

HENDERSON INDEPENDENT SCHOOL DISTRICT
Henderson, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
INTRODUCTORY SECTION:		
Certificate of Board.....	4	
FINANCIAL SECTION:		
Independent Auditors' Report.....	5	
Management's Discussion and Analysis (Required Supplementary Information)	8	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	16	Exhibit A-1
Statement of Activities	17	Exhibit B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	18	Exhibit C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20	Exhibit C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21	Exhibit C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23	Exhibit C-3
Statement of Fiduciary Net Position - Fiduciary Funds	24	Exhibit E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	25	Exhibit E-2
Notes to the Financial Statements	26	
Required Supplementary Information:		
Budgetary Comparison Schedules:		
General Fund	52	Exhibit G-1
Schedule of the District's Proportionate Share of the Net Pension Liability.....	53	Exhibit G-2
Schedule of District's Contributions	54	Exhibit G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability and District's Contributions	55	Exhibit G-4
Notes to Required Supplementary Information	56	
Combining Statements as Supplementary Information:		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	60	Exhibit H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	64	Exhibit H-2
Fiduciary Funds:		
Private-Purpose Trust Funds:		
Combining Statement of Fiduciary Net Position.....	68	Exhibit H-3
Combining Statement of Changes in Fiduciary Net Position	70	Exhibit H-4
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities.....	72	Exhibit H-5

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>	<u>Exhibit/Table</u>
OTHER SUPPLEMENTARY SECTION:		
Schedule of Delinquent Taxes Receivable.....	74	Exhibit J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program	76	Exhibit J-2
Debt Service Fund	77	Exhibit J-3
SINGLE AUDIT		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	80	
Schedule of Findings and Questioned Costs	82	
Summary Schedule of Prior Audit Findings	83	
Corrective Action Plan	84	
Schedule of Expenditures of Federal Awards.....	85	Exhibit K-1
Notes to the Schedule of Expenditures of Federal Awards.....	86	
OTHER STATE REQUIREMENTS		
Schedule of Required Responses to Selected School First Indicators.....	87	Exhibit L-1

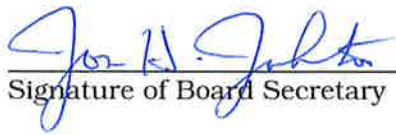
CERTIFICATE OF BOARD

Henderson Independent School District
Name of School District

Rusk
County

201-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 15th day of January, 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)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Citizens
of the Henderson Independent School District
Henderson, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Henderson Independent School District ("the District") as of and for the year ended August 31, 2018, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Henderson Independent School District, as of August 31, 2018, 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, budgetary comparison information, schedule of the district's proportionate share of the net pension and OPEB liabilities and schedule of district pension and OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of Henderson Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Henderson Independent School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 15, 2019

HENDERSON INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

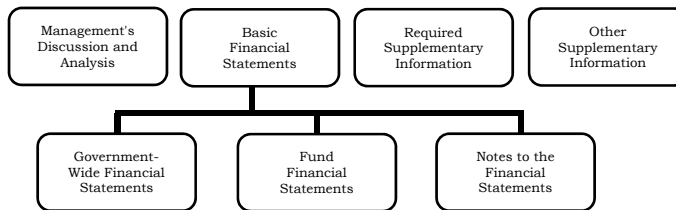
In this section of the Comprehensive Annual Financial Report, the management team of Henderson Independent School District has prepared this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018. Readers are encouraged to review the additional information that we have furnished in our letter of transmittal, which can be found on pages 5-7 of this report, as well as the information furnished in the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$33,916,484 at August 31, 2018.
- During the year, the District's expenses were \$7,417,298 less than the \$39,324,826 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by 8.5% from the prior year.
- The general fund reported a fund balance this year of \$13,819,884.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this comprehensive annual financial report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:



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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

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

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensatory time).

Both of the Government-wide Financial Statements are designed to distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include Instructional and Instructional-Related Services, Instruction and School Leadership, Support Services - Student, Administrative Support Services, Support Services - Non-Student Based, Ancillary Services, Debt Service and Intergovernmental Charges. The District has no business-type activities.

The Government-wide Financial Statements contain financial information only for the District. The District has no component units as defined by generally accepted accounting principles (GAAP).

The Government-wide Financial Statements can be found on pages 16-17 of this report.

Fund Financial Statements

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

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eighteen (18) individual governmental funds. Each of the funds is described on pages 58-59 of this report. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Debt Service Fund, and the Capital Projects funds each of which are considered to be major funds.

Data from the other fifteen (15) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of Combining Statements elsewhere in this report. Besides the General Fund, only the Food Service Fund and the Debt Service Fund have annual appropriated budgets. Those Budgetary Comparisons are presented as part of Other Supplementary Information as required by TEA on pages 76-77.

The basic Governmental Fund Financial Statements can be found on pages 18-23 of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are not reflected in the Government-wide Financial Statements because the resources of those funds are not available to support the District's programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The District's basic Fiduciary Fund Financial Statements can be found on pages 24-25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 26-51 of this report.

Required Supplementary Information. This report presents a Budgetary Comparison Schedule for the General Fund as required supplementary information on page 52 of this report.

Other Information. In addition to the Basic Financial Statements, accompanying Notes and Required Supplementary Information, this report also presents Combining Financial Statements and Other Supplementary Information as required by the Texas Education Agency (TEA). The Combining Statements provide greater detail in connection with Governmental Funds and Fiduciary Funds. The Combining Financial Statements and Other Supplementary Information may be found on pages 60-67 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$33,916,484 at August 31, 2018.

Table A-1
Net Position

	2018	2017	INCREASE/ (DECREASE) 2017-2018	PERCENTAGE CHANGE 2017-2018
Current and other assets	\$ 24 637 799	\$ 23 088 264	\$ 1 549 535	6.7%
Capital assets	77 132 405	74 816 424	2 315 981	3.1%
TOTAL ASSETS	101 770 204	97 904 688	3 865 516	3.9%
Deferred outflows of resources	3 911 005	5 142 631	(1 231 626)	(23.9)%
Long-term liabilities outstanding	59 020 409	49 353 796	9 666 613	19.6%
Other liabilities	5 680 001	6 635 303	(775 302)	(11.7)%
TOTAL LIABILITIES	64 880 410	55 989 099	8 891 311	15.9%
Deferred inflows of resources	6 884 315	1 437 353	5 446 962	378.9%
Net Position:				
Net investment in capital assets	34 070 152	30 232 534	3 837 615	12.7%
Restricted	5 166 779	5 339 077	(172 298)	(3.2)%
Unrestricted	(5 320 447)	10 049 256	(15 396 703)	(152.9)%
TOTAL NET POSITION	\$ 33 916 484	\$ 45 620 867	\$ (11 704 383)	(25.7)%

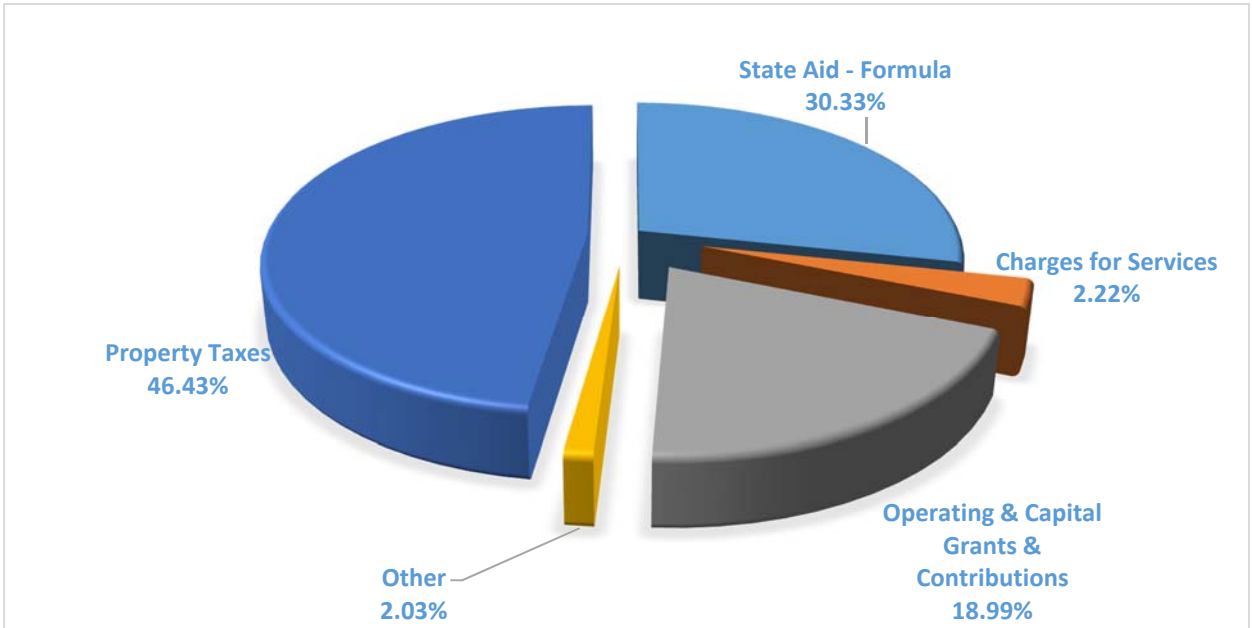
\$3,483,373 of the District's restricted net position are restricted for debt service, \$1,300,032 are restricted for federal programs, and \$383,374 is restricted for capital projects.

Table A-2
Change in Net Position

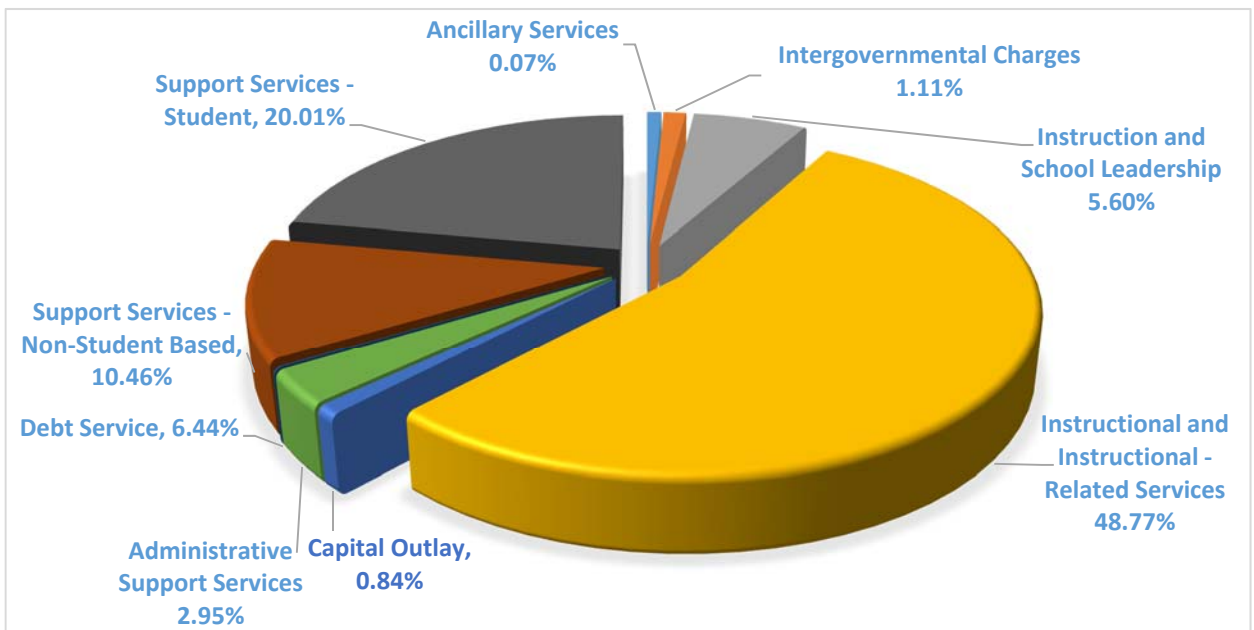
	2018	2017	INCREASE/ (DECREASE) 2017-2018	PERCENTAGE CHANGE 2017-2018
Program Revenues:				
Charges for services	\$ 872 121	\$ 1 120 494	\$ (248 373)	(22.2)%
Operating grants and contributions	3 731 132	4 119 169	(388 137)	(9.4)%
Capital grants and contributions	3 751 289	3 707 000	44 289	1.2%
General Revenues:				
Property taxes	18 252 497	18 817 848	(565 351)	(3.0)%
State aid - Formula	11 922 708	11 150 400	772 308	6.9%
Other	795 079	486 686	308 393	63.4%
TOTAL REVENUES	39 324 826	39 401 597	(76 771)	(0.2)%
Functions/Programs:				
Instructional and instructional - related services	16 561 226	19 108 830	(2 547 604)	(13.3)%
Instruction and school leadership	1 873 644	2 220 347	(346 703)	(15.6)%
Support services - Student	6 356 197	5 953 166	403 031	6.8%
Administrative support services	984 133	1 045 871	(61 738)	(5.9)%
Support services - Non-student based	3 301 890	2 887 776	414 114	14.3%
Ancillary services	23 608	13 909	9 699	69.7%
Capital outlay	265 062	-	265 062	100.0%
Debt service	2 148 788	2 251 917	(103 129)	(4.6)%
Intergovernmental charges	392 980	389 368	3 612	0.9%
TOTAL EXPENSES	31 907 528	34 871 184	(2 963 656)	(8.5)%
INCREASE/(DECREASE) IN NET POSITION	\$ 7 417 298	\$ 4 530 413	\$ 2 886 885	63.7%

Total revenues for the District decreased by \$76,771. Grants and contributions decreased by \$343,848. Property taxes as a whole decreased by \$ 565,351 due to decreased property valuations. State aid increased by \$772,308 due to the State formula calculation.

**Chart A-1
Revenues for the Year Ended August 31, 2018**



**Chart A-2
Expenses for the Year Ended August 31, 2018**



Changes in Net Position. The District's total revenues were \$39,324,826. A significant portion, 46.43 percent, of the District's revenue comes from taxes, 30.33 percent comes from state aid - formula grants, 18.99 percent is from grants and contributions, while only 2.22 percent relates to charges for services. The remaining 2.03 percent is from investment earnings and miscellaneous revenues. The total cost of all programs and services was \$31,907,528; 68.78 percent of these costs are for instructional and student services.

Governmental Activities

Property tax rates remained constant with an M&O rate of \$1.04 per \$100 valuation and an I&S rate of \$0.23 per \$100 valuation for a total tax rate of \$1.27 per \$100 valuation.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$31,907,528.
- The amount that our taxpayers paid for these activities through property taxes was \$18,252,497.
- Some of the cost was paid by those who directly benefited from the programs \$872,121, or by grants and contributions \$7,482,421.

Table A-3
Net Cost of Selected District Functions

	TOTAL COST OF SERVICES			NET COST OF SERVICES		
	2018	2017	% CHANGE	2018	2017	% CHANGE
Instruction	\$ 15 771 649	\$ 18 407 853	(14.3)%	\$ 13 983 966	\$ 16 102 923	(13.2)%
School Leadership	\$ 1 549 005	\$ 1 748 973	(11.4)%	\$ 1 549 005	\$ 1 748 973	(11.4)%
Student Transportation	\$ 1 583 185	\$ 1 690 067	(6.3)%	\$ 1 582 614	\$ 1 687 489	(6.2)%
Food Services	\$ 2 375 072	\$ 2 524 408	(6.0)%	\$ 141 555	\$ 227 995	(37.9)%
Plant Maintenance & Operations	\$ 2 804 794	\$ 2 391 998	17.3%	\$ 2 803 224	\$ 2 391 998	17.3%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$39,280,947, a decrease of \$6,832 from the preceding year.

- Local revenue decreased by \$383,443 mainly due to a decrease in property tax revenues and less donations than the prior year.
- State revenue increased by \$111,142 as a result of the State of Texas formula funding rules. The majority of the increase in state revenue is related to property valuation decreases.
- Revenue from federal grants increased \$265,468 because of an increase in SHARS funding received by the District.

Expenditures increased by \$27,614, primarily due to construction costs.

The District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. For 2017-18, the District set an M&O rate of \$1.04 and an I&S rate of \$0.23 for a total rate of \$1.27.

The factors described above resulted in fund balance in the General Fund increasing \$652,953 during the year ended August 31, 2018. Fund balance in the Debt Service Fund increased by \$92,011, and fund balance in the Capital Projects fund decreased by \$357,119 due to expenditures paid for the construction.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. The majority of revisions were budget amendments made by the Board moving unassigned fund balance to current budget for the purpose of renovation at Lion Stadium and at the Middle School Campus. The remaining adjustments were not significant and were mainly transfers between functions to provide for changes in budgetary spending. The overall increase in the District's budget was \$1,509,906. Considering the adjustments, actual expenditures were \$998,745 below final budgeted amounts. Significant among the positive variances were:

- Instruction - \$161,349 as a result of lower than expected payroll costs due to vacancies that were not filled until the end of the year, substitute costs being lower than expected, and far less supplies for instruction being purchased than expected.
- Capital Outlay - \$348,683 due to capital needs in the current year being less than expected.

Additionally, available General Fund revenues exceeded estimated amounts by \$938,210. The principle reason was due to an increase in state aid.

Capital Assets

At the end of 2018, the District had invested \$77,132,405 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

	GOVERNMENTAL ACTIVITIES		INCREASE/ (DECREASE)	PERCENTAGE
	2018	2017	2017-2018	CHANGE 2017-2018
Land	\$ 734 889	\$ 714 389	\$ 20 500	2.8%
Construction in progress	7 307 628	2 837 739	4 469 889	157.5%
Buildings and improvements	89 665 801	89 961 390	(295 589)	(0.3)%
Vehicles and equipment	11 588 586	11 740 088	(151 502)	(1.3)%
Infrastructure	331 293	331 293	-	N/A
TOTAL CAPITAL ASSETS	109 628 197	105 584 899	4 043 292	3.8%
Less: Accumulated depreciation	(32 495 792)	(30 768 476)	(1 727 317)	(5.6)%
NET CAPITAL ASSETS	\$ 77 132 405	\$ 74 816 423	\$ 2 315 982	3.1%

During the 2017-18 school year, major capital events included:

- Completion of a new middle school campus
- Phase I, renovations at Lion Stadium
- Purchase of two new 71 passenger school buses

The District has budgeted \$1,709,681 for capital expenditures in the 2018 budget. More detailed information about the District's capital assets is presented in Note E to the financial statements.

Long Term Debt

At year-end, the District had \$43,925,774 in bonds outstanding, net pension liability of \$4,991,279 and OPEB liability of \$10,831,055 for a total long-term debt of \$61,376,399 as shown in Table A-5. More detailed information about the District's debt is presented in the Note H to the financial statements.

Table A-5
Long-Term Debt

	GOVERNMENTAL ACTIVITIES		INCREASE/ (DECREASE)	PERCENTAGE CHANGE
	2018	2017	2017-2018	2017-2018
General Obligation Bonds:				
Principal amount of debt	\$ 43 925 774	\$ 45 314 594	\$ (1 388 820)	(3.1)%
Add: Premium on issuance of bonds	1 654 502	1 831 469	(176 967)	(9.7)%
Less: Discount on issuance of bonds	(26 211)	(30 611)	4 400	(14.4)%
Net pension liability	4 991 279	6 291 363	(1 300 084)	(20.7)%
OPEB liability	10 831 055	-	10 831 055	100%
TOTAL LONG-TERM DEBT	\$ 61 376 399	\$ 53 406 815	\$ 7 969 584	14.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Funding for beyond the school year of 2018-2019 is still uncertain. The Texas Education funding law was ruled unconstitutional in lower court rulings in 2014. It is uncertain how the legislature will deal with the rulings in their 2019 session. Since these rulings have not reached the Texas Supreme Court, it is uncertain how the State will deal with the original ruling.
- Although small reductions may occur in state funding, it is expected that funding from the State of Texas will remain relatively unchanged through the 2018-2019 year. Some small reductions will be due to the lessening effect of the target revenue portion of the State funding laws and the reduction in the formula grant. Each year the effect of these protected target revenue provisions will be reduced until these revenue protecting laws are eliminated.
- Appraised values are expected to stabilize with the possibility of small increases in mineral values, while other taxable values are expected to remain steady at current levels. Total taxable values should increase over the next few years. An M&O rate of \$1.04 per \$100 valuation and an I&S rate of \$0.23 per \$100 valuation for a total tax rate of \$1.27 per \$100 valuation was set for the 2018-2019 school year.
- General fund spending per student will increase slightly in the 2018-2019 budget. This increase is attributable to local funding increases.
- Projects for the 2018-2019 school year are focused on Lion Stadium where donated funds were dedicated to be spent. The District will also purchase new school buses and replace old technology.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances. In addition, it provides evidence of accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's business office at Henderson Independent School District, 200 North High Street, Henderson, Texas 75652.

BASIC FINANCIAL STATEMENTS

HENDERSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 21 688 146
1225	Property taxes receivable (net)	1 706 889
1240	Due from other governments	1 153 829
1300	Inventory	88 935
	Capital Assets:	
1510	Land	734 889
1520	Buildings and improvements, net	66 428 425
1530	Furniture and equipment, net	2 469 654
1590	Infrastructure, net	191 809
1580	Construction in progress	7 307 628
1000	TOTAL ASSETS	<u>101 770 204</u>
	DEFERRED OUTFLOWS	
1700	Unamortized deferred gain on refunding	937 936
1700	Deferred pension outflows	2 715 510
1700	Deferred OPEB outflows	257 559
	TOTAL DEFERRED OUTFLOWS	<u>3 911 005</u>
	LIABILITIES	
2110	Accounts payable	1 599 039
2140	Interest payable	70 494
2160	Accrued wages payable	1 834 478
2512	CAB accreted interest	863 341
2501	Due within one year	1 492 649
	Noncurrent Liabilities:	
2516	Premium and Discounts on issuance of bonds	1 628 291
2540	Net pension liability	4 991 279
2545	Net OPEB liability	10 831 055
2502	Due in more than one year	41 569 784
2000	TOTAL LIABILITIES	<u>64 880 410</u>
	DEFERRED INFLOWS	
2600	Deferred pension inflows	1 842 934
2600	Deferred OPEB inflows	4 530 651
2600	Unearned revenue	510 730
	TOTAL DEFERRED INFLOWS	<u>6 884 315</u>
	NET POSITION	
3200	Net investment in capital assets	34 070 152
	Restricted for:	
3820	State and federal programs	1 300 032
3850	Debt service	3 483 373
3860	Capital projects	383 374
3900	Unrestricted	(5 320 447)
3000	TOTAL NET POSITION	<u>\$ 33 916 484</u>

The accompanying notes are an integral part of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
	Governmental Activities:					
11	Instruction	\$ 15 771 649	\$ 267 685	\$ 1 519 998	\$ -	\$ (13 983 966)
12	Instructional resources and media services	357 799	-	-	-	(357 799)
13	Curriculum and staff development	431 778	-	58 814	-	(372 964)
21	Instructional leadership	324 639	-	33 135	-	(291 504)
23	School leadership	1 549 005	-	-	-	(1 549 005)
31	Guidance, counseling and evaluation services	838 642	-	314 844	-	(523 798)
32	Social work services	82 725	-	288	-	(82 437)
33	Health services	324 877	-	10 040	-	(314 837)
34	Student transportation	1 583 185	-	571	-	(1 582 614)
35	Food service	2 375 072	478 847	1 754 670	-	(141 555)
36	Cocurricular/extracurricular activities	1 151 696	124 019	-	3 751 289	2 723 612
41	General administration	984 133	-	-	-	(984 133)
51	Plant maintenance and operations	2 804 794	1 570	-	-	(2 803 224)
52	Security and monitoring services	182 919	-	-	-	(182 919)
53	Data processing services	314 177	-	-	-	(314 177)
61	Community services	23 608	-	7 572	-	(16 036)
72	Interest on long-term debt	2 144 888	-	31 200	-	(2 113 688)
73	Debt service fees and other	3 900	-	-	-	(3 900)
81	Capital outlays	265 062	-	-	-	(265 062)
93	Payments related to shared service arrangements	47 985	-	-	-	(47 985)
99	Other intergovernmental charges	344 995	-	-	-	(344 995)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>31 907 528</u>	<u>872 121</u>	<u>3 731 132</u>	<u>3 751 289</u>	<u>(23 552 986)</u>
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>31 907 528</u>	\$ <u>872 121</u>	\$ <u>3 731 132</u>	\$ <u>3 751 289</u>	<u>(23 552 986)</u>
	General Revenues:					
MT	Property taxes, levied for general purpose					14 866 066
DT	Property taxes, levied for debt service					3 386 431
IE	Investment earnings					346 095
GC	Grants and contributions not restricted to specific programs					11 922 708
MI	Miscellaneous					448 984
TR	TOTAL GENERAL REVENUES					<u>30 970 284</u>
CN	CHANGE IN NET POSITION					7 417 298
NB	Net position - Beginning					45 620 867
	Prior period adjustment					<u>(19 121 681)</u>
	Net position - Beginning (restated)					<u>26 499 186</u>
NE	NET POSITION - ENDING					<u>\$ 33 916 484</u>

The accompanying notes are an integral part of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 15 723 584	\$ 3 483 373
1225	Taxes receivable, net	1 443 417	263 472
1240	Due from other governments	674 898	-
1260	Due from other funds	150 637	-
1300	Inventories	-	-
1000	TOTAL ASSETS	\$ 17 992 536	\$ 3 746 845
	LIABILITIES		
	Current Liabilities:		
2110	Accounts payable	\$ 751 032	\$ -
2160	Accrued wages payable	1 554 503	-
2170	Due to other funds	-	-
2300	Unearned revenue	1 867 117	263 472
2000	TOTAL LIABILITIES	4 172 652	263 472
	FUND BALANCES		
3410	Nonspendable fund balance	-	-
	Restricted Fund Balances:		
3450	Restricted for food service	-	-
3480	Restricted for debt service	-	3 483 373
3490	Other restricted of fund balance	-	-
3600	Unassigned	13 819 884	-
3000	TOTAL FUND BALANCES	13 819 884	3 483 373
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 17 992 536	\$ 3 746 845

The accompanying notes are an integral part of this statement.

60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 1 152 138	\$ 1 329 051	\$ 21 688 146
-	-	1 706 889
-	478 931	1 153 829
-	-	150 637
	88 935	88 935
<u>\$ 1 152 138</u>	<u>\$ 1 896 917</u>	<u>\$ 24 788 436</u>
\$ 768 764	\$ 79 243	\$ 1 599 039
-	279 975	1 834 478
-	150 637	150 637
-	87 030	2 217 619
<u>768 764</u>	<u>596 885</u>	<u>5 801 773</u>
-	88 935	88 935
-	1 067 508	1 067 508
-	-	3 483 373
383 374	143 589	526 963
-		13 819 884
<u>383 374</u>	<u>1 300 032</u>	<u>18 986 663</u>
<u>\$ 1 152 138</u>	<u>\$ 1 896 917</u>	<u>\$ 24 788 436</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT C-1R

Total fund balances - Governmental funds balance sheet	\$ 18 986 663
Amounts Reported for Governmental Activities in the Statement of Net Position are Different because:	
Capital assets used in governmental activities are not reported in the funds.	77 132 405
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1 706 889
Payables for bond principal which are not due in the current period are not reported in the funds.	(42 124 497)
Payables for bond interest which are not due in the current period are not reported in the funds.	(70 494)
Payable for accreted interest on capital appreciation bonds is not reported in the funds.	(863 341)
Unamortized bond premiums and discounts are not reported in the funds.	(1 628 291)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(4 991 279)
Deferred resource inflows related to TRS are not reported in the funds.	(1 842 934)
Deferred resource outflows related to TRS are not reported in the funds.	2 715 510
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(10 831 055)
Deferred resource inflows related to OPEB are not reported in the funds.	(4 530 651)
Deferred resource outflows related to OPEB are not reported in the funds.	<u>257 559</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	 \$ <u>33 916 484</u>

The accompanying notes are an integral part of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2018

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	Revenues:		
5700	Local and intermediate sources	\$ 15 883 028	\$ 3 449 996
5800	State program revenues	11 088 948	100 638
5900	Federal program revenues	750 394	-
5020	TOTAL REVENUES	27 722 370	3 550 634
	Expenditures:		
	Current:		
0011	Instruction	14 973 470	-
0012	Instructional resources and media services	331 290	-
0013	Curriculum and staff development	367 760	-
0021	Instructional leadership	337 612	-
0023	School leadership	1 679 368	-
0031	Guidance, counseling, and evaluation services	555 568	-
0032	Social work services	67 409	-
0033	Health services	368 019	-
0034	Student transportation	1 470 622	-
0035	Food service	-	-
0036	Cocurricular/extracurricular activities	1 049 122	-
0041	General administration	1 007 864	-
0051	Facilities maintenance and operations	2 670 042	-
0052	Security and monitoring services	169 569	-
0053	Data processing services	262 570	-
0061	Community services	15 772	-
0071	Principal on long-term debt	-	1 521 457
0072	Interest on long-term debt	-	1 933 266
0073	Bond issuance costs and fees	-	3 900
0081	Capital outlay	1 377 258	-
0093	Payments to shared service arrangements	16 785	-
0099	Other intergovernmental charges	344 995	-
6030	TOTAL EXPENDITURES	27 065 095	3 458 623
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	657 275	92 011
	Other Financing Sources (Uses):		
7915	Transfer in	-	-
8911	Transfer out	(4 322)	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	(4 322)	-
1200	NET CHANGE IN FUND BALANCE	652 953	92 011
0100	Fund balances - Beginning	13 166 931	3 391 362
3000	FUND BALANCES - ENDING	\$ 13 819 884	\$ 3 483 373

The accompanying notes are an integral part of this statement.

60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 3 534 083	\$ 785 100	\$ 23 652 207
-	250 022	11 439 608
-	3 438 738	4 189 131
<u>3 534 083</u>	<u>4 473 860</u>	<u>39 280 947</u>
-	1 752 951	16 726 421
-	28 735	360 025
-	68 016	435 776
-	28 045	365 657
-	7 075	1 686 443
-	315 133	870 701
-	10 040	77 449
-	-	368 019
-	571	1 471 193
-	2 135 645	2 135 645
-	-	1 049 122
-	-	1 007 864
-	-	2 670 042
-	125	169 694
-	-	262 570
-	7 836	23 608
-	-	1 521 457
-	-	1 933 266
-	-	3 900
3 891 202	-	5 268 460
-	31 200	47 985
-	-	344 995
<u>3 891 202</u>	<u>4 385 372</u>	<u>38 800 292</u>
(357 119)	88 488	480 655
-	4 322	4 322
-	-	(4 322)
<u>-</u>	<u>4 322</u>	<u>-</u>
(357 119)	92 810	480 655
<u>740 493</u>	<u>1 207 222</u>	<u>18 506 008</u>
\$ <u>383 374</u>	\$ <u>1 300 032</u>	\$ <u>18 986 663</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2018

EXHIBIT C-3

Net change in fund balances - Total governmental funds	\$ 480 655
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays are not reported as expenses in the SOA.	4 987 138
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2 671 157)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	43 879
The accretion of interest on capital appreciation bonds is not reported as expenditures in the funds.	(132 637)
(Increase) decrease in accrued interest from beginning of period to end of period.	(12 434)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1 521 457
The amortization of bond premiums and discounts and amortization of deferred gain on refunding are reported in the SOA but not in the funds.	(66 551)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(750 586)
OPEB expense related to GASB 75 is recorded in the SOA but not in the funds.	<u>4 017 534</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	 \$ <u><u>7 417 298</u></u>

The accompanying notes are an integral part of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 August 31, 2018

EXHIBIT E-1

<u>DATA CONTROL CODES</u>		<u>PRIVATE- PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS STUDENT ACTIVITY</u>
	ASSETS		
1110	Cash and cash equivalents	\$ 127 380	\$ 233 249
1000	TOTAL ASSETS	<u>\$ 127 380</u>	<u>\$ 233 249</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts payable	\$ -	\$ 1 095
2190	Due to student groups	<u>-</u>	<u>232 154</u>
2000	TOTAL LIABILITIES	<u>-</u>	<u>233 249</u>
	NET POSITION		
3800	Held in trust	<u>127 380</u>	<u>-</u>
3000	TOTAL NET POSITION	<u>\$ 127 380</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

ENDERSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended August 31, 2018

EXHIBIT E-2

	<u>PRIVATE- PURPOSE TRUSTS</u>
Additions:	
Investment income	\$ 2 637
TOTAL ADDITIONS	<u>2 637</u>
Deductions:	
Scholarship awards	<u>5 800</u>
TOTAL DEDUCTIONS	<u>5 800</u>
CHANGE IN NET POSITION	(3 163)
Net position - Beginning of the year	<u>130 543</u>
NET POSITION - END OF THE YEAR	<u>\$ 127 380</u>

The accompanying notes are an integral part of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Service Fund: This fund accounts for the accumulation of resources for the retirement of the District's bonded debt.

Capital Projects Fund: This fund accounts for the expenditures of the District's bonded debt issues.

In addition, the District reports the following fund types:

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

3. FINANCIAL STATEMENT AMOUNTS

a. Property Taxes

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

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

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. However, the District maintains a food inventory. Food purchases are recorded initially as expenditures and inventory is recorded at fiscal year-end. Inventories of commodities are recorded at market values supplied by the Texas Department of Human Services. Inventories of purchased food are recorded at cost on a first-in, first-out basis.

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

c. Capital Assets

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

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

ASSET CLASS	ESTIMATED USEFUL LIVES
Infrastructure	30
Buildings	40
Building Improvements	40
Vehicles	5-10
Office Equipment	7
Computer Equipment	3-5

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

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

There are not significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

j. Net Position Flow Assumption

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

k. Fund Balance Flow Assumptions

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

4. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense and OPEB 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.

NOTE B - COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Special Revenue Fund and the Debt Service Fund. All annual appropriations and encumbrances lapse at fiscal year-end. Expenditures may not exceed budgeted appropriations at the function level. (Instruction, Instructional Resources, Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, etc.) The budget is amended only by approval of the Board of Trustees. Proposed amendments are presented to the Board of Trustees in a public meeting, and each amendment must have Board of Trustees approval. During the year, the budget was amended as necessary.

NOTE C - DEPOSITS AND INVESTMENTS

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

1. CASH DEPOSITS

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$22,048,776 and the bank balance was \$20,762,204. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. INVESTMENTS

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

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

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

3. ANALYSIS OF SPECIFIC DEPOSIT AND INVESTMENT RISKS

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

a. Credit Risk

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

b. Custodial Credit Risk

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

NOTE D - PROPERTY TAXES RECEIVABLE

	GENERAL	DEBT SERVICE	TOTAL
Property tax year 2017 (FY 2018)	\$ 291 225	\$ 64 405	\$ 355 630
Prior tax years	1 406 913	245 562	1 652 475
TOTAL	1 698 138	309 967	2 008 105
Less: Allowance for uncollectible taxes	(254 721)	(46 495)	(301 216)
NET TAXES RECEIVABLE	<u>\$ 1 443 417</u>	<u>\$ 263 472</u>	<u>\$ 1 706 889</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:				
Land and land improvements	\$ 714 389	\$ 20 500	\$ -	\$ 734 889
Construction in progress	2 837 739	4 514 000	(44 111)	7 307 628
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3 552 128</u>	<u>4 534 500</u>	<u>(44 111)</u>	<u>8 042 517</u>
Capital Assets Being Depreciated:				
Buildings and improvements	89 961 390	138 163	(433 752)	89 665 801
Equipment	11 740 088	396 382	(547 884)	11 588 586
Infrastructure	331 293	-	-	331 293
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>102 032 771</u>	<u>534 545</u>	<u>(981 636)</u>	<u>101 585 680</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(21 426 749)	(2 207 464)	396 837	(23 237 376)
Equipment	(9 213 097)	(452 839)	547 004	(9 118 932)
Infrastructure	(128 630)	(10 854)	-	(139 484)
TOTAL ACCUMULATED DEPRECIATION	<u>(30 768 476)</u>	<u>(2 671 157)</u>	<u>943 841</u>	<u>(32 495 792)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>71 264 295</u>	<u>(2 136 612)</u>	<u>(37 795)</u>	<u>69 089 888</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 74 816 423</u>	<u>\$ 2 397 888</u>	<u>\$ (81 906)</u>	<u>\$ 77 132 405</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1 311 786
Instructional resources and media services	30 443
Curriculum and staff development	28 671
Instructional leadership	24 322
School leadership	131 424
Guidance, counseling, and evaluation services	43 432
Health services	22 198
Social work services	5 276
Student transportation	274 091
Food services	259 731
Extracurricular activities	160 407
General administration	74 277
Plant maintenance and operations	240 267
Security and monitoring	13 225
Data processing services	51 607
	<u>\$ 2 671 157</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE F - GOVERNMENTAL FUND BALANCES

Components of nonspendable fund balance and specific purposes for restricted and committed fund balances as of August 31, 2018 are as follows:

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Nonspendable:					
Inventories - Food service	\$ -	\$ -	\$ -	\$ 88 935	\$ 88 935
Restricted:					
Federal grant - Food service	-	-	-	1 067 508	1 067 508
Debt service	-	3 483 373	-	-	3 483 373
Capital projects - Construction	-	-	383 374	-	383 374
Campus activity funds	-	-	-	143 589	143 592
Committed:					
Construction	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Unassigned	13 819 884	-	-	-	13 819 884
	<u>\$ 13 819 884</u>	<u>\$ 3 483 373</u>	<u>\$ 383 374</u>	<u>\$ 1 300 032</u>	<u>\$ 18 986 663</u>

NOTE G - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balance due to and due from other funds at August 31, 2018, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Other Governmental Fund	\$ 150 637	Short-term loans

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

NOTE H - LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

On January 15, 2007, the District issued \$23,875,000 of Unlimited Tax School Building Bonds for the construction, renovation, acquisition, and equipment of school buildings in the District. The bonds mature from August 15, 2009 through August 15, 2028 and bear interest from 4.0%-5.2%. Annual maturities range from \$120,000 to \$3,000,000.

On September 12, 2013, the District issued \$20,510,000 of Unlimited Tax School Building Bonds and \$6,490,000 of Unlimited Tax Qualified School Construction Bonds for the construction, renovation, acquisition, and equipment of school buildings in the District. The bonds mature from February 15, 2014 through August 15, 2038 and bear interest from 3.45%-5.12%. Annual maturities range from \$2,000,000 to \$2,135,000.

On July 15, 2014, the District issued \$8,900,000 of Unlimited Tax Refunding Bond to advance refund the District's Series 2007 Unlimited Tax School Building Bonds. The bonds mature from August 15, 2015 through August 15, 2028 and bear interest from 2.0%-4.0%. Annual maturities range from \$10,000 to \$1,110,000.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE H - LONG-TERM OBLIGATIONS - CONTINUED

On June 1, 2015, the District issued \$8,705,000 of Unlimited Tax Refunding Bonds to advance refund the District's Series 2006 Refunding Bonds and part of the Series 2007 Unlimited Tax School Building Bonds. The bonds mature from August 15, 2015 through August 31, 2028 and bear interest from 2.0%-4.0%. Annual maturities range from \$145,000 to \$935,000.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Governmental Activities:					
2007 Capital Appreciation Bonds	\$ 2 818 890	\$ -	\$ (936 457)	\$ 1 882 433	\$ 892 649
2007 Accreted interest	697 619	127 113	-	824 732	-
2013 School Building Bonds	18 820 000	-	(525 000)	18 295 000	540 000
Add: Premium on issuance	187 489	-	(26 944)	160 545	-
2013 Unlimited Tax QSC Bonds	6 490 000	-	-	6 490 000	-
Less: Discount on issuance	(30 611)	4 400	-	(26 211)	-
2014 Refunding bonds	8 770 000	-	(60 000)	8 710 000	60 000
Add: Premium on issuance	820 546	-	(74 881)	745 665	-
2014 Capital Appreciation Bond	235 000	-	-	235 000	-
2014 CRB - Accreted Interest	33 085	5 524	-	38 609	-
2015 Refunding Bonds	7 450 000	-	-	7 450 000	-
Add: Premium on issuance	823 434	-	(75 142)	748 292	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 47 115 452	\$ 137 037	\$ (1 698 424)	\$ 45 554 065	\$ 1 492 649
				Bonds outstanding	43 062 433
				Bond premiums	1 654 502
				Bond discounts	(26 211)
				CAB accrued interest	863 341
				\$ 45 554 065	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

<u>YEAR ENDING AUGUST 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	1 492 649	1 960 773	3 453 422
2020	3 154 784	1 771 022	4 925 806
2021	2 215 000	1 250 622	3 465 622
2022	2 285 000	1 184 172	3 469 172
2023-2027	12 575 000	4 758 506	17 333 506
2028-2032	9 745 000	2 741 790	12 486 790
2033-2037	9 460 000	1 725 062	11 185 062
2038-2039	2 135 000	96 076	2 231 076
TOTALS	\$ 43 062 433	\$ 15 488 023	\$ 58 550 456

3. Advance Refunding of Debt

On July 15, 2014, the District issued \$8,900,000 in unlimited tax refunding bonds to advance refund a portion of District's Series 2007 Unlimited Tax School Building Bonds. The net proceeds of \$9,791,356 (including a premium of \$1,054,541 and after underwriting fees and other issuances costs of \$163,185) plus an additional \$212,643 of the District's debt service funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 bonds. As a result, those bonds are considered to be defeased and the liability for those bonds has been removed from the District's Government-wide Statement of Net Position.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE H - LONG-TERM OBLIGATIONS - CONTINUED

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,103,998. This difference, reported in the accompanying financial statements as deferred outflows of resources as unamortized deferred amount on refunding is being charged to operations through the year 2028 on a straight-line basis. The District completed the advance refunding to reduce its total debt service payments over the next 14 years by \$961,868 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$825,219.

On June 1, 2015, the District issued \$8,705,000 in unlimited tax refunding bonds to advance refund the District's 2006 Unlimited Tax Refunding Bonds. The net proceeds of \$9,526,397 (including a premium of \$992,504 and \$1,626 in accrued interest) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 Refunding bonds and part of the 2007 bonds. As a result those bonds are considered to be defeased and the liability for those bonds has been removed from the District's Government-wide Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$676,397. This difference, reported in the accompanying financial statements as deferred outflows of resources as unamortized deferred amount on refunding is being charged to operations through the year 2019 on a straight-line basis. The District completed the advance refunding to reduce its total debt service payments over the next 14 years by \$1,239,580 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,094,263.

GASB Statement No. 7, "Advance Refundings Resulted in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2018, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

BOND ISSUE	AMOUNT
HISD Unlimited Tax School Building Bonds Series 2007	\$ 3 070 000
TOTAL	\$ <u>3 070 000</u>

NOTE I - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2018, as follows:

YEAR ENDING AUGUST 31,	
2019	\$ 92 393
2020	92 155
2021	4 608
2022	930
Total Minimum Rentals	\$ <u>190 086</u>
Rental Expenditures in 2018	\$ <u>94 373</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, 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.

NOTE K - PENSION PLAN

1. Plan Description

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

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

2. 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE K - PENSION PLAN - CONTINUED

4. Contributions

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

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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	CONTRIBUTION RATES	
	2017	2018
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions	\$ 528 977	\$ 511 078
Member Contributions	\$ 490 088	\$ 1 413 832
NECE On-behalf Contributions	\$ 998 829	\$ 990 939

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE K - PENSION PLAN - CONTINUED

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE K - PENSION PLAN - CONTINUED

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. 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 projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION*</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2)%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* Target allocations are based on the FY 2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY 2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contributions to long-term portfolio returns.

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversation between arithmetic and geometric mean returns.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE K - PENSION PLAN - CONTINUED

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (7.0%)	DISCOUNT RATE (8.0%)	1% INCREASE IN DISCOUNT RATE (9.0%)
District proportionate share of the net pension liability	\$ 8 414 310	\$ 4 991 279	\$ 2 141 050

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

At August 31, 2018, the District reported a liability of \$4,991,279 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	\$ 4 991 279
State's proportionate share that is associated with the District	<u>9 687 969</u>
TOTAL	<u>\$ 14 679 248</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0156% which was a (decrease) of 0.0010% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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, 2018, the District recognized pension expense of \$738,960 and revenue of \$738,960 for support provided by the State.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE K - PENSION PLAN - CONTINUED

At August 31, 2018, 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	\$ 73 025	\$ 269 173
Changes in actuarial assumptions	227 361	130 159
Difference between projected and actual investment earnings	767 601	1 131 354
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 136 445	312 248
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	511 078	-
TOTAL	\$ 2 715 510	\$ 1 842 934

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2019	\$ 72 795
2020	\$ 391 401
2021	\$ 48 311
2022	\$ (55 119)
2023	\$ (50 569)
Thereafter	\$ (45 321)

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. 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.

B. OPEB Plan Fiduciary Net Position

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

C. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

D. 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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

	<u>Contribution Rates</u>	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
2018 Employer Contributions		\$ 255 866
2018 Member Contributions		\$ 119 772
2017 NECE On-behalf Contributions		\$ 164 146

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation (See Note K):

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

F. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. ***The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.***

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Rate of Return			
As of August 31, 2017			
Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns ¹
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	- %	1.8%	- %
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2)%	- %
Real Return			
Global Inflation Linked Bonds	3%	0.9%	- %
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources Commodities	3%	6.6%	0.2%
	- %	1.2%	- %
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
TOTAL	100%		8.7%

**Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contributions to long-term portfolio returns.*

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

G. 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 (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 12 783 334	\$ 10 831 055	\$ 9 261 863

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

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

At August 31, 2018, the District reported a liability of \$10,831,055 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 10 831 055
State's proportionate share that is associated with the District	13 729 697
TOTAL	\$ <u>24 560 752</u>

The Net OPEB Liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0249% which was the same proportion measured as of August 31, 2016.

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

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 1, 2017. This change lowered the total OPEB liability.

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended August 31, 2018

NOTE L - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

For the year ended August 31, 2018, the District recognized OPEB expense of \$4,594,322 and revenue of \$4,594,322 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 226 107
Changes in actuarial assumptions	-	4 304 544
Difference between projected and actual investment earnings	1 645	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	48	-
Contributions paid to TRS subsequent to the measurement date	255 866	-
TOTAL	\$ 257 559	\$ 4 530 651

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (597 601)
2020	\$ (597 601)
2021	\$ (597 601)
2022	\$ (597 601)
2023	\$ (598 012)
Thereafter	\$ (1 540 542)

NOTE N - EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the district were covered by TRS Active Care, a health insurance plan provided through the Teacher Retirement System of Texas. The District contributed \$150 and the State contributed \$75 per employee per month per participating employee to the plan. Employees, at their option, authorized payroll withholdings to pay the balance of the premiums for themselves and their dependents.

NOTE O - COMMITMENTS AND CONTINGENCIES

1. Contingencies

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE O - COMMITMENTS AND CONTINGENCIES - CONTINUED

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

NOTE P - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for deaf services with 22 other school districts.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Nacogdoches Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

NOTE Q - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2019; the date the financial statements were available to be issued. Subsequent to year end, the District was defrauded through an internet scam. The District cannot estimate the loss as of the report date.

NOTE R - PRIOR PERIOD ADJUSTMENT

The District recorded a prior period adjustment to implement GASB 75 by recording the OPEB liability at the beginning of the fiscal year. This resulted in a decrease of net position of \$19,121,681.

NOTE S - TAX ABATEMENTS

The District does not currently have any tax abatement agreements.

NOTE T - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 was issued in June 2015. This Statement establishes new accounting and financial reporting standards for postemployment benefit plans. This standard becomes effective for the District's fiscal year 2018. The implementation of this standard resulted in the recognition of a prior period adjustment of \$19,121,681 for the beginning liability and changes in the current year government wide financial statements.

GASB Statement No. 81: Irrevocable Split-Interest Agreements. Statement 81 was issued in March 2016. This Statement establishes guidance on the financial reporting and accounting for irrevocable split-interest agreements. This standard becomes effective for the District's fiscal year 2018. The District has not yet determined the impact of this statement. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 83: Certain Asset Retirement Obligations. Statement 83 was issued in November 2016. This Statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations that may not have been previously reported. This standard becomes effective for the District's fiscal year 2019. The District has not yet determined the impact of this statement.

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended August 31, 2018

NOTE T - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

GASB Statement No. 84: Fiduciary Activities. Statement 84 was issued in January 2017. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard becomes effective for the District's fiscal year 2020. The District has not yet determined the impact of this statement.

GASB Statement No. 85: Omnibus 2017. Statement 85 was issued in March 2017. This Statement will enhance consistency in the application of accounting and financial reporting requirements related to blending component units, goodwill, fair value measurement and application and postemployment benefits. This standard becomes effective for the District's fiscal year 2018. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 86: Certain Debt Extinguishment Issues. Statement 86 was issued in March 2017. This Statement will increase consistency in the accounting and financial reporting for debt extinguishment. This standard becomes effective for the District's fiscal year 2018. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 87: Leases. Statement 87 was issued in June 2017. This Statement will require reporting of certain lease liabilities that currently are not reported, and enhance comparability among governments by requiring lessees and lessors to report leases under a single model. This standard becomes effective for the District's fiscal year 2021. The District has not yet determined the impact of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

HENDERSON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2018

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 15 386 468	\$ 15 616 468	\$ 15 883 028	\$ 266 560
5800	State program revenues	10 505 218	10 505 218	11 088 948	583 730
5900	Federal program revenues	662 474	662 474	750 394	87 920
5020	TOTAL REVENUES	<u>26 554 160</u>	<u>26 784 160</u>	<u>27 722 370</u>	<u>938 210</u>
	Expenditures:				
	Current:				
0011	Instruction	15 213 721	15 134 819	14 973 470	161 349
0012	Instructional resources and media services	316 147	333 147	331 290	1 857
0013	Curriculum and staff development	380 074	387 021	367 760	19 261
0021	Instructional leadership	319 094	341 975	337 612	4 363
0023	School leadership	1 691 073	1 691 073	1 679 368	11 705
0031	Guidance, counseling and evaluation services	603 677	605 977	555 568	50 409
0032	Social work services	67 940	67 940	67 409	531
0033	Health services	408 546	408 546	368 019	40 527
0034	Student (pupil) transportation	1 642 883	1 642 883	1 470 622	172 261
0036	Cocurricular/extracurricular activities	1 150 834	1 150 834	1 049 122	101 712
0041	General administration	1 051 374	1 051 374	1 007 864	43 510
0051	Plant maintenance and operations	2 642 778	2 682 778	2 670 042	12 736
0052	Security and monitoring services	181 238	181 238	169 569	11 669
0053	Data processing services	289 004	279 003	262 570	16 433
0061	Community services	16 468	16 468	15 772	696
0081	Capital outlay	200 000	1 709 681	1 377 258	332 423
0093	Payments to fiscal agent/ member dist. - SSA	18 000	18 000	16 785	1 215
0099	Other intergovernmental charges	361 083	361 083	344 995	16 088
6030	TOTAL EXPENDITURES	<u>26 553 934</u>	<u>28 063 840</u>	<u>27 065 095</u>	<u>998 745</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) (UNDER) EXPENDITURES	<u>226</u>	<u>(1 279 680)</u>	<u>657 275</u>	<u>1 963 955</u>
	Other Financing Sources (Uses):				
8911	Transfer out	-	-	(4 322)	(4 322)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(4 322)</u>	<u>(4 322)</u>
1200	NET CHANGE IN FUND BALANCES	226	(1 279 680)	652 953	1 932 633
0100	Fund balance - Beginning	<u>13 166 931</u>	<u>13 166 931</u>	<u>13 166 931</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 13 167 157</u>	<u>\$ 11 887 251</u>	<u>\$ 13 819 884</u>	<u>\$ 1 932 633</u>

See independent auditors' report.

HENDERSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-2

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0156%	0.01660%	0.01753%
District's proportionate share of the net pension liability (asset)	\$ 4 991 279	\$ 6 291 363	\$ 6 196 763
State's proportionate share of the net pension liability (asset) associated with the District	9 687 969	4 252 828	4 205 224
TOTAL	\$ 14 679 248	\$ 10 544 191	\$ 10 401 987
District's covered-employee payroll	\$ 18 311 107	\$ 18 229 214	\$ 17 822 879
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.25%	34.51%	34.77%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%

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

See independent auditors' report.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-3

	2018	2017	2016
Contractually required contribution	\$ 511 078	\$ 528 977	\$ 693 513
Contributions in relation to the contractually required contribution	(511 078)	(528 977)	(693 513)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 18 426 461	\$ 18 311 107	\$ 18 229 214
Contributions as a percentage of covered-employee payroll	2.77%	2.89%	3.80%

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

See independent auditors' report.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY
 AND DISTRICT OPEB CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

EXHIBIT G-4

District's Proportionate Share of Liability	2017
District's proportion of the OPEBL	0.0249%
District's proportionate share of the OPEBL	\$ 10 831 055
State share of the OPEBL associated with the District	13 729 697
TOTAL	\$ 24 560 752
District's covered-employee payroll*	\$ 18 311 107
<i>*Prior FY TRS Gross - September through August</i>	
Proportionate share/covered payroll	59.14%
Plan fiduciary net position/total OPEB liability	0.91%
<hr/>	
District Contributions	2018
Contractually required contribution	\$ 255 866
Contributions to required contribution	(255 866)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 18 426 461
Contributions to covered payroll	1.39%

See independent auditors' report

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2018

Budget

The official budget was prepared for adoption for the General Fund, Debt Service Fund, Capital Project Fund and Child Nutrition Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

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

Changes of Benefit Terms

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

Changes of Assumptions

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

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

HENDERSON INDEPENDENT SCHOOL DISTRICT
FUND DESCRIPTIONS

GENERAL FUND

The General Fund is used to account for all financial transactions not properly included in other funds. The principal sources of revenues include local property taxes, state reimbursement for professional salaries and other operating expenditures, interest on fund investments, and indirect cost revenues from federal grants. Expenditures include all costs associated with the daily operations of the schools.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for federal, state and locally funded grants, as well as locally defined activity accounts, the grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the individual grant awards. Fund numbers corresponding to the Combining Statements are included in the description below. Grants accounted for in the Special Revenue Funds include:

Federal Programs

- 211 - ESEA Title 1, Part A, Improving Basic Programs - This federal program provides supplemental funding for resources to help schools with high concentrations of students from low-income families provide a high-quality education that will enable all children to meet the state's student performance standards.
- 224 - IDEA, Part B, Formula - These federal funds are used to ensure that all students with disabilities have available a free, appropriate public education which includes special education and related services to meet their unique needs.
- 225 - IDEA, Part B, Preschool - This federal program is to provide an equitable education to all students with disabilities ages three through five.
- 226 - IDEA, Part B, Discretionary - This federal program provides funding to assist local education agencies in addressing the needs of "high need children with disabilities" by lessening the financial impact associated with providing direct special education and related services to high need children with disabilities.
- 240 - National School Lunch Program/School Breakfast Program - The goal of these federal programs, NSLP and SBP, is to safeguard the health and well-being of school children by establishing good eating habits through the availability of adequate food.
- 244 - Carl D. Perkins, Title I, Part C, Vocational Education Basic Grant - These federal funds provide career and technology education to develop new and/or improve career and technology education programs for paid and unpaid employment.
- 255 - ESEA, Title II, Part A, Teacher and Principal Training and Recruiting - These federal funds are used to increase student academic achievement through increasing the number of qualified teachers, assistant principals and principals.
- 263 - ESEA, Title III, Part A, English Language Acquisition and Language Enhancement - These federal funds are used to increase the English proficiency of limited English proficient children by providing high-quality language instruction educational programs that are based on scientific research demonstrating the effectiveness of the programs in increasing English proficiency, and student academic achievement in the core academic subjects.
- 288 - ESEA, Title IV, Part A - This federal fund is a program to support rural school districts.
- 289 - Summer School LEP - This federal fund is a program to support Limited English Proficiency (LEP) summer school.

HENDERSON INDEPENDENT SCHOOL DISTRICT
FUND DESCRIPTIONS - CONTINUED

State Programs

- 410 - Instructional Materials Allotment - These state funds are awarded to school districts for the purchase of instructional materials, technological equipment and technology-related services.
- 427 - Achievement Academy Grant - These state funds were to establish local achievement programs.
- 429 - Read to Succeed - These state funds are to improve student reading performance.

Local Programs

- 461 - Campus Activity Funds - This Special Revenue Fund is used to account for campus based revenues that are restricted for use on individual campuses where collected.
- 492 - Head Start Program - This program helps address the educational, health, social and psychological needs of disadvantaged preschool children ages 3 through 5 years.
- 498 - HISD Educational Foundation Grant - This program, funded by the Henderson ISD Education Foundation, provides funds to supplement innovative instruction strategies.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

FIDUCIARY FUNDS

Private Purpose Trust Funds

The District maintains seven (7) Private Purpose Trust Funds which were established by donors. The funds are utilized to account for the proceeds of additional donations and investment earnings. The funds are utilized solely for the payment of scholarships to graduating seniors from the District.

Agency Funds

The District's Agency Funds account for resources held in a custodial capacity by the District, consisting only of funds that are the property of students.

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2018

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	224 IDEA-B FORMULA	225 IDEA-B PRESCHOOL GRANT	226 IDEA-B DISCRETIONARY
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 10 722	\$ -	\$ -
1240	Due from other governments	195 640	132 226	6 677	-
1300	Inventories	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 195 640</u>	<u>\$ 142 948</u>	<u>\$ 6 677</u>	<u>\$ -</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 3 393	\$ -	\$ -	\$ -
2160	Accrued wages payable	70 305	132 226	2 340	-
2170	Due to other funds	121 942	-	4 337	-
2300	Deferred revenue	-	10 722	-	-
2000	TOTAL LIABILITIES	<u>195 640</u>	<u>142 948</u>	<u>6 677</u>	<u>-</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	Restricted for food service	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 195 640</u>	<u>\$ 142 948</u>	<u>\$ 6 677</u>	<u>\$ -</u>

See independent auditors' report.

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	244 CAREER AND TECH BASIC GRANT	255 ESEA TITLE II TRAINING AND RECRUITING	263 ENGLISH LANGUAGE ACQUISITION AND ENHANCEMENT	288 TITLE IV PART A GRANT
\$ 1 168 253	\$ -	\$ -	\$ -	\$ -
104 348	-	28 056	8 785	3 199
88 935	-	-	-	-
<u>\$ 1 361 536</u>	<u>\$ -</u>	<u>\$ 28 056</u>	<u>\$ 8 786</u>	<u>\$ 3 199</u>
\$ 75 550	\$ -	\$ -	\$ 300	\$ -
59 657	-	10 373	1 875	3 199
-	-	17 683	6 610	-
69 886	-	-	-	-
<u>205 093</u>	<u>-</u>	<u>28 056</u>	<u>8 785</u>	<u>3 199</u>
1 156 443	-	-	-	-
-	-	-	-	-
<u>1 156 443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1 361 536</u>	<u>\$ -</u>	<u>\$ 28 056</u>	<u>\$ 8 786</u>	<u>\$ 3 199</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2018

DATA CONTROL CODES		289	410	427
CODES		SUMMER SCHOOL LEP	STATE TEXTBOOK FUND	ACHIEVEMENT ACADEMY GRANT FUND
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 6 422	\$ -
1240	Due from other governments	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 6 422</u>	<u>\$ -</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2300	Deferred revenue	-	6 422	-
2000	TOTAL LIABILITIES	<u>-</u>	<u>6 422</u>	<u>-</u>
	FUND BALANCES			
	Restricted Fund Balances:			
3450	Restricted for food service	-	-	-
3490	Other restrictions of fund balance	-	-	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 6 422</u>	<u>\$ -</u>

See independent auditors' report.

429	461	492	498	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
READ TO SUCCEED GRANT FUND	CAMPUS ACTIVITY FUNDS	HEAD START	HISD EDUCATIONAL FOUNDATION GRANT	
\$ -	\$ 143 589	\$ -	\$ 65	\$ 1 329 051
-	-	-	-	478 931
-	-	-	-	88 935
<u>\$ -</u>	<u>\$ 143 589</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 1 896 917</u>
\$ -	\$ -	\$ -	\$ -	\$ 79 243
-	-	-	-	279 975
-	-	-	65	150 637
-	-	-	-	87 910
<u>-</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>596 885</u>
-	-	-	-	1 156 443
-	143 589	-	-	143 589
-	143 589	-	-	1 300 032
<u>\$ -</u>	<u>\$ 143 589</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 1 916 646</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2018

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	224 IDEA-B FORMULA	225 IDEA-B PRESCHOOL GRANT	226 IDEA-B DISCRETIONARY
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	<u>801 111</u>	<u>533 483</u>	<u>25 273</u>	<u>160 794</u>
5020	TOTAL REVENUES	<u>801 111</u>	<u>533 483</u>	<u>25 273</u>	<u>160 794</u>
	Expenditures:				
	Current:				
0011	Instruction	746 580	184 871	25 272	149 895
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	46 959	2 438	-	-
0021	Instructional leadership	-	28 045	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	286 929	-	288
0033	Health services	-	-	-	10 040
0034	Student transportation	-	-	-	571
0035	Food service	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	7 572	-	-	-
0093	Payments to shared service arrangements	-	31 200	-	-
6030	TOTAL EXPENDITURES	<u>801 111</u>	<u>533 483</u>	<u>25 272</u>	<u>160 794</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	Other Financing Sources (Uses):				
7915	Transfer in	-	-	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	1	-
0100	Fund balances - Beginning	-	-	(1)	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors report.

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	244 CAREER AND TECH BASIC GRANT	255 ESEA TITLE II TRAINING AND RECRUITING	263 ENGLISH LANGUAGE ACQUISITION AND ENHANCEMENT	288 TITLE IV PART A GRANT
\$ 492 206	\$ -	\$ -	\$ -	\$ -
37 546	-	-	-	-
<u>1 717 124</u>	<u>27 916</u>	<u>109 255</u>	<u>43 596</u>	<u>17 812</u>
<u>2 246 876</u>	<u>27 916</u>	<u>109 255</u>	<u>43 596</u>	<u>17 812</u>
-	-	105 655	32 686	17 812
-	-	-	5 819	-
-	-	3 600	5 091	-
-	-	-	-	-
-	-	-	-	-
-	27 916	-	-	-
-	-	-	-	-
-	-	-	-	-
2 135 645	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2 135 645</u>	<u>27 916</u>	<u>109 255</u>	<u>43 596</u>	<u>17 812</u>
<u>111 231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
111 231	-	-	-	-
1 045 212	-	-	-	-
<u>\$ 1 156 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2018

DATA CONTROL CODES		289 SUMMER SCHOOL LEP	410 STATE TEXTBOOK FUND	427 ACHIEVEMENT ACADEMY GRANT FUND
	Revenues:			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	195 515	1 821
5900	Federal program revenues	<u>2 374</u>	<u>-</u>	<u>-</u>
5020	TOTAL REVENUES	<u>2 374</u>	<u>195 515</u>	<u>1 821</u>
	Expenditures:			
	Current:			
0011	Instruction	2 374	195 515	1 821
0012	Instructional resources and media services	-	-	-
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
0093	Payments to shared service arrangements	-	-	-
6030	TOTAL EXPENDITURES	<u>2 374</u>	<u>195 515</u>	<u>1 821</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
	Other Financing Sources (Uses):			
7915	Transfer in	-	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0100	Fund balances - Beginning	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors report.

429	461	492	498	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
READ TO SUCCEED GRANT FUND	CAMPUS ACTIVITY FUNDS	HEAD START	HISD EDUCATIONAL FOUNDATION GRANT	
\$ -	\$ 102 659	\$ 165 135	\$ 25 100	\$ 785 100
1 814	-	10 931	-	250 022
-	-	-	-	3 438 738
<u>1 814</u>	<u>102 659</u>	<u>176 066</u>	<u>25 100</u>	<u>4 473 860</u>
1 814	80 838	176 066	29 357	1 752 951
-	22 916	-	-	28 735
-	9 928	-	-	68 016
-	-	-	-	28 045
-	7 075	-	-	7 075
-	-	-	-	315 133
-	-	-	-	10 040
-	-	-	-	571
-	-	-	-	2 135 645
-	125	-	-	125
-	264	-	-	7 836
-	-	-	-	31 200
<u>1 814</u>	<u>121 146</u>	<u>176 066</u>	<u>29 357</u>	<u>4 385 372</u>
-	(18 487)	-	(4 257)	88 488
-	-	-	4 322	4 322
-	-	-	4 322	4 322
-	(18 487)	-	65	92 810
-	162 076	-	(65)	1 207 222
<u>\$ -</u>	<u>\$ 143 589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 300 032</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 August 31, 2018

		807	811	812	817
DATA		ROWELL	PETERSON	MISCELLANEOUS	HAND
CONTROL		SCHOLARSHIP	SCHOLARSHIP	SCHOLARSHIP	SCHOLARSHIP
CODES		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	ASSETS				
1110	Cash and cash equivalents	\$ 640	\$ 7	\$ 27	\$ 19 193
1000	TOTAL ASSETS	<u>\$ 640</u>	<u>\$ 7</u>	<u>\$ 27</u>	<u>\$ 19 193</u>
	LIABILITIES				
2000	TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -
	NET POSITION				
3800	Held in trust	<u>640</u>	<u>7</u>	<u>27</u>	<u>19 193</u>
3000	TOTAL NET POSITION	<u>\$ 640</u>	<u>\$ 7</u>	<u>\$ 27</u>	<u>\$ 19 193</u>

See independent auditors' report.

EXHIBIT H-3

836	837	TOTAL PRIVATE- PURPOSE TRUST FUNDS (SEE EXHIBIT E-1)
<u>PLUNKETT SCHOLARSHIP</u>	<u>WALLACE SCHOLARSHIP</u>	
\$ 99 351	\$ 8 162	\$ 127 380
<u>\$ 99 351</u>	<u>\$ 8 162</u>	<u>\$ 127 380</u>
\$ -	\$ -	\$ -
99 351	8 162	127 380
<u>\$ 99 351</u>	<u>\$ 8 162</u>	<u>\$ 127 380</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 August 31, 2018

	807	811	812	817
	<u>ROWELL SCHOLARSHIP</u>	<u>PETERSON SCHOLARSHIP</u>	<u>MISCELLANEOUS SCHOLARSHIP</u>	<u>HAND SCHOLARSHIP</u>
Additions:				
Investment income	\$ 3	\$ -	\$ 8	\$ 1 241
TOTAL ADDITIONS	<u>3</u>	<u>-</u>	<u>8</u>	<u>1 241</u>
Deductions:				
Scholarship awards	<u>-</u>	<u>-</u>	<u>1 800</u>	<u>1 000</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>-</u>	<u>1 800</u>	<u>1 000</u>
CHANGE IN NET POSITION	3	-	(1 792)	241
Net position - Beginning of year	<u>637</u>	<u>7</u>	<u>1 819</u>	<u>18 952</u>
NET POSITION - END OF YEAR	<u>\$ 640</u>	<u>\$ 7</u>	<u>\$ 27</u>	<u>\$ 19 193</u>

See independent auditors' report.

EXHIBIT H-4

836	837	TOTAL PRIVATE- PURPOSE TRUST FUNDS (SEE EXHIBIT E-1)
<u>PLUNKETT SCHOLARSHIP</u>	<u>WALLACE SCHOLARSHIP</u>	
\$ <u>1 265</u>	\$ <u>120</u>	\$ <u>2 637</u>
<u>1 265</u>	<u>120</u>	<u>2 637</u>
<u>500</u>	<u>2 500</u>	<u>5 800</u>
<u>500</u>	<u>2 500</u>	<u>5 800</u>
765	(2 380)	(3 163)
<u>98 586</u>	<u>10 542</u>	<u>130 543</u>
\$ <u>99 351</u>	\$ <u>8 162</u>	\$ <u>127 380</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 Year Ended August 31, 2018

EXHIBIT H-5

STUDENT ACTIVITIES	97 BALANCE AUGUST 31, 2017	5030 ADDITIONS	6050 DEDUCTIONS	98 BALANCE SEPTEMBER 1 2018
ASSETS				
Cash and temporary investments	\$ 232 154	\$ 247 049	\$ (245 954)	\$ 233 249
TOTAL ASSETS	\$ 232 154	\$ 247 049	\$ (245 954)	\$ 233 249
LIABILITIES				
Accounts payable/other current liabilities	\$ -	\$ 23 444	\$ -	\$ 23 444
Due to student groups	232 154	233 605	(245 954)	209 805
TOTAL LIABILITIES	\$ 232 154	\$ 247 049	\$ (245 954)	\$ 233 249

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

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

HENDERSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 For the Year Ended August 31, 2018

YEAR ENDED AUGUST 31,	1 MAINTENANCE	2 DEBT SERVICE	3 ASSESSED/ APPRAISED VALUE FOR SCHOOL TAX PURPOSES
2009 and prior years	\$ Various	\$ Various	\$ Various
2010	\$ 1.04	\$.14	\$ 1 944 153 813
2011	\$ 1.04	\$.14	\$ 1 799 800 085
2012	\$ 1.04	\$.14	\$ 1 650 295 169
2013	\$ 1.04	\$.14	\$ 1 605 424 576
2014	\$ 1.04	\$.14	\$ 1 612 375 276
2015	\$ 1.04	\$.23	\$ 1 687 072 126
2016	\$ 1.04	\$.23	\$ 1 666 343 793
2017	\$ 1.04	\$.23	\$ 1 476 325 827
2018 (School year under audit)	\$ 1.04	\$.23	\$ 1 418 048 595
1000 TOTALS			

See independent auditors' report.

EXHIBIT J-1

10	20	31	32	40	50
BEGINNING BALANCE 08/31/17	CURRENT YEAR'S TOTAL LEVY	MAINTENANCE COLLECTIONS	DEBT SERVICE COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 09/01/18
\$ 439 620	\$ -	\$ 27 361	\$ 1 716	\$ 2 689	\$ 413 232
80 543	-	7 840	930	3 253	75 026
80 822	-	9 540	1 324	4 420	74 378
79 387	-	13 263	1 821	6 793	71 096
166 163	-	14 167	1 907	6 869	156 958
213 415	-	38 043	8 649	20 482	187 205
205 439	-	41 310	9 078	20 399	175 450
294 303	-	62 561	14 011	25 334	243 065
397 438	-	147 914	33 947	40 488	256 065
-	18 126 178	14 512 402	3 325 529	67 383	355 630
<u>\$ 1 957 130</u>	<u>\$ 18 126 178</u>	<u>\$ 14 874 401</u>	<u>\$ 3 398 912</u>	<u>\$ 198 110</u>	<u>\$ 2 008 105</u>

HENDERSON INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2018

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 532 000	\$ 567 000	\$ 492 206	\$ (74 794)
5800	State program revenues	32 800	32 800	37 546	4 746
5900	Federal program revenues	1 591 000	1 656 000	1 717 124	61 124
5020	TOTAL REVENUES	<u>2 155 800</u>	<u>2 255 800</u>	<u>2 246 876</u>	<u>(6 924)</u>
	Expenditures:				
	Current:				
0035	Food services	<u>2 155 800</u>	<u>2 255 800</u>	<u>2 135 645</u>	<u>120 155</u>
6030	TOTAL EXPENDITURES	<u>2 155 800</u>	<u>2 255 800</u>	<u>2 135 645</u>	<u>120 155</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	111 231	111 231
0100	Fund Balance - Beginning	<u>1 045 212</u>	<u>1 045 212</u>	<u>1 045 212</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 1 045 212</u>	<u>\$ 1 045 212</u>	<u>\$ 1 156 443</u>	<u>\$ 111 231</u>

See independent auditors' report.

HENDERSON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2018

EXHIBIT J-3

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 3 362 976	\$ 3 362 976	\$ 3 449 996	\$ 87 020
5800	State program revenues	<u>97 196</u>	<u>97 196</u>	<u>100 638</u>	<u>3 442</u>
5020	TOTAL REVENUES	<u>3 460 172</u>	<u>3 460 172</u>	<u>3 550 634</u>	<u>90 462</u>
	Expenditures:				
0071	Principal on long-term debt	1 521 457	1 521 457	1 521 457	-
0072	Interest on long-term debt	1 933 915	1 933 915	1 933 266	649
0073	Bond issuance costs and fees	<u>4 800</u>	<u>4 800</u>	<u>3 900</u>	<u>900</u>
6030	TOTAL EXPENDITURES	<u>3 460 172</u>	<u>3 460 172</u>	<u>3 458 623</u>	<u>1 549</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	92 011	92 011
0100	Fund Balance - Beginning	<u>3 391 362</u>	<u>3 391 362</u>	<u>3 391 362</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 3 391 362</u>	<u>\$ 3 391 362</u>	<u>\$ 3 483 373</u>	<u>\$ 92 011</u>

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Henderson Independent School District

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henderson Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Henderson Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lufkin, Texas
January 15, 2019


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Henderson Independent School District

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Henderson Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Henderson Independent School District's major federal programs for the year ended August 31, 2018. Henderson Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Henderson Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Lufkin, Texas
January 15, 2019


CERTIFIED PUBLIC ACCOUNTANTS

HENDERSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Uniform Guidance? Yes No

Identification of major programs:

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM OR CLUSTER
84.010	Title I Program

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

HENDERSON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2018

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
There were no prior audit findings.		

HENDERSON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2018

Not applicable for the year ended August 31, 2018.

HENDERSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

EXHIBIT K-1

(1)	(2)	(2A) PASS- THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER		
U.S. Department of Education:			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	18610101201902	\$ 801 111
IDEA-B Formula *	84.027	186600012019026600	694 277
Career and Technical - Basic Grant	84.048	18420006201902	27 916
IDEA-B Preschool *	84.173	186610012019026610	25 273
Title III Part A English Language Acquisition and Language Enhancement	84.365	1867100201902	43 596
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18694501201902	109 255
Summer School LEP	84.369	69551702	2 374
Title IV, Part B - Rural Schools	84.358	201-902	17 812
TOTAL PASSED THROUGH STATE DEPARTMENT OF EDUCATION			<u>1 721 614</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1 721 614</u>
U.S. Department of Agriculture:			
Passed Through State Department of Agriculture:			
School Breakfast Program *	10.553	201-902	417 634
National School Lunch Program *	10.555	201-902	1 127 321
National School Lunch Program (Non-cash)	10.555	201-902	172 169
TOTAL PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE			<u>1 717 124</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1 717 124</u>
Texas Health and Human Services Commission:			
Passed Through State Department of Education:			
Medicaid Administration Claiming Program *	93.778	201-902	6 479
TOTAL PASSED THROUGH STATE DEPARTMENT OF EDUCATION			<u>6 479</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3 445 217</u>
RECONCILIATION TO EXHIBIT C-2:			
Total Expenditure of Federal Awards			\$ 3 445 217
Other Federal Programs:			
School Health and Related Services			<u>743 915</u>
TOTAL FEDERAL REVENUE FOR EXHIBIT C-2			<u>\$ 4 189 132</u>

* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

HENDERSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Henderson Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Special Revenue Funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue Funds is the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balances. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when matured and certain compensated absences, pension liabilities, other postemployment benefits, and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financing resources. Federal grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenues until earned.

3. Availability of Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date.

4. Indirect Cost

The District does not use indirect cost in federal programs.

5. School Health and Related Services (SHARS)

The District received \$743,915 of SHARS revenue during the year. This revenue is recorded in the General Fund. The revenue is not considered federal financial assistance for purposes of the Schedule of Expenditures of Federal Awards.

HENDERSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2018

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of hardships?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 863 341
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4 991 279
SF13	Pension Expense (6147) at fiscal year-end.	\$ -