

JOAQUIN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2019

JOAQUIN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for the
Year Ended August 31, 2019

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**JOAQUIN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

Joaquin Independent School District Shelby 210-902
Name of School District County County-District Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2019.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION



Certified Public Accountants

Goff & Herrington, P.C.

P. O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 634-2345 • Fax: (936) 622-6823

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

Independent Auditor's Report

Members of the Board of Trustees
Joaquin Independent School District
Joaquin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joaquin Independent School District (District), as of and for the year ended August 31, 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.

Independent Auditor's Report

Members of the Board of Trustees
November 5, 2019
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Joaquin Independent School District, as of August 31, 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 on pages 5 through 11, budgetary comparison information on page 50, and the Teacher's Retirement System pension schedules on pages 51-56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The combining schedules and required TEA schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Independent Auditor's Report

Members of the Board of Trustees
November 5, 2019
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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Districts' internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

November 5, 2019

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JOAQUIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Joaquin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was a deficit of \$1,082,744 as of August 31, 2019. During fiscal year 2018, there were significant reductions to the net position as a result of the implementation of GASB 75, as required by the Governmental Accounting Standards Board (GASB). At August 31, 2019, the District's net position includes a net pension liability of \$2,235,603 (as required by GASB 68) and a net OPEB liability of \$2,988,586, both of which decreased the combined net position. While these liabilities have always existed, they were not reported on the District's financial statements prior to the adoption of the related GASB pronouncements. Implementation of the accounting changes required by these accounting standards do not affect the financial stability of the District nor does it change how the District conducts its financial decision making.
- ▶ During the year ended August 31, 2019, the District's net position decreased by \$10,259. The portion that the District's net position decreased during 2019 related to the current year changes/adjustments in the net pension and net OPEB liabilities was \$238,118.
- ▶ The District generated \$9,604,555 in taxes and other revenues from governmental activities, and the total cost of the District's programs was \$9,614,814.
- ▶ The general fund reported a total fund balance this year of \$2,494,517, of which \$2,188,320 is unassigned. The fund financial statements reflect the District's reserves from normal operations, and were not affected by the recent GASB pronouncements. The District uses the balances reflected in the fund financial statement to make financial decisions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, liabilities, and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial

JOAQUIN INDEPENDENT SCHOOL DISTRICT

position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- ▶ The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

- ▶ Some funds are required by State law and by bond covenants.
- ▶ The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

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

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was a deficit of \$1,082,744 as of August 31, 2019. The following table provides a summary of the District’s net position.

The District’s Net Position

	Governmental Activities		% Change
	2019	2018	
Current and Other Assets	3,469,918	2,862,051	21.2%
Capital and Non-Current Assets	11,813,072	12,502,449	(5.5)%
Total Assets	15,282,990	15,364,500	(0.5)%
Deferred Outflows	2,488,999	1,211,133	105.5%
Total Deferred Outflows of Resources	2,488,999	1,211,133	105.5%
Other Liabilities	518,148	285,681	81.4%
Long Term Liabilities	17,144,482	16,049,423	6.8%
Total Liabilities	17,662,630	16,335,104	8.1%
Deferred Inflows	1,192,103	1,313,014	(9.2)%
Total Deferred Inflows of Resources	1,192,103	1,313,014	(9.2)%
Net Position:			
Net Investment in Capital Assets	547,595	695,136	(21.2)%
Restricted	225,479	174,095	29.5%
Unrestricted	(1,855,818)	(1,941,716)	(4.4)%
Total Net Position	(1,082,744)	(1,072,485)	1.0%

The District’s restricted net position of \$225,479 consists of \$91,633 restricted for food service and \$133,846 restricted for debt service.

Changes in net position. The District’s total revenues were \$9,604,555. A significant portion, 51.83 percent, of the District’s revenue comes from state aid-formula grants. Property taxes represent 30.96 percent of the District’s revenue. The rest of the District’s revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$9,614,814; 71.77 percent of these costs are for instructional and student services.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District's changes in net position.

Changes in the District's Net Position

	Governmental Activities		% Change
	2019	2018	
Revenues:			
Program Revenues:			
Charges for services	208,796	251,717	(17.1)%
Operating grants	709,746	786,144	(9.7)%
General Revenues:			
Property taxes	2,973,708	2,740,403	8.5%
State aid - formula	4,977,697	5,149,554	(3.3)%
Investment earnings	89,039	57,740	54.2%
Other general revenues	645,569	(892,552)	172.3%
Total revenues	9,604,555	8,093,006	18.7%
Expenses:			
Instructional and instructional related	4,939,082	3,431,495	43.9%
Instructional and school leadership	707,993	476,179	48.7%
Counseling, health, transportation, and	1,548,324	1,245,065	24.4%
Food services	391,549	352,535	11.1%
General administration	508,567	338,694	50.2%
Plant maintenance and security	859,072	681,113	26.1%
Data processing services	149,626	112,136	33.4%
Community services	-	1,154	(100.0)%
Debt services	421,764	439,901	(4.1)%
Payments to fiscal agent/member districts	21,677	21,129	2.6%
Other intergovernmental charges	67,160	66,180	1.5%
Total expenses	9,614,814	7,165,581	34.2%
Increase (Decrease) in Net Position	(10,259)	927,425	(101.1)%
Beginning Net Position	(1,072,485)	2,090,955	(151.3)%
Prior period adjustment - GASB 75	-	(4,090,865)	(100.0)%
Ending Net Position	(1,082,744)	(1,072,485)	1.0%

JOAQUIN INDEPENDENT SCHOOL DISTRICT

The District’s maintenance property tax rate of \$1.17 is unchanged from last year, while the interest and sinking tax rate increased 5.64 percent to \$0.4514. Overall property tax revenues increased by 8.51 percent due to the increase in the I&S rate and increases in appraised property values.

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$9,614,814.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$2,973,708.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$208,796), or
- ▶ By operating grants (\$709,746).

The following table presents the cost of each of the District’s largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions

	Total cost of services			Net cost of services		
	2019	2018	% Change	2019	2018	% Change
Instruction	4,818,295	3,331,037	44.6%	4,447,293	2,889,042	53.9%
General Administration	508,567	338,694	50.2%	508,567	338,694	50.2%
Debt service	421,764	439,901	(4.1)%	421,764	439,901	(4.1)%
Maintenance & operations	840,953	659,623	27.5%	840,953	635,391	32.4%
Extracurricular activities	861,016	706,486	21.9%	744,020	558,639	33.2%

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$9,537,110, an increase of 1.71 percent from the preceding year. The increase was primarily due to an increase in local and intermediate sources.

The District’s governmental funds ended the year with a reported combined fund balance of \$2,784,081, an increase of \$396,399 from last years ending balance of \$2,387,682.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

General Fund Budgetary Highlights

Over the course of the year the District revised the operating budget as actual results were analyzed. Actual expenditures were \$129,659 below final budget amounts. The most significant positive variance results were in the student transportation and plant maintenance and operations areas as the final expenditures were less than expected.

Additionally reported total revenues were \$29,065 above the final budgeted amounts as local and state program revenues were more that anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$24,176,855, less depreciation of \$12,363,783, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District’s capital assets.

District’s Capital Assets

(Net of depreciation)

	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Land	228,562	228,562	0.0%
Buildings & improvements	10,946,674	11,416,070	(4.1)%
Equipment & vehicles	637,836	656,037	(2.8)%
Construction in progress	-	201,780	(100.0)%
Net capital assets	<u>11,813,072</u>	<u>12,502,449</u>	<u>(5.5)%</u>

Significant capital asset expenditures in 2019 included track resurfacing, installing security doors and the purchase of a school vehicle. The District’s 2020 capital budget includes a new roof at the high school, air conditioning upgrades at the elementary school, and purchasing two buses. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

JOAQUIN INDEPENDENT SCHOOL DISTRICT

Long-term Debt

The following table provides a summary of the District’s long-term debt.

	Governmental Activities		
	2019	2018	% Change
Series 2009 School Building Bonds	-	210,000	(100.0)%
Series 2010 School Building Bonds	2,835,000	2,975,000	(4.7)%
Series 2016 Refunding Bonds	8,050,000	8,245,000	(2.4)%
Total long term debt	<u>10,885,000</u>	<u>11,430,000</u>	<u>(4.8)%</u>

At year end the District had \$10,885,000 in school building bonds outstanding as shown above. The District’s bonds presently carry favorable ratings of “AA” and “AAA” with Standard and Poors.

More detailed information about the District’s debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- ▶ Appraised values used for the 2020 budget preparation were \$201,823,405, a 7.54 percent increase from 2019.
- ▶ The District’s average daily attendance is expected to be 610 which is a 2.09 percent decrease from the prior year.

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for expenditure in the general fund budget are \$8,300,000, an increase of 9.35 percent from the final 2019 budget of \$7,590,000. The increase is primarily due to increased expected revenues from state programs in 2020. The District will use these revenues to finance programs we currently offer.

Expenditures are budgeted to increase 13.93 percent to \$8,300,000. If the budgeted estimates are realized, the District’s budgetary general fund balance is expected to remain unchanged for 2020.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District’s Director of Finance.

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Government-Wide Financial Statements

JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and cash equivalents	2,936,785	-	2,936,785
1120	Investments - current	160,255	-	160,255
1220	Property taxes receivable - delinquent	739,006	-	739,006
1230	Allowance for uncollectible taxes (credit)	(554,255)	-	(554,255)
1240	Due from other governments	81,904	-	81,904
1290	Other receivables	8,892	-	8,892
1300	Inventories	18,149	-	18,149
1410	Prepayments	79,182	-	79,182
	Capital Assets:			
1510	Land	228,562	-	228,562
1520	Buildings, net	10,946,674	-	10,946,674
1530	Furniture and equipment, net	637,836	-	637,836
1000	Total assets	<u>15,282,990</u>	-	<u>15,282,990</u>
	DEFERRED OUTFLOWS OF RESOURCES			
1702	Deferred charge on refunding	654,816	-	654,816
1705	Deferred outflow related to TRS Pension	1,239,473	-	1,239,473
1706	Deferred outflow related to TRS OPEB	594,710	-	594,710
1700	Total deferred outflows of resources	<u>2,488,999</u>	-	<u>2,488,999</u>
	LIABILITIES			
2110	Accounts payable	131,626	-	131,626
2140	Interest payable	17,062	-	17,062
2160	Accrued wages payable	281,329	-	281,329
2180	Due to other governments	81,831	-	81,831
2300	Unearned revenues	6,300	-	6,300
	Long Term Liabilities:			
2501	Due within one year	560,000	-	560,000
2502	Due after one year	11,360,293	-	11,360,293
2540	Net pension liability	2,235,603	-	2,235,603
2545	Net OPEB liability	2,988,586	-	2,988,586
2000	Total liabilities	<u>17,662,630</u>	-	<u>17,662,630</u>
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflow related to TRS Pension	247,040	-	247,040
2606	Deferred inflow related to TRS OPEB	945,063	-	945,063
2600	Total deferred inflows of resources	<u>1,192,103</u>	-	<u>1,192,103</u>
	NET POSITION			
3200	Net investment in capital assets	547,595	-	547,595
3820	Restricted for Federal and State programs	91,633	-	91,633
3850	Restricted for debt service	133,846	-	133,846
3900	Unrestricted net position	(1,855,818)	-	(1,855,818)
3000	Total net position	<u>(1,082,744)</u>	-	<u>(1,082,744)</u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
11 Instruction	4,818,295	7,875	363,127
12 Instructional resources and media services	8,814	-	-
13 Curriculum and staff development	111,973	-	5,609
21 Instructional leadership	129,190	-	3,756
23 School leadership	578,803	-	-
31 Guidance, counseling, and evaluation services	247,438	-	53,125
32 Social work services	39,596	-	-
33 Health services	53,599	-	455
34 Student transportation	346,675	-	-
35 Food service	391,549	83,925	283,674
36 Cocurricular/extracurricular activities	861,016	116,996	-
41 General administration	508,567	-	-
51 Plant maintenance and operations	840,953	-	-
52 Security and monitoring services	18,119	-	-
53 Data processing services	149,626	-	-
72 Interest on long-term debt	420,214	-	-
73 Bond issuance costs	1,550	-	-
93 Payments related to shared services arrangements	21,677	-	-
99 Other intergovernmental charges	67,160	-	-
TP Total primary government	9,614,814	208,796	709,746

Data Control Codes

MT
DT
SF
GC

IE
MI
TR
CN
NB

NE

General revenues:

Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
State aid formula grants
Grants and contributions, not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position, beginning

Net position, ending

The accompanying notes are an integral part of this statement

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
5	Governmental	Business	
Capital Grants and Contributions	Activities	Activities	Total
-	(4,447,293)	-	(4,447,293)
-	(8,814)	-	(8,814)
-	(106,364)	-	(106,364)
-	(125,434)	-	(125,434)
-	(578,803)	-	(578,803)
-	(194,313)	-	(194,313)
-	(39,596)	-	(39,596)
-	(53,144)	-	(53,144)
-	(346,675)	-	(346,675)
-	(23,950)	-	(23,950)
-	(744,020)	-	(744,020)
-	(508,567)	-	(508,567)
-	(840,953)	-	(840,953)
-	(18,119)	-	(18,119)
-	(149,626)	-	(149,626)
-	(420,214)	-	(420,214)
-	(1,550)	-	(1,550)
-	(21,677)	-	(21,677)
-	(67,160)	-	(67,160)
-	(8,696,272)	-	(8,696,272)
	2,148,223	-	2,148,223
	825,485	-	825,485
	4,977,697	-	4,977,697
	601,217	-	601,217
	89,039	-	89,039
	44,352	-	44,352
	8,686,013	-	8,686,013
	(10,259)	-	(10,259)
	(1,072,485)	-	(1,072,485)
	(1,082,744)	-	(1,082,744)

The accompanying notes are an integral part of this statement

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Governmental Fund Financial Statements

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019**

Data Control Codes	10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	2,644,748	161,276	130,761	2,936,785
1120	Investments - current	153,169	7,086	-	160,255
1220	Property taxes receivable - delinquent	531,097	207,909	-	739,006
1230	Allowance for uncollectible taxes (credit)	(398,323)	(155,932)	-	(554,255)
1240	Due from other governments	-	-	81,904	81,904
1260	Due from other funds	63,114	-	-	63,114
1290	Other receivables	6,390	2,502	-	8,892
1300	Inventories	-	-	18,149	18,149
1410	Prepayments	79,182	-	-	79,182
1000	Total Assets	3,079,377	222,841	230,814	3,533,032
LIABILITIES					
2110	Accounts payable	119,644	-	11,982	131,626
2160	Accrued wages payable	281,329	-	-	281,329
2170	Due to other funds	-	-	63,114	63,114
2180	Due to other governments	44,813	37,018	-	81,831
2300	Unearned revenues	6,300	-	-	6,300
2000	Total Liabilities	452,086	37,018	75,096	564,200
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	132,774	51,977	-	184,751
2600	Total Inflows of Resources	132,774	51,977	-	184,751
FUND BALANCES					
Nonspendable Fund Balance					
3410	Inventories	-	-	18,149	18,149
3430	Prepaid items	79,182	-	-	79,182
Restricted Fund Balance					
3450	Federal or State grants	-	-	91,633	91,633
3480	Retirement of long-term debt	-	133,846	-	133,846
Committed fund balance:					
3530	Retirement of long-term debt	200,000	-	-	200,000
3540	Self insurance	27,015	-	-	27,015
Assigned fund balance:					
3590	Other assigned	-	-	45,936	45,936
3600	Unassigned fund balance	2,188,320	-	-	2,188,320
3000	Total Fund Balances	2,494,517	133,846	155,718	2,784,081
4000	Total Liabilities, Deferred Inflows and Fund Balances	3,079,377	222,841	230,814	3,533,032

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019**

	Total fund balances - governmental funds	2,784,081
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$24,030,791 and the accumulated depreciation was \$11,528,342. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	677,386
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	691,752
3	The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(835,441)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,235,603, a deferred resource inflow related to TRS in the amount of \$247,040, and a deferred resource outflow related to TRS in the amount of \$1,239,473. This amounted to a decrease in net position in the amount of \$1,243,170.	(1,243,170)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$2,998,586, a deferred resource inflow related to TRS in the amount of \$945,063, and a deferred resource outflow related to TRS in the amount of \$594,710. This amounted to a decrease in net position in the amount of \$3,338,939.	(3,338,939)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>181,587</u>
19	Net Position of governmental activities	<u><u>(1,082,744)</u></u>

The accompanying notes are an integral part of this statement

JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST, 2019

Data Control Codes	10 General Fund	50 Debt Svc. Fund	Other Governmental Funds	Total Governmental Funds	
REVENUES					
5700	Total local and intermediate sources	2,410,594	877,164	179,965	3,467,723
5800	State program revenues	5,168,727	151,170	40,875	5,360,772
5900	Federal program revenues	39,744	-	668,871	708,615
5020	Total revenues	<u>7,619,065</u>	<u>1,028,334</u>	<u>889,711</u>	<u>9,537,110</u>
EXPENDITURES					
0011	Instruction	3,829,002	-	363,127	4,192,129
0012	Instructional resources and media services	2,976	-	-	2,976
0013	Curriculum and staff development	101,442	-	5,609	107,051
0021	Instructional leadership	116,289	-	3,756	120,045
0023	School leadership	492,571	-	-	492,571
0031	Guidance, counseling, evaluation services	161,697	-	53,125	214,822
0032	Social work services	32,965	-	-	32,965
0033	Health services	49,487	-	455	49,942
0034	Student transportation	271,724	-	-	271,724
0035	Food service	-	-	323,539	323,539
0036	Cocurricular/extracurricular activities	510,724	-	119,123	629,847
0041	General administration	478,932	-	-	478,932
0051	Plant maintenance and operations	826,662	-	22,207	848,869
0052	Security and monitoring services	43,250	-	-	43,250
0053	Data processing services	138,163	-	-	138,163
0071	Principal on long-term debt	-	545,000	-	545,000
0072	Interest on long-term debt	-	417,738	-	417,738
0073	Bond issuance cost and fees	-	1,550	-	1,550
0081	Facilities acquisition and construction	10,620	-	-	10,620
0093	Payments to fiscal agent	21,677	-	-	21,677
0099	Other intergovernmental charges	67,160	-	-	67,160
6030	Total expenditures	<u>7,155,341</u>	<u>964,288</u>	<u>890,941</u>	<u>9,010,570</u>
1100	Excess (deficiency) of revenues over expenditures	463,724	64,046	(1,230)	526,540
OTHER FINANCING SOURCES (USES)					
7915	Transfers in (sources)	-	-	-	-
8911	Tranfers out (uses)	-	-	-	-
8949	Other uses	(98,195)	(31,946)	-	(130,141)
7080	Total other financing sources and uses	<u>(98,195)</u>	<u>(31,946)</u>	<u>-</u>	<u>(130,141)</u>
1200	Net change in fund balances	365,529	32,100	(1,230)	396,399
0100	Fund balance - September 1 (beginning)	2,128,988	101,746	156,948	2,387,682
3000	Fund balance - August 31 (ending)	<u>2,494,517</u>	<u>133,846</u>	<u>155,718</u>	<u>2,784,081</u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019**

Net change in fund balances - governmental funds	396,399
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	691,752
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(835,441)
Current year changes in amounts related to GASB 68 increased revenues in the amount of \$108,570, but also increased expenditures in the amount of \$275,499. The net effect on the change in the ending net position was a decrease in the amount of \$166,929.	(166,929)
Current year changes in amounts related to GASB 75 increased revenues in the amount of \$110,703, but also increased expenditures in the amount of \$181,892. The net effect on the change in the ending net position was a decrease in the amount of \$71,189.	(71,189)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>(24,851)</u>
Change in net position of governmental activities	<u><u>(10,259)</u></u>

The accompanying notes are an integral part of this statement

Fiduciary Fund Financial Statements

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019**

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	16,815	45,035
Total Assets	<u>16,815</u>	<u>45,035</u>
	<u> </u>	<u> </u>
LIABILITIES		
Due to student groups	-	45,035
Total Liabilities	<u>-</u>	<u>45,035</u>
	<u> </u>	<u> </u>
NET POSITION		
Restricted for scholarships	16,815	
Total net position	<u>16,815</u>	
	<u> </u>	

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Local and Intermediate Sources	36,892
Total Additions	<u>36,892</u>
DEDUCTIONS:	
Scholarship Awarded	37,375
Total Deductions	<u>37,375</u>
Change in Net Position	(483)
Total Net Position - September 1 (Beginning)	<u>17,298</u>
Total Net Position - August 31 (Ending)	<u><u>16,815</u></u>

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

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

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

Major Governmental Funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Non Major Governmental Funds:

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

Other Fund Types:

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

Agency Fund - The District accounts for resources held for others in a custodial capacity in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

E. OTHER ACCOUNTING POLICIES

Inventories and Prepayments - The District reports inventories of supplies at cost, which approximates lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepayments.

Capital Assets and Depreciation - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	15-30
Improvements	15-30
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as miscellaneous revenues when received.

Long-Term Debt - In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums. The governmental fund financial statements recognize the proceeds of debt and premiums received as other financing sources of the current period and principal and interest payments as expense.

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

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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

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

Other Post-Employment Benefits (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 post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in local programs, to pay debt service on capital related debt, for use in food service operations, construction, or future operating deficits.

Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future operations. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Committed fund balance represents amounts approved by the Board of Trustees. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. The General Fund commits \$27,015 for self insurance and \$200,000 for retirement of long-term debt. The General Fund also has a nonspendable fund balance of \$79,182 in the form of prepayments. The Special Revenue Fund assigns \$45,936 for campus activity programs and restricts \$91,633 for the food service operations. The Food Service Fund also has a nonspendable fund balance of \$18,149 in the form of inventories. The Debt Service Fund restricts \$133,846 for debt service.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Compensated Absences - As an attendance incentive, upon retirement the District purchases any unused state leave days for employees who have at least ten years continuous service in the District and who meet the requirements for retirement with the Texas Teacher Retirement System. Payment is at the rate of \$50 per day up to a maximum of \$2,500. The employee's leave balance is reduced by the number of days purchased. No liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

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

The District's restricted fund balances represent amounts for retirement of long term debt, and for operation of the food service program.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Data Control Codes - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds.) The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2019, the District made significant amendments to the instructional and general administration functions, increasing the overall appropriations over the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Policies Governing Deposits and Investments. In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District was not exposed to custodial credit risk during the year as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: American State Bank, Joaquin, Texas
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,800,000.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,201,595 and occurred during the month of August, 2019.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2019.

Custodial Credit Risk - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District was not exposed to custodial credit risk at August 31, 2019.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2019.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2019.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2019.

The District's deposits with Investment Pools (Pools) as of August 31, 2019 amounted to \$134,432 with Lone Star, included in current investments, and \$25,823 with LOGIC, included in current investments.

The Pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the Districts funds in authorized short-term investments.

The investments in the Pools are based on contractual agreements and not the individual security itself, therefore, the District's investments in the Pools are not categorized as to credit risk. The market values of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the Pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752. Financial reports issued by LOGIC maybe obtained by contacting LOGIC c/o First Southwest Management, Inc., 325 North St. Paul, Suite 800, Dallas, Texas 75201.

The Pools are not registered with the SEC, however TASB exercises oversight responsibility over Lone Star and LOGIC is governed by a board of directors, with JP Morgan Chase acting as the investment manager and First Southwest Asset Management, Inc. serving as customer service and marketing agent.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Property Tax Calender, Property Tax Receivables, and Unavailable Revenue

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

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due the District regardless of when the cash is received.

Due From/To Other Governments and Unavailable Revenue

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from and to federal and state governments as of August 31, 2019 are summarized below.

Due from other governments at year-end consisted of the following:

Fund	State Foundation	State & Federal Programs	Total
Special Revenue Fund	-	81,904	81,904

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Amounts due to other governments and unearned revenues at year-end consisted of the following:

Fund	State Foundation	State & Federal Programs	Total
General Fund	44,813	6,300	51,113
Debt Service Fund	-	37,018	37,018
	<u>44,813</u>	<u>43,318</u>	<u>88,131</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenue - Property Taxes	<u>132,774</u>	<u>51,977</u>	<u>184,751</u>

C. INTERFUND BALANCES AND TRANSFERS

Interfund due to/from balances at August 31, 2019 consisted of the following amounts:

Due from Governmental Funds to the General Fund:

Special revenue funds	<u>63,114</u>
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Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no interfund transfers during the year ended August 31, 2019.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

The District disaggregates significant components of receivables and payables in the financial statements. The only receivables not expected to be collected within one year is \$554,255 of delinquent property taxes.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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E. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	228,562	-	-	228,562
Buildings and improvements	21,274,113	36,770	212,400	21,523,283
Vehicles and equipment	2,326,336	98,674	-	2,425,010
Construction in progress	201,780	10,620	(212,400)	-
Totals at cost	<u>24,030,791</u>	<u>146,064</u>	<u>-</u>	<u>24,176,855</u>
Less accumulated depreciation:				
Buildings and improvements	9,858,043	718,566	-	10,576,609
Vehicles and equipment	1,670,299	116,875	-	1,787,174
Total accumulated depreciation	<u>11,528,342</u>	<u>835,441</u>	<u>-</u>	<u>12,363,783</u>
Governmental activities capital assets, net	<u><u>12,502,449</u></u>	<u><u>(689,377)</u></u>	<u><u>-</u></u>	<u><u>11,813,072</u></u>

Depreciation was charged to governmental functions as follows:

Instruction	405,893
Instructional Resources	5,838
Curriculum Development	347
School Leadership	53,941
Counseling	14,866
Social Work Services	2,056
Health Services	3,383
Student Transportation	72,753
Food Services	37,909
Cocurricular/Extracurricular	208,573
General Administration	6,489
Plant Maintenance	15,187
Data Processing	1,590
Community Services	<u>6,616</u>
Total depreciation expense	<u><u>835,441</u></u>

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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F. LONG-TERM DEBT

In 2009, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2009, in the amount of \$9,500,000. Interest rates range from 2.50% to 5.00%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

In 2010, the District as authorized by Texas Education Code Section 45.003, issued Unlimited Tax School Building Bonds, Series 2010, in the amount of \$3,950,000. Interest rates range from 2.60% to 3.05%, with maturity in 2034. The proceeds of the bond issue are to be used for construction, furnishing, and equipping a high school and junior high instructional facilities, physical education instructional facilities, and other campus improvements.

In 2016, the District issued \$8,750,000 of unlimited tax refunding bonds, Series 2016 to advance refund \$8,915,000 of prior year unlimited tax school building bonds (Series 2004 and 2009). These bonds were issued at an interest rate of 2.38% with final maturity in 2034. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$899,768. This amount is recorded as a deferred outflow of resources on the government wide statement of net position.

Long term liability activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities:					
School Building Bonds 2009	210,000	-	210,000	-	-
School Building Bonds 2010	2,975,000	-	140,000	2,835,000	140,000
Refunding Bonds 2016	8,245,000	-	195,000	8,050,000	420,000
Total bonds payable	11,430,000	-	545,000	10,885,000	560,000
Unamortized bond premium	1,105,524	-	70,231	1,035,293	-
Total long term debt	<u>12,535,524</u>	<u>-</u>	<u>615,231</u>	<u>11,920,293</u>	<u>560,000</u>

The sales of the Series 2009, 2010, and 2016 bond issues resulted in premiums received, which are being amortized over the life of the bonds. In addition, deferred refunding costs are being amortized over 20 years, the life of the bond.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
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Annual debt service requirements to maturity for the District’s long term debt are as follows:

Year ending August 31,	Principal	Interest	Total
2020	560,000	403,188	963,188
2021	570,000	389,738	959,738
2022	590,000	374,594	964,594
2023	610,000	354,400	964,400
2024	635,000	329,500	964,500
2025-2029	3,565,000	1,239,100	4,804,100
2030-2034	4,355,000	449,100	4,804,100
Totals	<u>10,885,000</u>	<u>3,539,620</u>	<u>14,424,620</u>

G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2019, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	2,192,122	-	842,714	3,034,836
Food Sales	-	83,925	-	83,925
Investment Income	78,857	501	9,681	89,039
Penalties, interest, and other tax	65,931	-	24,769	90,700
Tuition	7,875	-	-	7,875
Co-curricular student activities	21,457	-	-	21,457
Campus activity receipts	-	95,539	-	95,539
Other	44,352	-	-	44,352
Total	<u>2,410,594</u>	<u>179,965</u>	<u>877,164</u>	<u>3,467,723</u>

H. PENSION PLAN AND RETIREE HEALTH PLAN

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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

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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 thru 2017. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

	2019	2018
Member	7.70%	7.70%
Non-Employer Contribution Rate (State)	6.80%	6.80%
Employers	6.80%	6.80%
District's 2019 Employer Contributions	\$ 136,786	
District's 2019 Member Contributions	\$ 367,083	
District's 2019 NECE On-Behalf Contributions	\$ 247,976	

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

As the non-employer contributing entity for public education, 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 including public schools are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 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 contributions 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 Investment Rate of Return	7.250%
Municipal Bond Rate	3.690%*
Inflation	2.300%
Salary Increases	3.50% to 9.50%, including inflation
Last Year Ending 8/31 in Projection Period	2116 (100 years)
Ad hoc Post Employment Benefit Changes	None

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

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

Discount Rate. The 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 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan

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NOTES TO THE FINANCIAL STATEMENTS
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investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	16%	5.2%	0.7%
Energy and Natural Resources	3%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectations			2.3%
Volatility Drag***			-0.8%
Total	100%		7.2%

* Target allocations are based on the FY 2016 model

** Capital Market assumptions come from Aon Hewitt (2017 Q4)

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

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NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$3,374,061	\$2,235,603	\$1,313,954

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$2,235,603 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$2,235,603
State's proportionate share that is associated with the District	4,054,231
Total	\$6,289,834

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 of August 31, 2017 and rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .004062%, which was an increase of 9.97% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$401,261 and revenue of \$247,976 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$13,935	\$54,853
Changes in actuarial assumptions	806,042	25,189
Difference between projected and actual investment earnings	-	42,419
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	282,710	124,579
Contributions paid to TRS subsequent to the measurement date	136,786	-
Total	\$1,239,473	\$247,040

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
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The net amounts of the employer’s balances of deferred outflows and inflows of resources related to the pension will be recognized in the pension expense as follows:

Year Ended August 31:	Pension Expense Amount
2020	\$362,448
2021	136,394
2022	110,891
2023	131,768
2024	149,915
Thereafter	101,017

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Other Post -Employment Benefit Plan (OPEB)

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	\$ <u>798,574,633</u>
Net OPEB Liability	\$ <u><u>49,930,915,470</u></u>
Net Position as a Percentage of Total OPEB Liability	1.57%

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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.

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

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

	Medicare	Non-Medicare
Retiree (or surviving spouse)	\$135	\$200
Retiree and spouse	\$529	\$689
Retiree or surviving spouse and	\$468	\$408
Retiree and family	\$1,020	\$999

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 .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 employees pay for fiscal year 2018.

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

	<u>2019</u>	<u>2018</u>
Member	0.65%	0.65%
Non-Employer Contribution Rate (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions	\$	45,446
District's 2019 Member Contributions	\$	30,988
District's 2019 NECE On-Behalf Contributions	\$	55,551

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

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amounts allocated on behalf of the District were \$18,636, \$13,905, and \$13,209 for the years ended August 31, 2019, 2018, and 2017, respectively.

With Senate Bill 1, 85th Legislature, Regular Session, 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. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.300%
Single Discount Rate	3.69%*
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 70% Participation prior to age 65 and 75% after 65.
Expenses	Third-party administrative expense related to the delivery of health care benefits are included in the age adjusted-claims cost.
Salary Increases	3.50% to 9.50%, including inflation
Ad hoc Post Employment Benefit Changes	None
* - Sourced from fixed income municipal bonds with 20 years to maturity that include only federal, tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018	

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 percent.
- 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 .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the OPEB liability:	\$3,557,445	\$2,988,586	\$2,538,583

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

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
District's proportionate share of the OPEB liability:	\$2,482,070	\$2,988,586	\$3,655,680

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of \$2,988,586 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective OPEB liability	\$2,988,586
State's proportionate share that is associated with the District	4,026,450
Total	\$7,015,036

The Net OPEB Liability was measured as of 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 0.005985% which is an increase of 11.57 percent from the proportion measured as of August 31, 2017.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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 changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

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

For the year ended August 31, 2019, the District recognized an OPEB expense of \$146,458 and revenue of \$55,551 for support provided by the State.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$158,593	\$47,164
Changes in actuarial assumptions	49,871	897,899
Difference between projected and actual investment earnings	523	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	340,277	-
Contributions paid to TRS subsequent to the measurement date	45,446	-
Total	\$594,710	\$945,063

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

Year Ended August 31:	Pension Expense Amount
2020	(\$29,847)
2021	(75,293)
2022	(75,293)
2023	(75,393)
2024	(75,450)
Thereafter	(19,077)

J. HEALTH CARE COVERAGE

During the year ended August 31, 2019, employees of the District were covered by a state wide health care program known as TRS-Active Care. TRS-Active Care is administered by the Teacher Retirement System of Texas. The District contributed \$275 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

K. SELF-FUNDED WORKERS' COMPENSATION

The District has joined together with other area district's to form a self-insurance workers' compensation risk pool (Pool.) Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the years ended August 31, 2019 and 2018 were \$12,832 and \$12,399, respectively. The claims administrator estimates the District's annual loss maximum at \$31,713 for the year ended August 31, 2019. Estimated total claims liability for the years ended August 31, 2019 and 2018, included estimated claims incurred but not reported, in the amount of \$27,015 and \$28,281. The estimated total liability for workers' compensation claims including incurred but not reported claims amounts to \$9,014 and \$10,465 for 2019 and 2018, respectively.

	2019	2018
Claims liability, beginning of year	28,281	26,399
Incurred claims:		
Provision for insured events of current year	5,969	14,434
Increase (Decrease) in provision for insured events of prior years	(3,303)	(3,991)
Total incurred claims	2,666	10,443
Payments:		
Claims expenses attributable to insured events of current year	421	6,163
Claims expenses attributable to insured events of prior years	3,511	2,398
Total payments	3,932	8,561
Total unpaid claims at the end of the year	27,015	28,281

L. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

M. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District is a fiscal agent of a shared services arrangement with area school districts for a career and technology consortium. The District is responsible for all financial activities of the shared services arrangement, including expenditure of funds in accordance with applicable laws and regulations. The District accounts for the revenues and expenditures in this program and reports them in the financial statements. Presented below are expenditures of the shared service arrangement attributable to the participating districts:

Joaquin	9,010
Shelbyville	8,296
Tenaha	12,747
Timpson	<u>11,647</u>
Total	<u><u>41,700</u></u>

Alternative Education Program

The District participates with other school districts in an alternative education program for its students under disciplinary action. Center ISD acts as the fiscal agent and each member pays a prorated share based on enrollment.

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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Required Supplementary Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Budgeted Amounts		Actual	Variance
		Original	Final	Amounts	With Final
				(Budgetary	Budget
				Basis)	Positive
					(Negative)
REVENUES:					
5700	Local and intermediate sources	2,038,000	2,396,000	2,410,594	14,594
5800	State program revenues	5,062,000	5,155,000	5,168,727	13,727
5900	Federal program revenues	-	39,000	39,744	744
5020	Total revenues	<u>7,100,000</u>	<u>7,590,000</u>	<u>7,619,065</u>	<u>29,065</u>
EXPENDITURES:					
0011	Instruction	3,772,277	3,848,277	3,829,002	19,275
0012	Instructional resources and media services	8,142	8,142	2,976	5,166
0013	Curriculum and staff development	100,870	102,870	101,442	1,428
0021	Instructional leadership	113,131	121,131	116,289	4,842
0023	School leadership	508,022	504,022	492,571	11,451
0031	Guidance, counseling, and evaluation services	159,232	166,232	161,697	4,535
0032	Social work services	31,419	33,419	32,965	454
0033	Health services	48,694	50,694	49,487	1,207
0034	Student transportation	299,701	302,701	271,724	30,977
0036	Cocurricular/extracurricular activities	486,499	511,499	510,724	775
0041	General administration	442,781	480,781	478,932	1,849
0051	Plant maintenance and operations	843,618	863,618	826,662	36,956
0052	Security and monitoring services	42,000	44,000	43,250	750
0053	Data processing services	151,614	144,614	138,163	6,451
0081	Facilities acquisition and construction	-	11,000	10,620	380
0093	Payments to fiscal agents	22,000	22,000	21,677	323
0099	Other intergovernmental charges	70,000	70,000	67,160	2,840
6030	Total expenditures	<u>7,100,000</u>	<u>7,285,000</u>	<u>7,155,341</u>	<u>129,659</u>
1100	Excess (deficiency) of revenues over expenditures	-	305,000	463,724	158,724
OTHER FINANCING SOURCES (USES):					
7915	Transfers in (sources)	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
8949	Other uses	-	(105,000)	(98,195)	6,805
7080	Total other financing sources (uses)	-	<u>(105,000)</u>	<u>(98,195)</u>	<u>6,805</u>
1200	Net change in fund balances	-	200,000	365,529	165,529
0100	Fund balance - September 1 (beginning)	2,128,988	2,128,988	2,128,988	-
3000	Fund balance - August 31 (ending)	<u>2,128,988</u>	<u>2,328,988</u>	<u>2,494,517</u>	<u>165,529</u>

The accompanying notes are an integral part of this statement

JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>	FY 2015 <u>Plan Year 2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.00004062	0.00003693	0.00003769	0.00004535	0.00002986
District's Proportionate share of the Net Pension Liability (Asset)	\$ 2,235,603	\$ 1,180,920	\$ 1,424,277	\$ 1,603,133	\$ 797,522
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>4,054,231</u>	<u>2,381,357</u>	<u>2,894,605</u>	<u>3,050,883</u>	<u>2,730,522</u>
TOTAL	<u>\$ 6,289,834</u>	<u>\$ 3,562,277</u>	<u>\$ 4,318,882</u>	<u>\$ 4,654,016</u>	<u>\$ 3,528,044</u>
District's Covered Payroll	\$ 4,813,798	\$ 4,444,025	\$ 4,388,769	\$ 4,688,907	\$ 4,726,758
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	46.44%	26.57%	32.45%	34.19%	16.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	76.23%	78.43%	83.25%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for fiscal year 2019, August 31, 2017 for fiscal year 2018, August 31, 2016 for fiscal year 2017, August 31, 2015 for the fiscal year 2016, and August 31, 2014 for the fiscal year 2015.

NOTE: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR FISCAL YEAR 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 136,786	\$ 136,795	\$ 121,032	\$ 116,903	\$ 68,903
Contribution in Relation to Contractually Required Contribution	<u>(136,786)</u>	<u>(136,795)</u>	<u>(121,032)</u>	<u>(116,903)</u>	<u>(68,903)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,767,395	\$ 4,813,798	\$ 4,444,025	\$ 4,388,769	\$ 4,688,907
Contributions as a Percentage of Covered Payroll	2.87%	2.84%	2.72%	2.66%	1.47%

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

NOTE: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.00005985	0.00005365
District's Proportionate share of the Net Post Employment Benefit Liability (Asset)	\$ 2,988,586	\$ 2,332,979
State's Proportionate share of the Net Post Employment Benefit Liability (Asset) associated with the District	<u>4,026,450</u>	<u>3,410,017</u>
TOTAL	\$ <u>7,015,036</u>	\$ <u>5,742,996</u>
District's Covered Payroll	\$ 4,813,798	\$ 4,444,025
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	62.08%	52.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.57%	0.91%

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

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

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019**

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 45,446	\$ 40,756
Contribution in Relation to Contractually Required Contribution	<u>(45,446)</u>	<u>(40,756)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,767,395	\$ 4,813,798
Contributions as a Percentage of Covered Payroll	0.95%	0.85%

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

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

The accompanying notes are an integral part of this statement

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2019**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- 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 were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

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

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

JOAQUIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED AUGUST 31, 2019

- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

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 changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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 percent.
- 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.

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Combining Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019**

Data Control Codes	Special Revenue Funds				
	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 School Lunch & Breakfast Program	
ASSETS					
1110	Cash and temporary investments	-	-	-	84,825
1240	Due from other governments	38,731	17,552	2,792	18,575
1300	Inventories	-	-	-	18,149
1000	Total Assets	38,731	17,552	2,792	121,549
LIABILITIES					
2110	Accounts payable	-	-	-	11,767
2170	Due to other funds	38,731	17,552	2,792	-
2000	Total Liabilities	38,731	17,552	2,792	11,767
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	18,149
Restricted Fund Balance:					
3450	Federal or State grants	-	-	-	91,633
Assigned Fund Balance:					
3450	Other assigned fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	109,782
4000	Total Liabilities, Deferred Inflows and Fund Balances	38,731	17,552	2,792	121,549

Special Revenue Funds					
255	289	331	410	461	Total
Title II A, Training/ Recruiting	Other Federal Programs	SSA - Career & Technical Basic Grant	State Textbook Fund	Campus Activity Funds	Special Revenue Funds
-	-	-	-	45,936	130,761
4,039	-	-	215	-	81,904
-	-	-	-	-	18,149
4,039	-	-	215	45,936	230,814
-	-	-	215	-	11,982
4,039	-	-	-	-	63,114
4,039	-	-	215	-	75,096
-	-	-	-	-	18,149
-	-	-	-	-	91,633
-	-	-	-	45,936	45,936
-	-	-	-	45,936	155,718
4,039	-	-	215	45,936	230,814

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST, 2019**

Data Control Codes	Special Revenue Funds				
	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 School Lunch & Breakfast Program	
REVENUES					
5700	Total local and intermediate sources	-	-	-	84,426
5800	State program revenues	-	-	-	1,886
5900	Federal program revenues	147,456	157,560	8,920	281,788
5020	Total Revenues	<u>147,456</u>	<u>157,560</u>	<u>8,920</u>	<u>368,100</u>
EXPENDITURES					
0011	Instruction	85,318	157,560	8,920	-
0013	Cirriculum and Instructional Staff Development	5,609	-	-	-
0021	Instructional leadership	2,949	-	-	-
0031	Guidance, counseling, & evaluation	53,125	-	-	-
0033	Health services	455	-	-	-
0035	Food service	-	-	-	323,539
0036	Extracurricular activities	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	22,207
6030	Total Expenditures	<u>147,456</u>	<u>157,560</u>	<u>8,920</u>	<u>345,746</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	22,354
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	22,354
0100	Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,428</u>
3000	Fund balances, ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,782</u>

Special Revenue Funds					
255	289	331	410	461	Total
Title II A, Training/ Recruiting	Other Federal Programs	SSA - Career & Technical Basic Grant	State Textbook Fund	Campus Activity Funds	Special Revenue Funds
-	-	-	-	95,539	179,965
-	-	-	38,989	-	40,875
21,058	10,389	41,700	-	-	668,871
21,058	10,389	41,700	38,989	95,539	889,711
20,458	10,182	41,700	38,989	-	363,127
-	-	-	-	-	5,609
600	207	-	-	-	3,756
-	-	-	-	-	53,125
-	-	-	-	-	455
-	-	-	-	-	323,539
-	-	-	-	119,123	119,123
-	-	-	-	-	22,207
21,058	10,389	41,700	38,989	119,123	890,941
-	-	-	-	(23,584)	(1,230)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(23,584)	(1,230)
-	-	-	-	69,520	156,948
-	-	-	-	45,936	155,718

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Required TEA Schedules

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2019**

Last Ten Years Ended August 31,	1	2	3	10	20	31	32	40	50
	Tax Rates		Assessed or Appraised Valuation	Beginning Balance September 1	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance August 31
	Maint- enance	Debt Service							
2010 & Prior	Various	Various	-	192,139		4,017	1,075	(1,849)	185,198
2011	1.04000	0.51800	214,373,266	45,725		887	437	(10,877)	33,524
2012	1.04000	0.50700	198,956,367	40,877		844	411	(10,118)	29,504
2013	1.04000	0.50530	207,039,182	57,144		2,494	1,212	-	53,438
2014	1.04000	0.56600	181,033,577	77,756		3,961	2,156	-	71,639
2015	1.04000	0.41550	185,871,151	64,438		5,464	2,183	(601)	56,190
2016	1.04000	0.51970	185,600,539	72,194		7,180	3,587	-	61,427
2017	1.17000	0.42730	165,961,342	120,522		34,403	12,565	(6,431)	67,123
2018	1.17000	0.42730	173,883,303	154,956		56,280	18,004	(12,900)	67,772
2019 (Current)	1.17000	0.45140	187,681,568	-	3,043,069	2,114,757	815,121	-	113,191
1000	Totals			825,751	3,043,069	2,230,287	856,751	(42,776)	739,006

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	82,000	82,000	84,426	2,426
5800	State program revenues	2,000	2,000	1,886	(114)
5900	Federal program revenues	286,000	276,000	281,788	5,788
5020	Total revenues	370,000	360,000	368,100	8,100
EXPENDITURES:					
0035	Food service	356,100	346,100	323,539	22,561
0051	Facilities maintenance and operations	23,900	23,900	22,207	1,693
6030	Total expenditures	380,000	370,000	345,746	24,254
1100	Excess (deficiency) of revenues over expenditures	(10,000)	(10,000)	22,354	32,354
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	(10,000)	(10,000)	22,354	32,354
0100	Fund balance - September 1 (beginning)	87,428	87,428	87,428	-
3000	Fund balance - August 31 (ending)	77,428	77,428	109,782	32,354

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	774,216	874,612	877,164	2,552
5800	State program revenues	190,322	151,926	151,170	(756)
5020	Total revenues	964,538	1,026,538	1,028,334	1,796
EXPENDITURES:					
0071	Debt service - principal on long-term debt	545,000	545,000	545,000	-
0072	Debt service - interest on long-term debt	417,738	417,738	417,738	-
0073	Debt service - bond issuance costs and fees	1,800	1,800	1,550	250
6030	Total expenditures	964,538	964,538	964,288	250
1100	Excess (deficiency) of revenues over expenditures	-	62,000	64,046	2,046
OTHER FINANCING SOURCES (USES):					
8949	Other uses	-	(32,000)	(31,946)	(54)
7080	Total other financing sources (uses)	-	(32,000)	(31,946)	(54)
1200	Net change in fund balances	-	30,000	32,100	2,100
0100	Fund balance - September 1 (beginning)	101,746	101,746	101,746	-
3000	Fund balance - August 31 (ending)	101,746	131,746	133,846	2,100

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FEDERAL AWARDS SECTION



Certified Public Accountants

Goff & Herrington, P.C.

P. O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 634-2345 • Fax:(936) 622-6823

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

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

Members of the Board of Trustees of
Joaquin Independent School District
Joaquin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Joaquin Independent School District (District), as of and for the year ended August 31, 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 November 5, 2019.

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.

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

Members of the Board of Trustees

November 5, 2019

Page 2

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.

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.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 5, 2019

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019**

None

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019**

There were no findings reported for the prior year.

**JOAQUIN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019**

None required.

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