)	217
7080	Total other financing sources (uses)	-	296,000	296,214	214
1200	Net change in fund balance	636,857	456,857	526,643	69,786
0100	Fund balance - beginning	11,797,748	11,797,748	11,797,748	-
3000	FUND BALANCE - ENDING	<u>\$ 12,434,605</u>	<u>\$ 12,254,605</u>	<u>\$ 12,324,391</u>	<u>\$ 69,786</u>

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**Overall Compliance, Internal Control Section
and Federal Awards**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Barbers Hill Independent School District
Mont Belvieu, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated [insert date of report].

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Board of Trustees of
Barbers Hill Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 22, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
Barbers Hill Independent School District
Mont Belvieu, Texas

Report on Compliance for Each Major Federal Program

We have audited Barbers Hill Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 22, 2019

Barbers Hill Independent School District
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2019

Section 1. Summary of Auditor’s Results

Financial Statements

- 1. Type of auditor’s report issued Unmodified
- 2. Internal Control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- 3. Noncompliance material to financial statements noted? No

Federal Awards

- 4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- 5. Type of auditor’s report issued on compliance with major programs Unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? No
- 7. Identification of major programs Child Nutrition Cluster
10.553 and 10.555
- 8. Dollar threshold used to distinguish between Type A and Type B federal programs \$750,000
- 9. Auditee qualified as a low-risk auditee? Yes

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Barbers Hill Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

Prior Year Findings

None reported

Barbers Hill Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Passed Through Texas Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101036902	\$ 281,547
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101036902	7,071
Total Program 84.010A			288,618
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	196600010369026000	603,244
IDEA - Part B Formula	84.027A	186600010369026000	78,588
IDEA - Part B Preschool	84.173A	196610010369026000	13,571
IDEA - Part B Preschool	84.173A	186610010369026000	4,259
Total Special Education Cluster (IDEA)			699,662
Carl D. Perkins Basic Formula Grant	84.048A	19420006036902	17,096
Carl D. Perkins Basic Formula Grant	84.048A	18420006036902	500
Total Program 84.048A			17,596
Title III Part A English Language Acquisition and Language Enhancement	84.365A	19671001036902	16,996
Title III Part A English Language Acquisition and Language Enhancement	84.365A	18671001036902	4,374
Total Program 84.365A			21,370
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	19694501036902	56,157
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	18694501036902	24,743
Total Program 84.367A			80,900
Title VI, Part A, Summer School LEP	84.369A	69551802	1,252
Title IV, Part A, Subpart 1	84.424A	19680101036902	15,893
Texas Hurricane Homeless Youth	84.938B	19513701036902	2,618
TOTAL U.S. DEPARTMENT OF EDUCATION			1,127,909
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Department of Agriculture - Non Cash Assistance:			
National School Lunch Program	10.555	00174	88,186
Passed Through Texas Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401901	131,820
National School Lunch Program	10.555	71301901	365,559
Total Child Nutrition Cluster			585,565
TOTAL U.S. DEPARTMENT OF AGRICULTURE			585,565
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,713,474

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Barbers Hill Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 1,713,474
General fund - federal revenue:	
Interest subsidy on QSCB	257,375
SHARS	818,078
	<hr/>
Total federal revenues per Exhibit C-2	\$ 2,788,927

Barbers Hill Independent School District
 Schedule of Required Responses to Selected
 School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended June 30, 2019

Exhibit L-1

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11 Net pension assets (1920) at fiscal year-end.	\$ -
SF12 Net pension liabilities (2540) at fiscal year-end.	\$ 23,237,589