

HAMLIN
INDEPENDENT SCHOOL DISTRICT
JONES COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

**HAMLIN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

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CERTIFICATE OF BOARD

**Hamlin Independent
School District**

Name of School District

Jones

County

127903

County – District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended **August 31, 2018**, at a meeting of the Board of Trustees of such school district on the **13th** day of **December , 2018**.

Signature of Board President

Signature of Board Secretary

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

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

December 13, 2018

Unmodified Report on Financial Statements Accompanied by Required Supplementary Information,
Supplementary Information, and Other Information

Independent Auditor's Report

To the Board of Trustees
Hamlin Independent School District
Hamlin, Texas 79520

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 Hamlin 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 from material misstatement.

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

James E. Rodgers and Company, P.C.

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 Hamlin Independent School District, as of August 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB 75 for its other post-employment benefit plan (OPEB), a multiple-employer, cost-sharing, health insurance plan for retirees that has a special funding situation. Because GASB 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's OPEB liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB reporting schedules, and budgetary comparison information 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 Hamlin Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3 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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the Hamlin 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 Hamlin Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



James E. Rodgers and Company, P.C.



MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Hamlin Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Highlights of Current Fiscal Year Finances

District's Total Net Position at the End of the Year	\$	2,442,129
Total District Revenues for the Current Fiscal Year		4,906,893
Total District Expenses for the Current Fiscal Year		3,585,460
Fund Balance in the General Fund at the End of Year		2,569,872

Changes in the District's Finances from the Previous Fiscal Year

	Increase (Decrease)	
	\$	%
<u>Change in Net Position:</u>		
Change in the District's Total Net Position	\$ (1,074,721)	-30.56%
<u>Revenue Changes:</u>		
Change in the District's Total Revenues	\$ (45,337)	-0.92%
Change in the District's Property Tax Revenues	(61,273)	-3.54%
Change in the District's State Aid Formula Grants	295,660	12.59%
Change in Operating Grants and Contributions	(48,717)	-7.55%
<u>Expense Changes:</u>		
Change in the District's Total Expenses	\$ (1,424,776)	-28.44%
<u>Other Information:</u>		
Change in the District's General Fund Balance	\$ 650,575	33.90%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	547,650	5.82%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported a *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to 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 such as uncollected property tax and earned but unused sick and vacation leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees & charges (*governmental activities*). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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 three categories: governmental funds, proprietary 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 a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*. The District maintains numerous individual governmental funds. 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 and Debt Service Funds as they are considered major funds. Data from the other 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.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Child Nutrition and Debt Service Funds and are included in the other supplementary information section of this report.

Proprietary funds. The District maintains an *internal service fund* as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses this internal service fund to account for its workers compensation self-insurance. Internal service funds are generally considered a *governmental activity* and are included in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District maintains student activity accounts and scholarship funds as fiduciary funds.

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.

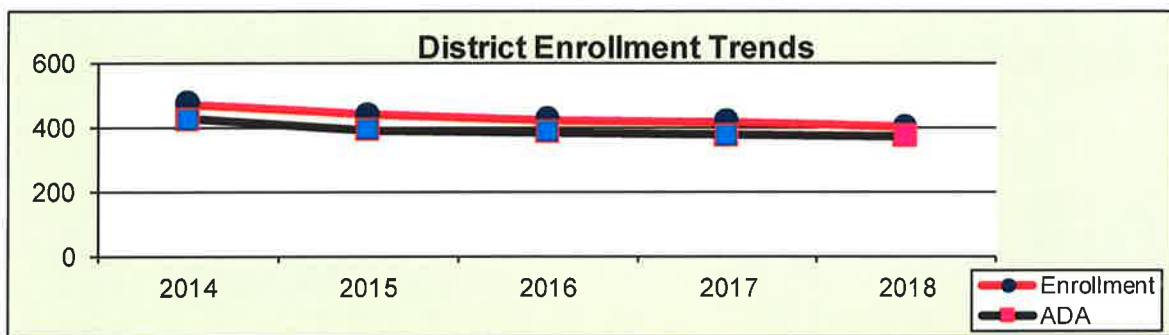
Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District’s contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas

DISTRICT FINANCES

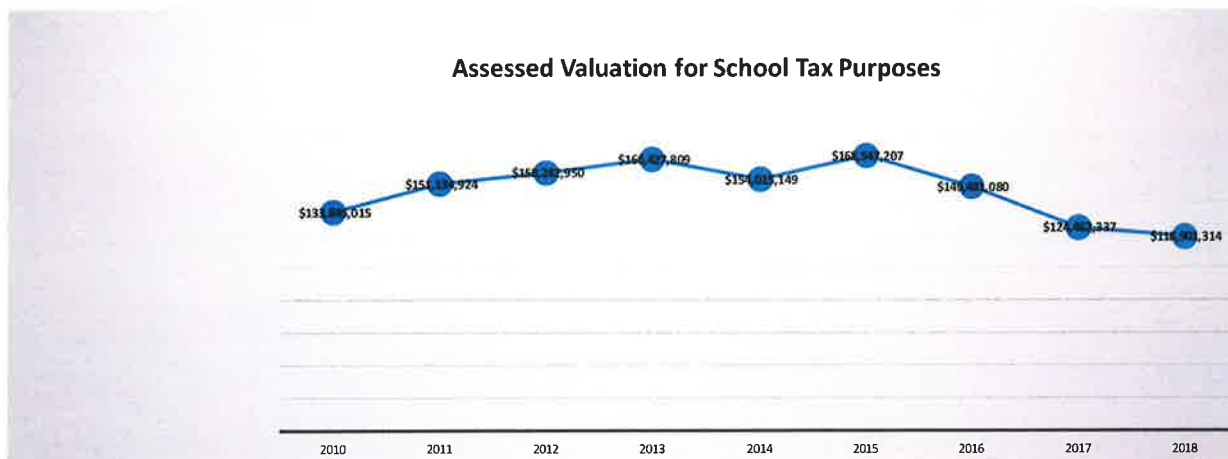
District’s activities are primarily funded from local property tax revenues and education funding from the State of Texas. State funding for public education in Texas is based upon the District’s average daily attendance, thus the District’s revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special education, bilingual, and compensatory education programs. The demographics of the District and the types of coursework students pursue are constantly changing and thus affecting funding. The following chart details the enrollment trends of the District.

ENROLLMENT TRENDS

Year	Enrollment	ADA
2014	469	423
2015	435	389
2016	420	384
2017	413	374
2018	397	369



A history of the District’s assessed valuation for school tax purposes is as follows:



Both student enrollment and the local property tax base are important attributes affecting District's finances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table indicates the net position of the District at the end of the current and prior fiscal years.

Table I - Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 2,557,054	\$ 3,267,839	\$ -	\$ -	\$ 2,557,054	\$ 3,267,839
Capital assets	5,860,762	5,700,741	-	-	5,860,762	5,700,741
Deferred Outflow of Resources	542,268	465,169	-	-	542,268	465,169
Total assets and deferred outflows	\$ 8,960,084	\$ 9,433,749	\$ -	\$ -	\$ 8,960,084	\$ 9,433,749
Long-term liabilities	\$ 4,428,779	\$ 4,086,136	\$ -	\$ -	\$ 4,428,779	\$ 4,086,136
Other liabilities	150,913	212,121	-	-	150,913	212,121
Net pension liability	783,576	619,489	-	-	783,576	619,489
Net OPEB liability	-	1,346,323	-	-	-	1,346,323
Deferred Inflow of Resources	79,966	727,551	-	-	79,966	727,551
Total liabilities / deferred inflows	\$ 5,443,234	\$ 6,991,620	\$ -	\$ -	\$ 5,443,234	\$ 6,991,620
Net Position:						
Net Investment in capital assets	\$ 1,680,738	\$ 1,834,070	\$ -	\$ -	\$ 1,680,738	\$ 1,834,070
Restricted	220,258	169,069	-	-	220,258	169,069
Unrestricted	1,615,854	438,990	-	-	1,615,854	438,990
Total net position	\$ 3,516,850	\$ 2,442,129	\$ -	\$ -	\$ 3,516,850	\$ 2,442,129

The following table indicates the changes in net position of the District during the current and prior fiscal years.

Table II - Change in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	\$ 46,444	\$ 61,138	\$ -	\$ -	\$ 46,444	\$ 61,138
Operating grants & contributions	645,380	596,663	-	-	645,380	596,663
Effect of GASB 75 Negative Accrual	-	(580,261)	-	-	-	(580,261)
General Revenues:						
Maintenance & operations taxes	1,448,801	1,395,486	-	-	1,448,801	1,395,486
Debt service taxes	280,654	272,696	-	-	280,654	272,696
State aid - formula grants	2,349,152	2,644,812	-	-	2,349,152	2,644,812
Grants and contributions not restricted	19,999	44,462	-	-	19,999	44,462
Investment earnings	7,367	8,655	-	-	7,367	8,655
Miscellaneous	154,433	463,242	-	-	154,433	463,242
Total Revenues	\$ 4,952,230	\$ 4,906,893	\$ -	\$ -	\$ 4,952,230	\$ 4,906,893
Expenses						
Instruction, curriculum, & media services	\$ 2,307,491	\$ 1,377,050	\$ -	\$ -	\$ 2,307,491	\$ 1,377,050
Instructional & school leadership	290,280	192,990	-	-	290,280	192,990
Student support services	260,781	166,109	-	-	260,781	166,109
Food services	238,858	124,161	-	-	238,858	124,161
Extracurricular activities	313,305	280,995	-	-	313,305	280,995
General administration & data processing	460,769	277,403	-	-	460,769	277,403
Plant maintenance & security	851,503	878,432	-	-	851,503	878,432
Interest/fees on long term debt	138,638	135,821	-	-	138,638	135,821
Other intergovernmental & business	148,611	152,499	-	-	148,611	152,499
Total Expenses	\$ 5,010,236	\$ 3,585,460	\$ -	\$ -	\$ 5,010,236	\$ 3,585,460
Increase in net position	\$ (58,006)	\$ 1,321,433	\$ -	\$ -	\$ (58,006)	\$ 1,321,433
Transfers	-	-	-	-	-	-
Prior period adjustment-TRS Care OPEB	-	(2,396,154)	-	-	-	(2,396,154)
Net position at 9/1	3,574,856	3,516,850	-	-	3,574,856	3,516,850
Total Net Position	\$ 3,516,850	\$ 2,442,129	\$ -	\$ -	\$ 3,516,850	\$ 2,442,129

Analysis of Change in Net Position for Governmental Activities:

Excess of Revenues Over Expenditures for Governmental Funds	\$ 641,131
Change in Net Position of the Internal Service Fund for Governmental Activities	(8,070)
Current Year Purchases of Capital Assets	140,694
Current Year Debt Principal Payments	304,718
Depreciation	(300,715)
Other Modified to Full Accrual Revenue Adjustments	63,194
Net adjustment to pension expense per GASB 68	987
Net adjustment for OPEB plan required by GASB 75	479,494
Change in Net Position of Governmental Activities	<u>\$ 1,321,433</u>

THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements				
	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues	\$ 4,679,156	\$ 526,258	\$ 274,753	\$ 5,480,167
Expenditures	(3,984,791)	(523,660)	(330,585)	(4,839,036)
Other Financing Sources	-	43,790	-	43,790
Other Financing Uses	(43,790)	-	-	(43,790)
Net Change in Fund Balance	\$ 650,575	\$ 46,388	\$ (55,832)	\$ 641,131
Beginning Fund Balance	1,919,297	-	173,153	2,092,450
Prior Period Adjustment	-	(35,385)	-	(35,385)
Ending Fund Balance				
All Governmental Funds	\$ 2,569,872	\$ 11,003	\$ 117,321	\$ 2,698,196

The District modified its budget several times during the year resulting in a net increase in budgeted expenditures between the original and final budget in the District's General Fund as detailed in Exhibit G-1.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

This year's major additions and the net change in total capital assets are as follows:

Middle School Gym Floor	\$	10,650
High School Parking Lot		59,040
2016 Bluebird 53 Passenger Bus		64,850
2018 John Deere Gator TS		6,154
Total Capital Asset Additions	\$	140,694
Total Additions to Capital Assets	\$	140,694
Total Capital Asset Retirements		178,727
Net Change in Capital Assets	\$	(38,033)

The District's next fiscal year capital budget calls for no significant capital outlay in the General Fund.

Debt

The District's long-term debt as of the end of the current fiscal year is as follows:

	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding End of Current Fiscal Year	Next Year's Total Principal and Interest Requirement
2015 Tax Refunding Bonds	3.00-4.00%	\$ 3,765,000	\$ 131,785	\$ 3,550,000	\$ 330,775
Vista Note Payable	4.00%	334,443	7,051	84,605	87,989
2016 Girardin 14 Passenger Bus	2.68%	61,575	-	19,530	6,862
2016 Bluebird 28 Passenger Bus	2.60%	110,680	2,458	79,067	17,215
2017 Bluebird 71 Passenger Bus	2.60%	91,665	2,020	65,695	14,155
Totals End of Year		\$ 4,363,363	\$ 143,314	\$ 3,798,897	\$ 456,996

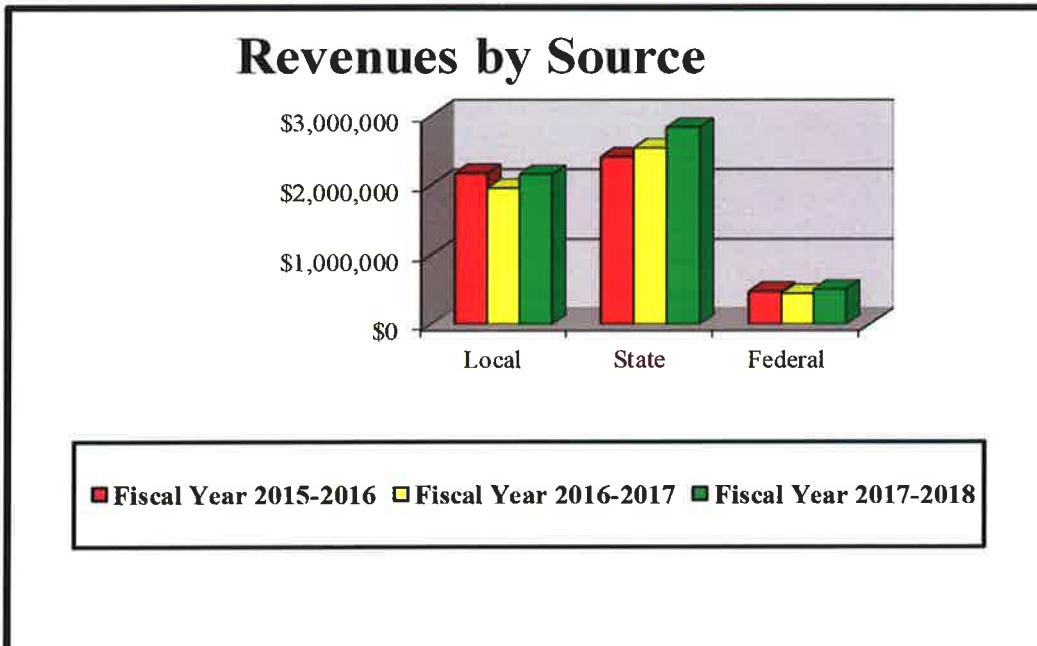
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the next fiscal year budget and tax rates. Those factors included consideration of the values of the property tax base and the expected student population. These indicators were implicit in the expected revenue and expenditures when adopting the budget for next year. A summary of the subsequent fiscal year budget for funds legally required to be budgeted is as follows:

Fiscal Year 2018 - 2019 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 4,265,692	\$ 229,179	\$ 297,750	\$ 4,792,621
Expenditures	(4,234,900)	(227,094)	(330,775)	(4,792,769)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ 30,792	\$ 2,085	\$ (33,025)	\$ (148)
Beginning of Year Fund Balance	2,569,872	6,530	117,321	2,693,723
Projected End of Year Fund Balance	\$ 2,600,664	\$ 8,615	\$ 84,296	\$ 2,693,575

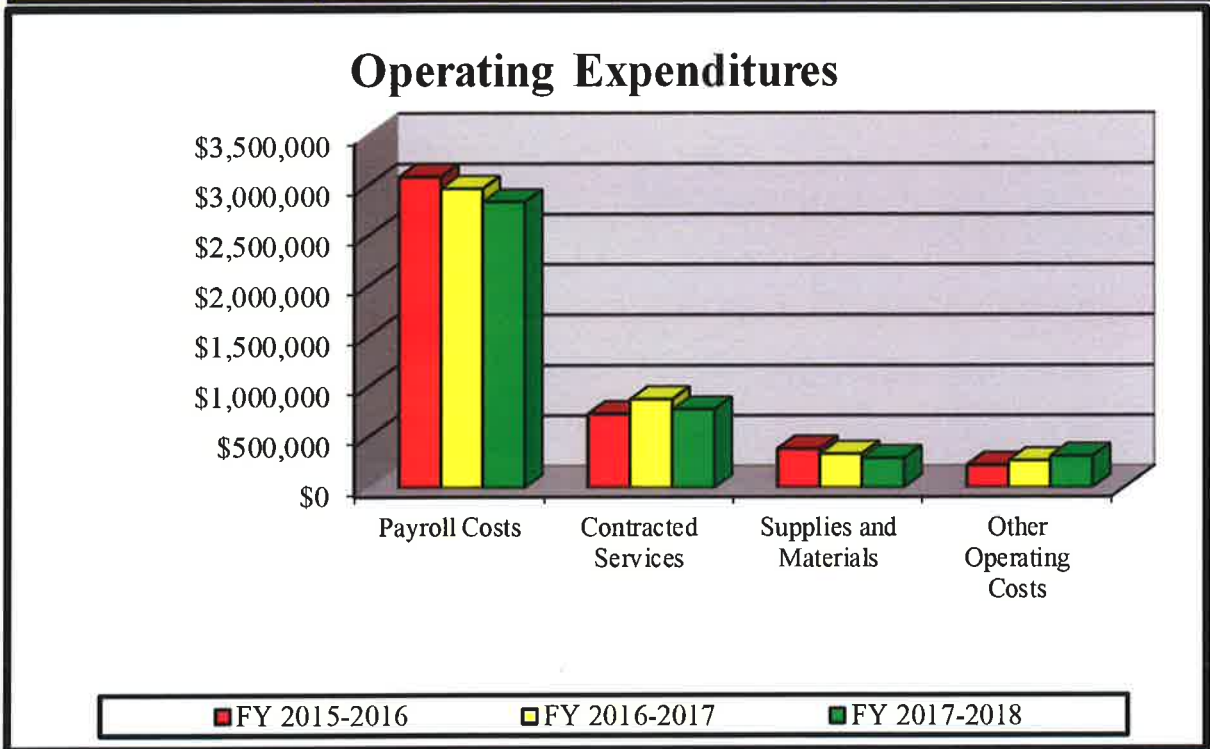
The following graph indicates the District's revenues by source for the last three years.

HAMLIN INDEPENDENT SCHOOL DISTRICT			
REVENUES BY SOURCE			
	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018
ADA	384,449	374,384	369,438
Local	\$2,169,101	\$1,954,395	\$2,149,316
State	2,402,325	2,531,484	2,828,130
Federal	472,727	441,763	502,721
Total	\$5,044,153	\$4,927,642	\$5,480,167



The following graph indicates the operating expenditures for the District for the last three years.

HAMLIN INDEPENDENT SCHOOL DISTRICT			
Expenditures By Type Excluding Capital Outlay and Debt Service			
	FY 2015-2016	FY 2016-2017	FY 2017-2018
Total Staff	70.15	67.71	60.35
Payroll Costs	\$3,086,138	\$2,967,828	\$2,837,024
Contracted Services	732,908	878,281	776,613
Supplies and Materials	386,099	334,662	290,282
Other Operating Costs	221,471	265,916	310,465
Total	\$4,426,686	\$4,446,687	\$4,214,383



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students and parents, citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at **Hamlin Independent School District, 450 SW Avenue F, Hamlin, Texas 79520; (325) 576-3624** or visit us at our website at <http://www.Hamlin.org>.

BASIC FINANCIAL STATEMENTS

HAMLIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,027,293
1120 Current Investments	500,000
1220 Property Taxes Receivable (Delinquent)	476,696
1230 Allowance for Uncollectible Taxes	(119,174)
1240 Due from Other Governments	383,024
Capital Assets:	
1510 Land	65,293
1520 Buildings, Net	5,303,000
1530 Furniture and Equipment, Net	104,009
1550 Leased Property Under Capital Leases, Net	228,439
1000 Total Assets	8,968,580
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	209,025
1705 Deferred Outflow Related to TRS Pension	227,926
1706 Deferred Outflow Related to TRS OPEB	28,218
1700 Total Deferred Outflows of Resources	465,169
LIABILITIES	
2110 Accounts Payable	37,703
2160 Accrued Wages Payable	159,290
2177 Due to Fiduciary Funds	100
2200 Accrued Expenses	15,028
Noncurrent Liabilities:	
2501 Due Within One Year	334,145
2502 Due in More Than One Year	3,751,991
2540 Net Pension Liability (District's Share)	619,489
2545 Net OPEB Liability (District's Share)	1,346,323
2000 Total Liabilities	6,264,069
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	164,381
2606 Deferred Inflow Related to TRS OPEB	563,170
2600 Total Deferred Inflows of Resources	727,551
NET POSITION	
3200 Net Investment in Capital Assets	1,834,070
3820 Restricted for Federal and State Programs	6,530
3850 Restricted for Debt Service	162,539
3900 Unrestricted	438,990
3000 Total Net Position	\$ 2,442,129

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,363,570	\$ -	\$ 50,855	\$ (1,312,715)
12 Instructional Resources and Media Services	9,803	-	(1,857)	(11,660)
13 Curriculum and Staff Development	3,677	-	(90)	(3,767)
21 Instructional Leadership	41,427	-	(7,049)	(48,476)
23 School Leadership	151,563	-	(42,996)	(194,559)
31 Guidance, Counseling and Evaluation Services	77,270	-	(26,556)	(103,826)
33 Health Services	18,483	-	(4,857)	(23,340)
34 Student (Pupil) Transportation	70,356	-	(1,798)	(72,154)
35 Food Services	124,161	3,913	139,043	18,795
36 Extracurricular Activities	280,995	57,225	(27,214)	(250,984)
41 General Administration	139,019	-	(8,761)	(147,780)
51 Facilities Maintenance and Operations	878,432	-	(31,458)	(909,890)
53 Data Processing Services	138,384	-	(20,860)	(159,244)
72 Debt Service - Interest on Long Term Debt	132,021	-	-	(132,021)
73 Debt Service - Bond Issuance Cost and Fees	3,800	-	-	(3,800)
93 Payments related to Shared Services Arrangements	118,369	-	-	(118,369)
99 Other Intergovernmental Charges	34,130	-	-	(34,130)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 3,585,460	\$ 61,138	\$ 16,402	(3,507,920)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		1,395,486
DT	Property Taxes, Levied for Debt Service		272,696
SF	State Aid - Formula Grants		2,644,812
GC	Grants and Contributions not Restricted		44,462
IE	Investment Earnings		8,655
MI	Miscellaneous Local and Intermediate Revenue		2,167
S1	Insurance Recovery - Building Hail Damage		461,075
TR	Total General Revenues and Special Items		4,829,353
CN	Change in Net Position		1,321,433
NB	Net Position - Beginning		3,516,850
PA	Prior Period Adjustment - GASB 75 OPEB Reporting		(2,396,154)
NE	Net Position--Ending		\$ 2,442,129

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,878,572	\$ 116,103	\$ 27,088	\$ 2,021,763
1120 Investments - Current	500,000	-	-	500,000
1220 Property Taxes - Delinquent	402,485	74,211	-	476,696
1230 Allowance for Uncollectible Taxes (Credit)	(100,621)	(18,553)	-	(119,174)
1240 Receivables from Other Governments	342,419	1,218	39,387	383,024
1260 Due from Other Funds	21,379	-	-	21,379
1000 Total Assets	<u>\$ 3,044,234</u>	<u>\$ 172,979</u>	<u>\$ 66,475</u>	<u>\$ 3,283,688</u>
LIABILITIES				
2110 Accounts Payable	\$ 28,390	\$ -	\$ 9,300	\$ 37,690
2160 Accrued Wages Payable	136,517	-	22,773	159,290
2170 Due to Other Funds	5,055	-	21,379	26,434
2200 Accrued Expenditures	2,536	-	2,020	4,556
2000 Total Liabilities	<u>172,498</u>	<u>-</u>	<u>55,472</u>	<u>227,970</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	301,864	55,658	-	357,522
2600 Total Deferred Inflows of Resources	<u>301,864</u>	<u>55,658</u>	<u>-</u>	<u>357,522</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	6,530	6,530
3480 Retirement of Long-Term Debt	-	117,321	-	117,321
Committed Fund Balance:				
3510 Construction	900,000	-	-	900,000
3600 Unassigned Fund Balance	1,669,872	-	4,473	1,674,345
3000 Total Fund Balances	<u>2,569,872</u>	<u>117,321</u>	<u>11,003</u>	<u>2,698,196</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,044,234</u>	<u>\$ 172,979</u>	<u>\$ 66,475</u>	<u>\$ 3,283,688</u>

The notes to the financial statements are an integral part of this statement.

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,698,196
1 The District uses internal service funds to charge the costs of certain activities, such as workers compensation self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets less the accumulated depreciation (net book value) is included in net position. In addition, long-term liabilities are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase government-wide net position.		1,667,640
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		445,412
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68, a Deferred Resource Inflow related to TRS, and a Deferred Resource Outflow related to TRS. This amounted to a decrease in Net Position.		(555,944)
5 The District implemented GASB 75 reporting requirements for the OPEB plan through TRS-Care. Since this is the first year of implementation, a prior period adjustment had to be reported. The District's share of the TRS-Care plan resulted in a net OPEB liability, a deferred outflow related to TRS OPEB, and a deferred inflow related to TRS OPEB. This resulted in a difference between the ending fund balance and the ending net position.		(1,881,275)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(300,715)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of issuing long-term debt as an increase in long-term liabilities, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		368,815
19 Net Position of Governmental Activities	\$	2,442,129

The notes to the financial statements are an integral part of this statement.

HAMLIN 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	Other Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,851,500	\$ 264,628	\$ 33,188	\$ 2,149,316
5800	State Program Revenues	2,797,011	10,125	20,994	2,828,130
5900	Federal Program Revenues	30,645	-	472,076	502,721
5020	Total Revenues	4,679,156	274,753	526,258	5,480,167
EXPENDITURES:					
Current:					
0011	Instruction	1,557,080	-	341,437	1,898,517
0012	Instructional Resources and Media Services	12,900	-	-	12,900
0013	Curriculum and Instructional Staff Development	3,831	-	-	3,831
0021	Instructional Leadership	51,784	-	-	51,784
0023	School Leadership	229,914	-	-	229,914
0031	Guidance, Counseling and Evaluation Services	122,839	-	-	122,839
0033	Health Services	26,628	-	-	26,628
0034	Student (Pupil) Transportation	116,489	-	-	116,489
0035	Food Services	3,923	-	149,016	152,939
0036	Extracurricular Activities	290,933	-	33,207	324,140
0041	General Administration	239,552	-	-	239,552
0051	Facilities Maintenance and Operations	777,820	-	-	777,820
0053	Data Processing Services	175,535	-	-	175,535
Debt Service:					
0071	Principal on Long Term Debt	109,718	195,000	-	304,718
0072	Interest on Long Term Debt	11,529	131,785	-	143,314
0073	Bond Issuance Cost and Fees	-	3,800	-	3,800
Capital Outlay:					
0081	Facilities Acquisition and Construction	101,817	-	-	101,817
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	118,369	-	-	118,369
0099	Other Intergovernmental Charges	34,130	-	-	34,130
6030	Total Expenditures	3,984,791	330,585	523,660	4,839,036
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	694,365	(55,832)	2,598	641,131
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	43,790	43,790
8911	Transfers Out (Use)	(43,790)	-	-	(43,790)
7080	Total Other Financing Sources (Uses)	(43,790)	-	43,790	-
1200	Net Change in Fund Balances	650,575	(55,832)	46,388	641,131
0100	Fund Balance - September 1 (Beginning)	1,919,297	173,153	-	2,092,450
1300	Prior Period Adjustment	-	-	(35,385)	(35,385)
3000	Fund Balance - August 31 (Ending)	\$ 2,569,872	\$ 117,321	\$ 11,003	\$ 2,698,196

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	641,131
The District uses internal service funds to charge the costs of certain activities, such as workers compensation self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(8,070)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current fiscal year capital outlays and debt principal payments is to decrease net position.		445,412
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(300,715)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of long-term debt issued, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		63,194
Current year changes due to GASB 68 increased revenues, but also increased expenditures. The net effect on the change in the ending net position was a decrease in the change in net position.		987
GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease the change in net position. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position. The net result is an increase in the change in net position.		479,494
Change in Net Position of Governmental Activities	\$	1,321,433

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,530
Due from Other Funds	4,955
Total Assets	<u>10,485</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	13
Accrued Expenses	10,472
Total Liabilities	<u>10,485</u>
NET POSITION	
Unrestricted Net Position	<u>-</u>
Total Net Position	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 4,845
Total Operating Revenues	4,845
OPERATING EXPENSES:	
Professional and Contracted Services	12,920
Total Operating Expenses	12,920
Operating Income (Loss)	(8,075)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	5
Total Nonoperating Revenues (Expenses)	5
Change in Net Position	(8,070)
Total Net Position - September 1 (Beginning)	8,070
Total Net Position - August 31 (Ending)	\$ -

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ (2,197)
Cash Payments for Other Operating Expenses	(10,122)
Net Cash Used for Operating Activities	(12,319)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	5
Net Decrease in Cash and Cash Equivalents	(12,314)
Cash and Cash Equivalents at Beginning of Year	17,844
Cash and Cash Equivalents at End of Year	\$ 5,530
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (8,075)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(4,846)
Increase (decrease) in Accounts Payable	13
Increase (decrease) in	589
Net Cash Used for Operating Activities	\$ (12,319)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 5,530
Pooled Cash and Cash Equivalents on Balance Sheet	-
Total Cash and Cash Equivalents	\$ 5,530

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 45,494	\$ 43,402
Investments - Current	14,474	-
Due from Other Funds	100	-
Total Assets	<u>60,068</u>	<u>\$ 43,402</u>
LIABILITIES		
Due to Student Groups	-	\$ 43,402
Total Liabilities	<u>-</u>	<u>\$ 43,402</u>
NET POSITION		
Restricted for Other Purposes	<u>60,068</u>	
Total Net Position	<u>\$ 60,068</u>	

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 80
Total Additions	<u>80</u>
Change in Net Position	80
Total Net Position - September 1 (Beginning)	<u>59,988</u>
Total Net Position - August 31 (Ending)	<u>\$ 60,068</u>

The notes to the financial statements are an integral part of this statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamlin Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District applies current GASB criteria to potential component units and other related entities in evaluating the potential inclusion in the reporting entity. The criteria for inclusion in the reporting entity involves whether the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the District such that exclusion of such information would cause the District's financial statements to be incomplete. For the current fiscal year, the reporting entity of the District does not include any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the **Hamlin Independent School District** non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as Inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and report their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Fund – The District did maintain a major debt service governmental fund for the current year.

The District does not report any major enterprise funds.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund when applicable.

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. The District does not maintain capital projects funds.

Proprietary Funds:

Enterprise Funds – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District does not maintain enterprise funds.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation) are accounted for in an internal service fund when applicable.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds including funds used to account for student activities.

Transactions between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds". While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in any business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end. No material inventories existed at the end of the fiscal year.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year the related debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and Improvements	15 - 40
Vehicles	5 - 20
Furniture and Equipment	5 - 20

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The District participates in a self-funded workers' compensation program and executes an inter-local agreement that define the responsibilities of the parties. The program provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classification

10. Use of Restricted Resources:

When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

11. The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.
12. Investment income reported in one fund has not been assigned directly to another fund by the District.
13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
14. Deferred Outflows of Resources: The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources related to

pension and other post-employment benefits reporting is presented in the government wide statements.

15. **Deferred Inflow of Resources:** The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has various items which occur because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Deferred property taxes and grants are reported in the governmental funds balance sheet. A deferred inflow related to pension and other post-employment benefits reporting is presented on the government wide statements.
16. **Pensions:** The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
17. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the new OPEB liability, deferred outflows of resources and deferred inflows or resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at Beginning of Year	Change in Net Position
Land	\$ 65,293	\$ -	\$ 65,293	
Buildings and Improvements	11,017,436	(5,517,428)	5,500,008	
Furniture and Equipment	1,471,037	(1,410,172)	60,865	
Leased Property Under Capital Leases	263,920	(29,324)	234,596	
Change in Net Position				\$ 5,860,762
Long-term Liabilities at the Beginning of the Year			Payable at Beginning of Year	
Bonds Payable			\$ 3,745,000	
Notes and Capital Leases Payable			167,554	
Unamortized Premium on Bonds			312,067	
Accrued Interest - Bonds, Notes, and Capital Leases			204,158	
Less: Deferred Charge on Refunding			(235,657)	
Change in Net Position				4,193,122
Net Adjustment to Net Position				\$ 1,667,640

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

	Amount	Adjustments To Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay			
Buildings & Improvements	\$ 69,690		
Furniture & Equipment	71,004		
Total Capital Outlay	\$ 140,694	\$ 140,694	\$ 140,694
Debt Principal Payments			
Bond Principal	\$ 195,000		
Note Principal Payments	82,949		
Capital Lease Payments	26,769		
Total Principal Payments	\$ 304,718	304,718	304,718
Total Adjustment to Net Position		\$ 445,412	\$ 445,412

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Adjustments to Revenue, Unearned Revenue, Beginning Net Position:			
Begin Year Unearned Property Tax Revenue	\$ 305,621	\$ -	\$ 305,621
Modified to Full Accrual Property Tax Adjustments	51,901	51,901	51,901
Other Revenue/Expense Adjustments	-	-	-
Reclassify Proceeds of Bonds, Loans & Capital Leases:			
New Bond Issue	-	-	-
Discount (Premium) on Issuance of Bonds	-	-	-
New Loans / Capital Leases Issued	-	-	-
Reclassify Certain Expenditures to Full Accrual			
Adjust Interest Expense on Long-term Debt	2,658	2,658	2,658
Current Year Amortization of Bond Premium	35,267	35,267	35,267
Basis on Disposition of Capital Assets	-	-	-
Amortization of Deferred Charge on Refunding	(26,632)	(26,632)	(26,632)
Totals		\$ 63,194	\$ 368,815

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in the J Exhibits as reported in the required Texas Education Agency Exhibits.

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made in the instruction and transportation function.
- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	End of Year Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 6,530
Non-appropriated Budget Funds	4,473
All Special Revenue Funds	\$ 11,003

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District did not have an excess of expenditures over appropriations for any functions that were material to the financial statements in legally required budgeted funds for the current year.

C. DEFICIT FUND EQUITY

The District did not incur a deficit fund balance in any fund during the current fiscal year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

CASH AND INVESTMENTS - BY ACCOUNT TYPE	End of Fiscal Year
Cash in Bank - Including Money Market Accounts	\$ 2,115,269
Certificates of Deposit	514,474
Cash on Hand	920
Total Cash and Investments	\$ 2,630,663

CASH AND INVESTMENTS - BY FUND	End of Fiscal Year
Cash and Investments - General Fund	\$ 2,378,572
Cash and Investments - Major Governmental	116,103
Cash and Investments - Non-Major Governmental	27,088
Cash and Investments - Internal Service	5,530
Cash and Investments - Agency	43,402
Cash and Investments - Private Purpose Trust	59,968
Total Cash and Investments	\$ 2,630,663

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits at year end and at the date of the highest cash balance were entirely covered by FDIC insurance and/or pledged collateral or bond held by the District's agent bank in the District's name, and therefore, the District was not exposed to custodial credit risk during the current year.

Foreign Currency Risk: Not applicable to the District's cash accounts.

As of the end of the current fiscal year, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit for Cash and Cash Equivalents	Fair Value	%	Maturity in less than 1 year	Maturity in 1 - 10 years	Credit Rating
Cash in Demand Deposit Accounts (FDIC insured)	\$ 463,229	17.61%	\$ 463,229	\$ -	n/a
Money markets & NOW Accounts (FDIC insured)	1,652,040	62.80%	1,652,040	-	n/a
Certificates of Deposit (FDIC Insured)	514,474	19.56%	514,474	-	n/a
Cash in Non-FDIC Insured Accounts	920	0.03%	920	-	n/a
Total Cash and Cash Equivalents	\$2,630,663	100.00%	\$ 2,630,663	\$ -	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to certificates of deposit and money market accounts.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: The District's investments are excluded from the 5% disclosures requirement.

Interest Rate Risk: The District's investments are excluded from the interest rate risk disclosure requirement.

Foreign Currency Risk for Investments: Not applicable to the District's investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of the end of the current fiscal year, the District had no investments subject to the fair value measurement. The District also has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
General Fund		
Non-major Governmental Funds	\$ 21,379	\$ -
Internal Service Funds	-	4,955
All Others	-	100
Total General Fund	\$ 21,379	\$ 5,055
Non-major Governmental Funds		
General Fund	\$ -	\$ 21,379
Total Non-major Governmental Funds	\$ -	\$ 21,379
Internal Service Funds		
General Fund	\$ 4,955	\$ -
Total Internal Service Funds	\$ 4,955	\$ -
All Other Funds		
General Fund	\$ 100	\$ -
Total All Other Funds	\$ 100	\$ -
Total Interfund Receivables / Payables	\$ 26,434	\$ 26,434

The purpose of the interfund receivables and payables are as follows:

- The \$100 amount due from the General Fund to the Lou Ferguson Scholarship Fund represents a donation deposited in the General Fund that is due to the Scholarship Fund.
- The \$4,955 receivable / payable between the General Fund and the Internal Service Fund represents accrued claims liability in excess of available cash in the Internal Service Fund.
- The \$21,379 receivable / payable between the General Fund and nonmajor governmental funds represent short term advances resulting from pooled cash accounts.

Inter-fund transfers for the current year consisted of the following amounts:

FUND	Transfers In	Transfers Out
General Fund		
Non-major Special Revenue Governmental Funds	\$ -	\$ 43,790
Total General Fund	\$ -	\$ 43,790
Non-major Governmental Funds		
General Fund	\$ 43,790	\$ -
Total Non-major Governmental Funds	\$ 43,790	\$ -
Total Interfund Transfers	\$ 43,790	\$ 43,790

The purpose of the inter-fund transfers were as follows:

- \$43,790 was transferred from the General Fund to the Title I Part A Fund resulting from unreimbursed prior year grant costs.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 402,485	\$ 342,419	\$ 21,379	\$ -	\$ 766,283
Other Major Governmental Funds	74,211	1,218	-	-	75,429
Non-major Governmental Funds	-	39,387	-	-	39,387
Internal Service Funds	-	-	4,955	-	4,955
Total Governmental Activities	\$ 476,696	\$ 383,024	\$ 26,334	\$ -	886,054
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

Payables at year end were as follows:

	Accounts Payable	Accrued Wages Payable	Accrued Benefits Payable	Due To Other Funds	Due To Other Govt.	Other	Total Payables
Governmental Activities:							
General Fund	\$ 28,390	\$ 136,517	\$ 2,536	\$ 5,055	\$ -	\$ -	\$ 172,498
Other Major Governmental Funds	-	-	-	-	-	-	-
Non-major Governmental Funds	9,300	22,773	2,020	21,379	-	-	55,472
Internal Service Funds	13	-	-	-	-	10,472	10,485
Total Governmental Type Activities	\$ 37,703	\$ 159,290	\$ 4,556	\$ 26,434	\$ -	\$ 10,472	\$ 238,455
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

Primary Government				
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 65,293	\$ -	\$ -	\$ 65,293
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	11,017,436	69,690	-	11,087,126
Furniture and Equipment	1,471,037	71,004	178,727	1,363,314
Leased Property Under Capital Leases	263,920	-	-	263,920
Totals at Historic Cost	\$ 12,817,686	\$ 140,694	\$ 178,727	\$ 12,779,653
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 5,517,428	\$ 266,698	\$ -	\$ 5,784,126
Furniture and Equipment	1,410,172	27,860	178,727	1,259,305
Leased Property Under Capital Leases	29,324	6,157	-	35,481
Total Accumulated Depreciation	\$ 6,956,924	\$ 300,715	\$ 178,727	\$ 7,078,912
Governmental Activities Capital Assets- Net	\$ 5,860,762	\$ (160,021)	\$ -	\$ 5,700,741

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 128,116
Student (Pupil) Transportation	21,807
Food Services	5,338
Extracurricular Activities	18,762
General Administration	1,898
Plant Maintenance and Operations	124,794
Data Processing Services	-
In addition, depreciation on capital assets held by the District's Internal Service Fund(s) is charged to the various functions based on their usage of the assets	-
Total Depreciation Expense	\$ 300,715

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land as listed previously.

G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District had no short-term debt obligations at any time during the current fiscal year.

H. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the current year is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts		Retired	Payable Amounts Outstanding End of Year
				Outstanding Begin Year	Issued		
Vista Refinance Notes Payable	4.00%	334,443	\$ 7,051	\$ 167,553	\$ -	\$ 82,949	\$ 84,604
2015 Tax Refunding Bonds	3% - 4%	3,765,000	131,785	3,745,000	-	195,000	3,550,000
2016 Girardin 14 Passenger Bus	2.68%	61,575	-	19,530	-	-	19,530
2016 Bluebird 28 Passenger Bus	2.60%	110,680	2,458	93,825	-	14,758	79,067
2017 Bluebird 71 Passenger Bus	2.60%	91,665	2,020	77,707	-	12,011	65,696
TOTAL			\$143,314	\$ 4,103,615	\$ -	\$ 304,718	\$ 3,798,897

The District at the end of the fiscal year had no defeased outstanding debt obligations.

There are a number of limitations and restrictions contained in the general obligation bond indenture. District administration has indicated that the District is in compliance with all significant limitations and restrictions at year end.

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year end as follows (the imputed interest on the leases range from 4.50% to 5.25%):

Year Ending August 31	
2019	\$ 25,420
2020	25,420
2021	25,420
2022	25,420
2023	8,473
Total Minimum Future Rentals	\$ 110,155
Rental Expenditures in Current Fiscal Year	\$ 42,462

J. DEBT SERVICE REQUIREMENTS – BONDS, CAPITAL LEASES, & OTHER LONG-TERM DEBT

Debt service requirements for bonds are as follows:

General Obligations - Bonds and Notes Payable			
Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 289,604	\$ 129,159	\$ 418,763
2020	210,000	119,550	329,550
2021	215,000	113,175	328,175
2022	220,000	106,650	326,650
2023-2027	1,495,000	470,424	1,965,424
2028-2032	1,205,000	98,700	1,303,700
Totals	\$ 3,634,604	\$ 1,037,658	\$ 4,672,262

Capital Leases and Other Long-Term Debt

The District was obligated for capital leases as of or during the current year. The purpose of capital leases was for the purchase of District vehicles; capital leases are authorized under the Texas Education Code 48.05, the total amount capitalized under the capital leases is \$263,920, the minimum annual payments are \$38,232, and the effective rate of interest is 2.6%.

Capital Lease Obligations			
Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 34,100	\$ 4,132	\$ 38,232
2020	34,993	\$ 3,241	38,234
2021	35,384	\$ 2,848	38,232
2022	29,801	\$ 1,569	31,370
2023-2027	30,015	\$ 800	30,815
Total Capital Lease Payments	\$ 164,293	\$ 12,590	\$ 176,883

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in "lump sum" cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. The District had no accrued compensated absence liability at the end of the fiscal year.

L. DEFINED BENEFIT PENSION PLAN

a. Plan Description

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

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

b. Pension Plan Fiduciary Net Position

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

c. 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.

d. 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 2015 and 2016. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 78,725
Current fiscal year member contributions		\$ 161,567
2017 measurement year NECE on-behalf contributions		\$ 128,488
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2016 Medicare, Part D On-Behalf		\$ 11,086
Fiscal year 2017 Medicare, Part D On-Behalf		\$ 6,417
Fiscal year 2018 Medicare, Part D On-Behalf		\$ 7,133

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

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

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

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.

e. Actuarial Assumptions

The total pension liability in the measurement date (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 including inflation	3.5 % to 9.5%
Payroll Growth Rate	2.50%
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.

f. 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 the measurement date (August 31, 2017) are summarized as follows:

Teacher Retirement System of Texas
 Asset Allocation and Long-Term Expected Real Rate of Return
 As of August 31, 2017

	Target Allocation % (1)	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns (2)
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S.Developed	13.0%	5.1%	0.8%
Emergin 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%
Hedge Funds (Stable Value)	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 & 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	100.0%		8.7%

(1) 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 contribution to long-term portfolio returns. (2) The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

g. 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 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 1,044,336	\$ 619,489	\$ 265,735

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

At August 31, 2018, the Hamlin Independent School District reported the liability for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State

pension support provided to the Hamlin Independent School District. The amount recognized by the Hamlin Independent School 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 Hamlin Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 619,489
State's proportionate share that is associated with the District	<u>1,256,167</u>
Total	<u>\$ 1,875,656</u>

The net pension liability was determined at the measurement date (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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2018 the employer's proportion of the collective net pension liability and the percentage increase (decrease) from its proportion measured as of August 31, 2017 are shown in the required supplementary information in Exhibit G-2.

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 Hamlin Independent School district recognized the following:

Year Ended August 31, 2018 pension expense	\$ 173,553
Revenue for support provided by the State	<u>\$ 95,815</u>

At August 31, 2018, the Hamlin Independent School 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 experiences	\$ 9,063	\$ 33,408
Changes in actuarial assumptions	28,219	16,155
Differences between projected and actual investment earnings	-	45,147
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	111,919	69,671
Total as of August 31, 2017 measurement date	\$ 149,201	\$ 164,381
Contributions paid to TRS subsequent to the measurement date	78,725	
Total as of fiscal year-end	<u>\$ 227,926</u>	<u>\$ 164,381</u>

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

Fiscal year ended August 31,	Pension Expense Amount
2019	\$ (4,717)
2020	(4,717)
2021	34,827
2022	(7,756)
2023	(19,924)
Thereafter	(11,705)

M. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid premiums per month per employee as set by District policy to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for the excess of employee's total premium over the amount funded by the District. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

N. CHANGES IN LONG-TERM LIABILITIES

Long-term activity as shown in the Statement of Net Position at year end was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
			0		
General Obligation Bonds	\$ 3,745,000	\$ -	\$ 195,000	\$ 3,550,000	\$ 205,000
Notes Payable	167,554	-	82,949	84,605	84,605
Unamortized Bond Premium	312,067	-	35,267	276,800	-
Total Bonds and Notes Payable	\$ 4,224,621	\$ -	\$ 313,216	\$ 3,911,405	\$ 289,605
Other Liabilities:					
Capital Leases	\$ 191,060	\$ -	\$ 26,767	\$ 164,293	\$ 34,100
Net Pension Liability - District's Share	783,576	(100,589)	63,498	619,489	-
Net OPEB Liability - District's Share	2,376,865	(1,014,446)	16,096	1,346,323	-
Accrued Interest Payable	13,097	140,655	143,314	10,438	10,440
Total Other Liabilities	\$ 3,364,598	\$ (974,380)	\$ 249,675	\$ 2,140,543	\$ 44,540
Total Governmental Activities Long-Term Liabilities	\$ 7,589,219	\$ (974,380)	\$ 562,891	\$ 6,051,948	\$ 334,145

O. DEFERRED INFLOW OF RESOURCES – GOVERNMENTAL FUND STATEMENTS

Unavailable revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 301,864	\$ -	\$ 55,658	\$ 357,522
Total Unearned Revenue	\$ 301,864	\$ -	\$ 55,658	\$ 357,522

P. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as “Due from State Agencies” except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	Due From State - Foundation Entitlements	Due from State - Federal and State Source Grants	Due from Other Governments	TOTAL
General	\$ 336,460	\$ -	\$ 5,959	\$ 342,419
Special Revenue	-	36,051	3,336	39,387
Debt Service	-	-	1,218	1,218
Totals	\$ 336,460	\$ 36,051	\$ 10,513	\$ 383,024

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 1,324,956	\$ -	\$ 258,972	\$ 1,583,928
Property Tax Penalty and Interest	27,181	-	5,171	32,352
Investment Income	8,169	-	485	8,654
Food Sales	-	3,913	-	3,913
Daycare and Other Charges	-	-	-	-
Extracurricular Student Activities	27,950	29,275	-	57,225
Insurance Recovery	461,075	-	-	461,075
Other Miscellaneous Revenues	2,169	-	-	2,169
Totals	\$ 1,851,500	\$ 33,188	\$ 264,628	\$ 2,149,316

Insurance recovery proceeds resulted from a Spring 2016 hail storm that damaged the roofs of various District facilities. Proceeds were received during the current fiscal year, and related maintenance and repair was also completed.

R. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of potential pending exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

S. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had no pending commitments or contingencies relative to construction or substantial facilities improvements at the end of the fiscal year.

T. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is a member of various shared services arrangements (SSA's) that are accounted for using Model 3 in the Texas Education Agency (TEA) accounting guide for school districts. The SSA's provides services for member districts. Other districts serve as the fiscal agent for the SSA's. In addition to the District, other member districts participate in the shared services arrangements also. The fiscal agent for each SSA provides SSA services. The member districts provide the funds to the fiscal agent. According to guidance provided in the TEA's Resource Guide, the fiscal agent for each SSA has accounted for the fiscal agent's activities of the SSA in special revenue funds. The Shared Services Arrangements listed below have been accounted for using Model 3 in the SSA section of the Resource Guide. The District has accounted for the payments to the fiscal agent in the General Fund No. 199 as intergovernmental expenditures (function 93). A chart detailing the District's participation in those shared services arrangement is a follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Tri-County Education SSA	Special Education	Stamford ISD Sweetwater	State Funding	437	N.A.	\$ 115,584
PEP SSA	Compensatory	ISD	State Funding	459	N.A.	\$ 2,785
TOTAL FUNCTION 93 EXPENDITURES						\$ 118,369

The District also participates in shared service arrangements with other school districts / education service centers for various educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, 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 shared services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Tri-County Education SSA	Special Education	Stamford ISD	IDEA, Part B - Formula	313	224	\$ 41,409
Region 14 ESC	Teacher Training	Region 14	Title II Part A	342	255	\$ 12,342

U. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through December 13, 2018, the date this Annual Financial Report was available to be issued. No materials subsequent events had occurred.

V. RELATED ORGANIZATIONS

The District at present does not maintain an educational foundation and it does not receive material support from related entities as defined under current governmental accounting standards. These entities are usually established as not-for-profit entities to provide assistance and support for teachers and students to develop special programs and projects and other school district support activities. Booster clubs and parent teacher organizations that support the District are considered immaterial to the financial statements.

W. RELATED PARTY TRANSACTIONS

The District did not incur any material reportable related party transactions or balances as of and during the current year.

X. FUND BALANCE / NET POSITION ADJUSTMENTS

During the current fiscal year, the District recharacterized campus activity funds that had been reported as agency funds during prior fiscal years. The prior period adjustment for those funds was \$8,405. The District also made a prior period adjustment in the Title I Part A special revenue fund in the amount of \$43,790. This represents prior period grant revenue accruals for which cost reimbursement was not received.

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively.

Governmental Fund Balance	General Fund	Special Revenue Funds	Debt Service Fund	Total
Increase (Decrease) Begin Year Fund Balance:				
Unreimbursed prior year grant revenue accrual	\$ -	\$ (43,790)	\$ -	\$ (43,790)
Campus activity funds recharacterized as special revenue funds	-	8,405	-	8,405
Totals	\$ -	\$ (35,385)	\$ -	\$ (35,385)
Government Wide Net Position				
Increase (Decrease) Begin Year Net Position:				
changes)			\$	(2,396,154)
Totals			\$	(2,396,154)

Y. RISK FINANCING AND OTHER COVERAGE

Workers' Compensation Pool

The District participates in a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (School Comp. self-funded workers' compensation program) along with other participating entities. The District contributes annual amounts determined by School Comp. As claims arise, they are submitted to and paid by School Comp. on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$350,000 and aggregate retention at \$5,000,000. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds at August 31, 2018, are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Changes in the balances of claims liabilities during the past year are as follows:

	Previous Fiscal Year	Current Fiscal Year
Unpaid claims, beginning of year	\$ 10,337	\$ 9,883
Incurred claims (including IBNR'S)	9,610	10,711
Claim Payments	(10,064)	(10,122)
Unpaid claims, end of year	\$ 9,883	\$ 10,472

Unemployment Compensation Program

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

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

Z. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and requires 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 the TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)-542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB liability	<u>\$43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

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 Sept. 1, 2016 - Dec. 31, 2017			
	TRS Care-1	TRS Care-2	TRS Care-3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$0	\$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

Contribution

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 charge 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	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%
Current fiscal year employer contributions		\$ 28,006
Current fiscal year member contributions		\$ 13,639
2017 measurement year NECE on-behalf contributions		\$ 20,732

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. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contributions as required by GASB 85 and GASB 24.

Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Healthy Pensioner Mortality Tables.

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:

<u>Actuarial Methods and Assumptions:</u>	
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
<u>Additional Actuarial Methods and Assumptions:</u>	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	* 3.42%
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.
Payroll Growth Rate	2.50%
Projected Salary Increases	** 3.50% to 9.50%
Healthcare Trend Rates	*** 4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc Post Employment Benefit Changes	None

* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as report in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. 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 a 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 the measurement date (August 31, 2017).

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Proportionate share of the net OPEB liability	\$ 1,588,995	\$ 1,346,323	\$ 1,151,269

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 1,120,948	\$ 1,346,323	\$ 1,642,042

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

At August 31, 2018, Hamlin Independent School District reported a liability of \$1,346,323 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Hamlin Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,346,323
State's proportionate share that is associated with the District	1,734,057
Total	<u>\$ 3,080,380</u>

The Net OPEB Liability was determined as of the measurement date (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 the measurement date (August 31, 2017) the employer's proportion of the collective Net OPEB Liability was 0.0030959733% which was the same proportion measured as of August 31, 2016.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2017 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2018. 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.
- 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 including as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, Hamlin Independent School District recognized OPEB expense of \$(1,031,749) and revenue of \$(580,261) for support proved by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ -	\$ 28,106
Changes in actuarial assumptions	-	535,064
Differences between projected and actual investment earnings	205	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	7	-
Contributions paid to TRS subsequent to the measurement date	28,006	
Total as of fiscal year-end	\$ 28,218	\$ 563,170

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ended August 31,	OPEB Expense Amount
2019	\$ (74,283)
2020	(74,283)
2021	(74,283)
2022	(74,283)
2023	(74,334)
Thereafter	(191,492)

AA .NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS - STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

Function	Functional Activity	Operating Grants & Contributions - Statement of Activities	GASB 75 Negative Government-Wide On-Behalf Accrual Adjustment	Operating Grants & Contributions - Statement of Activities (excluding the effects of GASB 75 negative on-behalf accrual)
11	Instruction	\$ 50,855	\$ (353,737)	\$ 404,592
12	Instructional Resources and Media Services	(1,857)	(2,260)	403
13	Curriculum Development and Instructional Staff Development	(90)	(110)	20
21	Instructional Leadership	(7,049)	(8,581)	1,532
23	School Leadership	(42,996)	(52,340)	9,344
31	Guidance, Counseling and Evaluation Services	(26,556)	(32,327)	5,771
33	Health Services	(4,857)	(5,912)	1,055
34	Student (Pupil) Transportation	(1,798)	(2,188)	390
35	Food Services	139,043	(15,327)	154,370
36	Extracurricular Activities	(27,214)	(33,128)	5,914
41	General Administration	(8,761)	(10,665)	1,904
51	Facilities Maintenance and Operations	(31,458)	(38,293)	6,835
53	Data Processing Services	(20,860)	(25,393)	4,533
Totals		\$ 16,402	\$ (580,261)	\$ 596,663

REQUIRED SUPPLEMENTARY INFORMATION

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,427,000	\$ 1,427,000	\$ 1,851,500	\$ 424,500
5800	State Program Revenues	2,748,643	2,699,506	2,797,011	97,505
5900	Federal Program Revenues	5,000	5,000	30,645	25,645
5020	Total Revenues	4,180,643	4,131,506	4,679,156	547,650
EXPENDITURES:					
Current:					
0011	Instruction	1,630,870	1,621,733	1,557,080	64,653
0012	Instructional Resources and Media Services	14,424	15,424	12,900	2,524
0013	Curriculum and Instructional Staff Development	3,600	4,600	3,831	769
0021	Instructional Leadership	63,166	63,166	51,784	11,382
0023	School Leadership	226,486	231,486	229,914	1,572
0031	Guidance, Counseling and Evaluation Services	130,545	130,545	122,839	7,706
0033	Health Services	25,512	27,512	26,628	884
0034	Student (Pupil) Transportation	118,227	181,293	116,489	64,804
0035	Food Services	3,716	4,716	3,923	793
0036	Extracurricular Activities	301,516	301,516	290,933	10,583
0041	General Administration	277,269	277,269	239,552	37,717
0051	Facilities Maintenance and Operations	722,855	799,120	777,820	21,300
0053	Data Processing Services	171,186	181,186	175,535	5,651
Debt Service:					
0071	Principal on Long Term Debt	-	116,359	109,718	6,641
0072	Interest on Long Term Debt	-	14,727	11,529	3,198
Capital Outlay:					
0081	Facilities Acquisition and Construction	80,000	105,000	101,817	3,183
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	121,121	121,121	118,369	2,752
0099	Other Intergovernmental Charges	72,000	72,000	34,130	37,870
6030	Total Expenditures	3,962,493	4,268,773	3,984,791	283,982
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	218,150	(137,267)	694,365	831,632
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(9,231)	(9,231)	(43,790)	(34,559)
1200	Net Change in Fund Balances	208,919	(146,498)	650,575	797,073
0100	Fund Balance - September 1 (Beginning)	1,917,410	1,917,410	1,919,297	1,887
3000	Fund Balance - August 31 (Ending)	\$ 2,126,329	\$ 1,770,912	\$ 2,569,872	\$ 798,960

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.001937441%	0.0020736%	0.002292%	0.001551%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 619,489	\$ 783,576	\$ 810,262	\$ 414,267
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,256,167	1,634,730	1,704,925	1,699,625
Total	\$ 1,875,656	\$ 2,418,306	\$ 2,515,187	\$ 2,113,892
District's Covered Payroll	\$ 2,279,745	\$ 2,503,505	\$ 2,501,734	\$ 2,880,535
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.17%	31.30%	32.39%	14.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

HAMLIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 78,725	\$ 63,498	\$ 67,874	\$ 39,319
Contribution in Relation to the Contractually Required Contribution	(78,725)	(63,498)	(67,874)	(39,319)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 2,117,714	\$ 2,279,745	\$ 2,469,511	\$ 2,501,734
Contributions as a Percentage of Covered Payroll	3.72%	2.79%	2.75%	1.57%

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

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

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.003095973%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 1,346,323
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	1,734,057
Total	<u>\$ 3,080,380</u>
District's Covered Payroll	\$ 2,279,745
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.09%

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

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

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 28,006
Contribution in Relation to the Contractually Required Contribution	(28,006)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 2,117,714
Contributions as a Percentage of Covered Payroll	1.32%

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

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

**HAMLIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018**

A. Notes to Schedules for the TRS Pension

Changes of benefit terms

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

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit

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

Changes in Assumptions

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

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 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 31, 2017. This change lowered the total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

**OTHER SUPPLEMENTARY INFORMATION –
COMBINING SCHEDULES**

HAMLIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS				
1110	\$ 6,785	\$ -	\$ -	\$ 15,830
1240	(90)	25,891	3,426	-
1000	<u>\$ 6,695</u>	<u>\$ 25,891</u>	<u>\$ 3,426</u>	<u>\$ 15,830</u>
LIABILITIES				
2110	\$ -	\$ -	\$ -	\$ 9,300
2160	6,103	11,523	3,121	-
2170	-	13,286	-	-
2200	592	1,082	305	-
2000	<u>6,695</u>	<u>25,891</u>	<u>3,426</u>	<u>9,300</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	-	6,530
3600	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,530</u>
4000	<u>\$ 6,695</u>	<u>\$ 25,891</u>	<u>\$ 3,426</u>	<u>\$ 15,830</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV, Part A	410 State Instructional Materials	429 Math & Literacy Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,473	\$ 27,088
2,067	-	8,093	-	-	-	-	39,387
<u>\$ 2,067</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,473</u>	<u>\$ 66,475</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,300
2,026	-	-	-	-	-	-	22,773
-	-	8,093	-	-	-	-	21,379
41	-	-	-	-	-	-	2,020
<u>2,067</u>	<u>-</u>	<u>8,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,472</u>
-	-	-	-	-	-	-	6,530
-	-	-	-	-	-	4,473	4,473
-	-	-	-	-	-	4,473	11,003
<u>\$ 2,067</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,473</u>	<u>\$ 66,475</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 3,913
5800 State Program Revenues	-	-	-	994
5900 Federal Program Revenues	75,099	169,006	41,409	150,639
5020 Total Revenues	75,099	169,006	41,409	155,546
EXPENDITURES:				
Current:				
0011 Instruction	75,099	169,006	41,409	-
0035 Food Services	-	-	-	149,016
0036 Extracurricular Activities	-	-	-	-
6030 Total Expenditures	75,099	169,006	41,409	149,016
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	6,530
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	43,790	-	-
1200 Net Change in Fund Balance	-	43,790	-	6,530
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	(43,790)	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 6,530

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV, Part A	410 State Instructional Materials	429 Math & Literacy Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	29,275	\$ 33,188
-	-	-	-	18,150	1,850	-	20,994
2,066	12,342	14,015	7,500	-	-	-	472,076
2,066	12,342	14,015	7,500	18,150	1,850	29,275	526,258
2,066	12,342	14,015	7,500	18,150	1,850	-	341,437
-	-	-	-	-	-	-	149,016
-	-	-	-	-	-	33,207	33,207
2,066	12,342	14,015	7,500	18,150	1,850	33,207	523,660
-	-	-	-	-	-	(3,932)	2,598
-	-	-	-	-	-	-	43,790
-	-	-	-	-	-	(3,932)	46,388
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,405	(35,385)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,473	\$ 11,003

HAMLIN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

	BALANCE SEPTEMBER 1 2017	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2018
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 47,623	\$ 113,747	\$ 117,968	\$ 43,402
Liabilities:				
Due to Student Groups	\$ 47,623	\$ 113,747	\$ 117,968	\$ 43,402
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 47,623	\$ 113,747	\$ 117,968	\$ 43,402
Liabilities:				
Due to Student Groups	\$ 47,623	\$ 113,747	\$ 117,968	\$ 43,402

HAMLIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2018

	810 Ferguson Scholarship Fund	811 Hodges Scholarship Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 42,188	\$ 3,306	\$ 45,494
Investments - Current	14,474	-	14,474
Due from Other Funds	100	-	100
Total Assets	<u>56,762</u>	<u>3,306</u>	<u>60,068</u>
NET POSITION			
Restricted for Other Purposes	<u>56,762</u>	<u>3,306</u>	<u>60,068</u>
Total Net Position	<u>\$ 56,762</u>	<u>\$ 3,306</u>	<u>\$ 60,068</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	810 Ferguson Scholarship Fund	811 Hodges Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 79	\$ 1	\$ 80
Total Additions	<u>79</u>	<u>1</u>	<u>80</u>
Change in Net Position	79	1	80
Total Net Position - September 1 (Beginning)	<u>56,683</u>	<u>3,305</u>	<u>59,988</u>
Total Net Position - August 31 (Ending)	<u>\$ 56,762</u>	<u>\$ 3,306</u>	<u>\$ 60,068</u>

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.170000	0.205000	133,845,015
2011	1.170000	0.200000	151,134,924
2012	1.170000	0.150000	158,242,950
2013	1.170000	0.200000	166,427,809
2014	1.170000	0.240000	154,015,149
2015	1.170000	0.215000	168,547,207
2016	1.170000	0.225000	149,481,080
2017	1.170000	0.225000	124,462,337
2018 (School year under audit)	1.170000	0.225000	118,901,314
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 45,185	\$ -	\$ 497	\$ 55	\$ (4,857)	\$ 39,776
4,928	-	74	13	(289)	4,552
5,033	-	297	51	(584)	4,101
7,386	-	456	61	(492)	6,377
11,011	-	1,168	207	(528)	9,108
22,387	-	2,687	560	(516)	18,624
71,889	-	3,642	686	(569)	66,992
103,034	-	7,349	1,413	(919)	93,353
136,641	-	24,663	4,898	(1,183)	105,897
-	1,663,067	1,284,123	251,028	-	127,916
<u>\$ 407,494</u>	<u>\$ 1,663,067</u>	<u>\$ 1,324,956</u>	<u>\$ 258,972</u>	<u>\$ (9,937)</u>	<u>\$ 476,696</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 12,000	\$ 12,000	\$ 3,913	\$ (8,087)
5800	State Program Revenues	800	800	994	194
5900	Federal Program Revenues	165,700	165,700	150,639	(15,061)
5020	Total Revenues	178,500	178,500	155,546	(22,954)
EXPENDITURES:					
0035	Food Services	187,731	187,731	149,016	38,715
6030	Total Expenditures	187,731	187,731	149,016	38,715
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,231)	(9,231)	6,530	15,761
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	9,231	9,231	-	(9,231)
1200	Net Change in Fund Balances	-	-	6,530	6,530
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 6,530	\$ 6,530

HAMLIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 277,393	\$ 277,393	\$ 264,628	\$ (12,765)
5800 State Program Revenues	9,000	9,000	10,125	1,125
5020 Total Revenues	286,393	286,393	274,753	(11,640)
EXPENDITURES:				
0035 Food Services	328,775	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	195,000	195,000	-
0072 Interest on Long Term Debt	-	131,775	131,785	(10)
0073 Bond Issuance Cost and Fees	-	5,225	3,800	1,425
6030 Total Expenditures	328,775	332,000	330,585	1,415
1200 Net Change in Fund Balances	(42,382)	(45,607)	(55,832)	(10,225)
0100 Fund Balance - September 1 (Beginning)	173,153	173,153	173,153	-
3000 Fund Balance - August 31 (Ending)	\$ 130,771	\$ 127,546	\$ 117,321	\$ (10,225)

**REPORTS ON COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS**

James E. Rodgers and Company, P.C.

Certified Public Accountants

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Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

December 13, 2018

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

To the Board of Trustees
Hamlin Independent School District
Hamlin, Texas 79520

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 Hamlin Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Hamlin Independent School District's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamlin 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 Hamlin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamlin 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.

James E. Rodgers and Company, P.C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamlin 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 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.

Respectfully submitted,



James E. Rodgers and Company, P.C.

**HAMLIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2018**

I. Summary of Auditor Results:		
1.	Type of report issued on the financial statements:	Unmodified
2. a.	Significant deficiencies in internal control:	None
b.	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to financial statements:	None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards (GAGAS)*:

Finding 2018-001:

a.	Condition:	N/A
b.	Criteria:	N/A
c.	Cause:	N/A
d.	Effect:	N/A
e.	Recommendation:	N/A
f.	District Response:	N/A