HAMSHIRE-FANNETT
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

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Hamshire-Fannett Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

CERTIFICATE OF BOARD

Hamshire-Fannett Independent School District	Jefferson	123-914
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

_____	_____
Signature of Board Secretary	Signature of Board President

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

Financial Section

West, Davis & Company, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report

To the Board of Trustees
Hamshire-Fannett Independent School District
Hamshire, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamshire-Fannett 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.

Auditors' 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamshire-Fannett Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Hamshire-Fannett Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

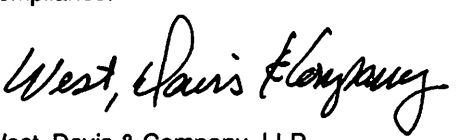
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamshire-Fannett Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of Hamshire-Fannett 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 Hamshire-Fannett Independent School District's internal control over financial reporting and compliance.



West, Davis & Company, LLP
Austin, Texas
January 28, 2019

Hamshire-Fannett Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hamshire-Fannett Independent School District (the 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 auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we classify the District's activities as Governmental activities:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind

Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has one kind of fund, governmental.

- Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities decreased from $13.7 million to $6.8 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of $(2.6) million at August 31, 2018. This was a result of the implementation of GASB 75. More information is presented in the paragraph following Table II on the next page.

Table I
Hamshire-Fannett Independent School District

NET POSITION
in thousands

	Governmental Activities	
	2018	2017
Current and other assets	11,902	10,357
Capital assets	33,654	32,860
Total assets	45,556	43,217
Deferred Outflow Related to Pensions	781	1,059
Deferred Outflow Related to OPEB	84	0
Total Deferred Outflows	865	1,059
Long-term liabilities	32,865	27,355
Other liabilities	4,334	3,083
Total liabilities	37,199	30,438
Deferred Inflow Related to Pensions	365	170
Deferred Inflow Related to OPEB	2,023	0
Total Deferred Inflows	2,388	170
Net Position:		
Invested in capital assets, net of related debt	8,998	9,431
Restricted	414	301
Unrestricted	-2,578	3,936
Total Net Position	6,834	13,668

Table II
Hamshire-Fannett Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	440	487
Operating grants and contributions	-472	1,541
General revenues:		
Maintenance and operations taxes	8,396	7,929
Debt service taxes	1,781	1,752
State aid - formula grants	8,061	7,125
Investment Earnings	170	65
Miscellaneous	3,961	313
Total Revenues	22,337	19,212
Expenses:		
Instruction, curriculum and media services	6,587	9,042
Instructional and school leadership	830	1,111
Student support services	1,362	1,304
Child nutrition	1,040	1,079
Extracurricular activities	924	1,058
General administration	632	798
Plant maintenance, security and data processing	8,096	4,349
Debt services	796	833
Other	425	324
Total Expenses	20,692	19,898
Change in Net Position	1,645	(686)

Changes in Operating grants revenue and in expenses for the year are not comparable to prior year due to the overall effects of GASB 75 on current year expenses. As discussed in Note A.3.m, current year on-behalf activity was negated by a total of $2.4 million. Therefore, nearly every functional category was affected by this significant net decrease in expenses.

NET OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) LIABILITY (GASB 75)

During the year, the District adopted GASB Statement No. 75 for Accounting and Reporting for Other Post-Employment Benefit Plans (OPEB). With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System. The District's net OPEB liability at year end totaled $4.8 million.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of $6.7 million, which is $0.4 million more than last year's total of $6.3 million.

Over the course of the year, the Board of Trustees revised the District's budget several times. The significant amendments served to increase capital expenditures by $3.6 million for repairs associated with Hurricane Harvey.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had $33.7 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

More detailed information about the District's capital assets is presented in Note D to the financial statements.

Debt

At year-end, the District had $21.5 million in bonds outstanding versus $22.4 million last year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal-year 2019 budget and tax rates. Those factors include property values, changes in enrollment, the economy, and legislative mandates.

Student enrollment was budgeted to remain about the same as the 2017-2018 ending enrollment, with the actual enrollment for the first semester of 2018-2019 showing a 6% increase. Property values did see an approximate decrease of 4% due to flood damages caused by Hurricane Harvey. The tax rate remained the same as the previous year for Interest and Sinking and Maintenance and Operations.

The Board of Trustees committed approximately $1.6 million in capital improvements projects for a new roof at the Intermediate Campus, repairs to the roofs of the Middle School Campus, update the Athletic Track for the High School Campus to be funded with fund balance, and the District will develop a long-range plan for the High School in their continuing effort to upgrade facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances, and to 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 Hamshire-Fannett Independent School District, P.O. Box 223, 12702 Second Street, Hamshire, Texas 77622.

Basic Financial Statements

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 189,935
1120	*Current Investments*	9,274,253
1225	*Property Taxes Receivable (Net)*	944,460
1240	*Due from Other Governments*	1,063,095
1290	*Other Receivables (Net)*	21,268
1410	*Unrealized Expenses*	408,999
	Capital Assets:	
1510	*Land*	322,756
1520	*Buildings and Improvements, Net*	26,179,160
1530	*Furniture and Equipment, Net*	4,339,593
1550	*Capital Lease Assets, Net*	1,608,326
1590	*Infrastructure, Net*	1,203,798
1000	Total Assets	45,555,643
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	781,074
	Deferred Outflow Related to OPEB	84,287
1700	Total Deferred Outflows of Resources	865,361
	LIABILITIES:	
2110	*Accounts Payable*	2,367,948
2140	*Interest Payable*	30,665
2165	*Accrued Liabilities*	737,313
2180	*Due to Other Governments*	48,432
2300	*Unearned Revenue*	1,150,127
	Noncurrent Liabilities:	
2501	*Due Within One Year*	1,345,296
2502	*Due in More Than One Year*	24,553,822
2540	*Net Pension Liability*	2,129,920
2545	*Net OPEB Liability*	4,835,587
2000	Total Liabilities	37,199,110
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	364,876
	Deferred Inflow Related to OPEB	2,022,736
2600	Total Deferred Inflows of Resources	2,387,612
	NET POSITION:	
3200	Net Investment in Capital Assets	8,998,078
	Restricted For:	
3820	Federal and State Programs	23
3850	Debt Service	413,719
3900	Unrestricted	(2,577,538)
3000	Total Net Position	$ 6,834,282

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 6,253,237	$ 22,575	$ (594,331)	$ (6,824,993)
12	*Instructional Resources and Media Services*	260,052	--	(24,140)	(284,192)
13	*Curriculum and Staff Development*	73,829	--	31,664	(42,165)
21	*Instructional Leadership*	98,505	--	(16,186)	(114,691)
23	*School Leadership*	731,726	--	(159,563)	(891,289)
31	*Guidance, Counseling, & Evaluation Services*	254,993	--	(49,709)	(304,702)
33	*Health Services*	91,713	--	(18,241)	(109,954)
34	*Student Transportation*	1,014,726	--	2,904	(1,011,822)
35	*Food Service*	1,040,044	344,997	527,240	(167,807)
36	*Cocurricular/Extracurricular Activities*	924,351	67,143	21,739	(835,469)
41	*General Administration*	632,269	--	(65,770)	(698,039)
51	*Facilities Maintenance and Operations*	7,935,603	5,000	(115,190)	(8,045,793)
52	*Security and Monitoring Services*	(1,584)	--	(17,187)	(15,603)
53	*Data Processing Services*	161,626	--	4,640	(156,986)
72	*Interest on Long-term Debt*	791,899	--	--	(791,899)
73	*Bond Issuance Costs and Fees*	3,550	--	--	(3,550)
93	*Payments Related to Shared Services Arrangements*	328,730	--	--	(328,730)
95	*Payments to Juvenile Justice Alternative Ed. Programs*	18,000	--	--	(18,000)
99	*Other Intergovernmental Charges*	78,582	--	--	(78,582)
TG	Total Governmental Activities	20,691,851	439,715	(472,130)	(20,724,266)
TP	Total Primary Government	$ 20,691,851	$ 439,715	$ (472,130)	(20,724,266)
	General Revenues:				
MT	*Property Taxes, Levied for General Purposes*				8,396,061
DT	*Property Taxes, Levied for Debt Service*				1,781,375
IE	*Investment Earnings*				170,391
GC	*Grants and Contributions Not Restricted to Specific Programs*				8,060,663
MI	*Miscellaneous*				3,961,282
TR	Total General Revenues				22,369,772
CN	Change in Net Position				1,645,506
NB	Net Position - Beginning				13,668,174
PA	Prior Period Adjustment				(8,479,398)
	Net Position - Beginning, as Restated				5,188,776
NE	Net Position - Ending				$ 6,834,282

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	60 Capital Projects	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ 48,608	$ 8,997	$ 132,330	$ 189,935
1120	*Current Investments*	7,576,456	1,292,649	405,148	9,274,253
1225	*Taxes Receivable, Net*	819,145	--	125,315	944,460
1240	*Due from Other Governments*	827,264	--	235,831	1,063,095
1260	*Due from Other Funds*	265,853	--	73,771	339,624
1290	*Other Receivables*	--	--	21,268	21,268
1410	*Unrealized Expenditures*	408,999	--	--	408,999
1000	Total Assets	9,946,325	1,301,646	993,663	12,241,634
	LIABILITIES:				
	Current Liabilities:				
2110	*Accounts Payable*	$ 1,966,210	$ 330,000	$ 71,737	$ 2,367,947
2120	*Short-Term Debt Payable*	74,598	--	--	74,598
2150	*Payroll Deductions & Withholdings*	85,883	--	2,340	88,223
2160	*Accrued Wages Payable*	522,412	--	31,996	554,408
2170	*Due to Other Funds*	17,847	--	321,777	339,624
2180	*Due to Other Governments*	25,658	--	22,774	48,432
2200	*Accrued Expenditures*	20,084	--	--	20,084
2300	*Unearned Revenue*	1,961,269	--	133,318	2,094,587
2000	Total Liabilities	4,673,961	330,000	583,942	5,587,903
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	*Federal/State Funds Grant Restrictions*	--	--	23	23
3470	*Capital Acquisitions & Contractual Obligations*	--	971,646	--	971,646
3480	*Retirement of Long-Term Debt*	--	--	409,698	409,698
	Committed Fund Balances:				
3545	*Other Committed Fund Balance*	720,000	--	--	720,000
3600	Unassigned	4,552,364	--	--	4,552,364
3000	Total Fund Balances	5,272,364	971,646	409,721	6,653,731
4000	Total Liabilities and Fund Balances	$ 9,946,325	$ 1,301,646	$ 993,663	$ 12,241,634

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Total fund balances - governmental funds balance sheet	$	6,653,731
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		33,653,632
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		944,459
Payables for bond principal which are not due in the current period are not reported in the funds.		(21,460,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(4,167,201)
Payables for bond interest which are not due in the current period are not reported in the funds.		(30,665)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(2,129,920)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(364,876)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		781,074
Bond premiums are amortized in the SNA but not in the funds.		(271,917)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(4,835,587)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(2,022,736)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		84,287
Rounding difference		1
Net position of governmental activities - Statement of Net Position	$	6,834,282

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	60 Capital Projects	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 12,620,696	$ 22,301	$ 2,237,589	$ 14,880,586
5800	*State Program Revenues*	8,700,568	--	237,566	8,938,134
5900	*Federal Program Revenues*	225,403	--	975,309	1,200,712
5020	Total Revenues	21,546,667	22,301	3,450,464	25,019,432
	EXPENDITURES:				
	Current:				
0011	*Instruction*	7,717,307	--	611,218	8,328,525
0012	*Instructional Resources and Media Services*	176,609	--	--	176,609
0013	*Curriculum and Staff Development*	42,749	--	38,333	81,082
0021	*Instructional Leadership*	157,798	--	4,504	162,302
0023	*School Leadership*	1,014,449	--	--	1,014,449
0031	*Guidance, Counseling, & Evaluation Services*	367,129	--	--	367,129
0033	*Health Services*	110,641	--	--	110,641
0034	*Student Transportation*	3,097,957	--	2,897	3,100,854
0035	*Food Service*	--	--	944,146	944,146
0036	*Cocurricular/Extracurricular Activities*	837,253	--	91,792	929,045
0041	*General Administration*	740,609	--	--	740,609
0051	*Facilities Maintenance and Operations*	3,993,562	--	--	3,993,562
0052	*Security and Monitoring Services*	17,497	--	--	17,497
0053	*Data Processing Services*	99,660	--	--	99,660
0071	*Principal on Long-term Debt*	168,941	--	935,000	1,103,941
0072	*Interest on Long-term Debt*	91,210	--	728,751	819,961
0073	*Bond Issuance Costs and Fees*	--	--	3,550	3,550
0081	*Capital Outlay*	4,347,349	136,408	--	4,483,757
0093	*Payments to Shared Service Arrangements*	328,730	--	--	328,730
0095	*Payments to Juvenile Justice Altermative*				
0095	*Education Programs*	18,000	--	--	18,000
0099	*Other Intergovernmental Charges*	78,582	--	--	78,582
6030	Total Expenditures	23,406,032	136,408	3,360,191	26,902,631
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(1,859,365)	(114,107)	90,273	(1,883,199)
	Other Financing Sources and (Uses):				
7912	*Sale of Real or Personal Property*	19,195	--	--	19,195
7913	*Issuance of Capital Leases*	2,216,327	--	--	2,216,327
7915	*Transfers In*	1,400	--	71,909	73,309
8911	*Transfers Out*	(71,909)	--	(1,400)	(73,309)
7080	Total Other Financing Sources and (Uses)	2,165,013	--	70,509	2,235,522
1200	Net Change in Fund Balances	305,648	(114,107)	160,782	352,323
0100	Fund Balances - Beginning	4,966,716	1,085,753	248,939	6,301,408
3000	Fund Balances - Ending	$ 5,272,364	$ 971,646	$ 409,721	$ 6,653,731

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$	352,323
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		2,887,893
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,062,395)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.		(32,085)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(59,182)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		935,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		168,941
(Increase) decrease in accrued interest from beginning of period to end of period.		1,368
Bond premiums are reported in the funds but not in the SOA.		26,694
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(2,216,327)
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		218,318
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		29,978
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		(503,708)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		193,326
GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.		(57,586)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.		83,530
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		1,679,418
Change in net position of governmental activities - Statement of Activities	$	1,645,506

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

Data Control Codes		Agency Fund Student Activity
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 247,862
1000	Total Assets	247,862
	LIABILITIES:	
	Current Liabilities:	
2190	*Due to Student Groups*	$ 247,862
2000	Total Liabilities	247,862
	NET POSITION:	
3000	Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund accounts for the proceeds from the voter approved building bonds and the expenditures made to construct and renovate District facilities.

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

l. 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.

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

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
11 - Instruction	$ (594,331)	$ (1,650,636)	$ 1,056,305
12 - Instructional Resources and Media Services	(24,140)	(33,065)	8,925
13 - Curriculum and Instructional Staff Development	31,664	(3,783)	35,447
21 - Instructional Leadership	(16,186)	(28,120)	11,934
23 - School Leadership	(159,563)	(218,554)	58,991
31 - Guidance, Counseling and Evaluation Services	(49,709)	(68,087)	18,378
32 - Social Work Services	--	--	--
33 - Health Services	(18,241)	(24,985)	6,744
34 - Student (Pupil) Transportation	2,904	--	2,904
35 - Food Services	527,240	--	527,240
36 - Extracurricular Activities	21,739	(87,497)	109,236
41 - General Administration	(65,770)	(90,086)	24,316
51 - Facilities Maintenance and Operations	(115,190)	(157,777)	42,587
52 - Security and Monitoring Services	(17,187)	(17,187)	--
53 - Data Processing Services	4,640	--	4,640
61 - Community Services	--	--	--
62 - School District Administrative Support Services	--	--	--
	$ (472,130)	$ (2,379,777)	$ 1,907,647

4. 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' 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.

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $189,935 and the bank balance was $379,295. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

* Not all assets meeting the definition of an investment are required to be reported at fair value. Included among excepted investments are certain investments held by 2a7 like external investment pools. As detailed below, the District has invested funds in specific 2a7 like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

** Certificates of deposits ("CD's") at FDIC insured banks are not subject to the fair value hierarchy levels.

The District's investments at August 31, 2018 are shown below.

Investment	Fair Value Using Level	Rating	Maturity	Fair Value	Percentage
Lone Star	*	AAA	22 days weighted average	$ 6,208,019	66.94%
TexSTAR	*	AAAm	40 days weighted average	1,467,440	15.82%
TexPool	*	AAAm	30 days weighted average	1,598,794	17.24%
Total Investments				$ 9,274,253	

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as above.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexSTAR

The District invests in the Texas Short Term Asset Reserve Program (TexSTAR), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR**.** Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A**.** and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAm by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable $1.00 per unit net asset value; however, the $1.00 net asset value is not guaranteed or insured.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven

members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities**.** The stated objective of TexPool is to maintain a stable average $1.00 per unit net asset value; however, the $1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 338,422	$ --	$ 15,666	$ 322,756
Construction in progress	202,317	--	202,317	--
Total capital assets not being depreciated	540,739	--	217,983	322,756
Capital assets being depreciated:				
Buildings and improvements	47,063,023	149,539	28,038	47,184,524
Furniture and equipment	4,059,896	2,316,003	42,477	6,333,422
Capital lease assets	2,692,694	--	--	2,692,694
Infrastructure	2,363,984	624,667	9,084	2,979,567
Total capital assets being depreciated	56,179,597	3,090,209	79,599	59,190,207
Less accumulated depreciation for:				
Buildings and improvements	(19,703,861)	(1,329,541)	(28,038)	(21,005,364)
Furniture and equipment	(1,659,690)	(360,198)	(26,059)	(1,993,829)
Capital lease assets	(823,558)	(260,809)	--	(1,084,367)
Infrastructure	(1,673,007)	(111,846)	(9,084)	(1,775,769)
Total accumulated depreciation	(23,860,116)	(2,062,394)	(63,181)	(25,859,329)
Total capital assets being depreciated, net	32,319,481	1,027,815	16,418	33,330,878
Governmental activities capital assets, net	$ 32,860,220	$ 1,027,815	$ 234,401	$ 33,653,634

Depreciation was charged to functions as follows:

Instruction	$	801,766
Instructional Resources and Media Services		141,111
School Leadership		83,599
Guidance, Counseling, & Evaluation Services		27,797
Health Services		20,005
Student Transportation		51,009
Food Services		280,990
Extracurricular Activities		166,742
Plant Maintenance and Operations		427,409
Data Processing Services		61,966
	$	2,062,394

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Other Governmental Funds	$	265,853	Short-term advances
Other Governmental Funds	General Fund		17,847	Short-term advances
Other Governmental Funds	Other Governmental Funds		55,924	Short-term advances
	Total	$	339,624	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To		Amount	Reason
Other Governmental Funds	General fund	$	1,400	Reimburse expenditures
General fund	Food Service Fund		71,909	Supplement other funds sources
	Total	$	73,309	

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 22,395,000	$ --	$ 935,000	$ 21,460,000	$ 970,000
Capital leases	2,119,815	2,216,327	168,941	4,167,201	--
Premium on bods issued	298,611	--	26,694	271,917	--
	24,813,426	2,216,327	1,130,635	25,899,118	970,000
Net Pension Liability *	2,541,143	(192,905)	218,318	2,129,920	--
Net OPEB Liability *	8,536,984	(3,643,585)	57,812	4,835,587	--
Total governmental activities	$ 35,891,553	$ (1,620,163)	$ 1,406,765	$ 32,864,625	$ 970,000

Per statement of net position:

Due within one year	$ 1,345,296
Due in more than one year	24,553,822
	$ 25,899,118

The following table displays total principal debt outstanding as of the year end.

Date of Issue	Issue	Interest Rates	Original Issue	Maturity Date	Debt Principal
8/1/2012	Series 2012	1.0 to 2.75%	$ 2,035,000	8/15/2032	$ 1,550,000
9/3/2014	Series 2014	3.5 to 4.3	3,215,000	8/15/2024	2,025,000
7/15/2015	Series 2015	3.0 to 4.0	19,425,000	8/15/2035	17,885,000
					$ 21,460,000

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

2. Debt Service Requirements

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

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2019	$ 970,000	$ 697,625	$ 1,667,625
2020	1,000,000	665,350	1,665,350
2021	1,035,000	632,100	1,667,100
2022	1,070,000	597,550	1,667,550
2023	1,105,000	561,631	1,666,631
2024-2028	6,070,000	2,258,500	8,328,500
2029-2033	7,045,000	1,277,538	8,322,538
2034-2035	3,165,000	167,125	3,332,125
Totals	$ 21,460,000	$ 6,857,419	$ 28,317,419

3. Advance Refunding of Debt

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

Bond Issue	Amount
Series 2004	$ 2,130,000
Total	$ 2,130,000

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2018, as follows:

Year Ending August 31:	
2019	$ 375,296
2020	379,782
2021	388,661
2022	397,820
2023	407,270
2024-2028	1,942,071
2029-2033	276,301
Total Minimum Rentals	$ 4,167,201

The effective interest rate on capital leases is 4.390%.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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 https://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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2018 Employer Contributions	$	245,258
District's 2018 Member Contributions	$	700,511
NECE 2017 On-Behalf Contributions to District	$	509,616

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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation 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%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
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.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	**100%**		**8.7%**

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.
** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	$ 3,590,624	$ 2,129,920	$ 913,646

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

At August 31, 2018, the District reported a liability of $2,129,920 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 2,129,920
State's proportionate share that is associated with District	4,982,291
Total	$ 7,112,211

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0066613%. which was an increase (decrease) of -0.0000633% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of $687,373 and revenue of $380,029 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:
(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,162	$ 114,864
Changes in actuarial assumptions	97,021	55,542
Difference between projected and actual investment earnings	--	155,224
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	407,633	39,246
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	245,258	--
Total	$ 781,074	$ 364,876

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

Year Ended August 31	Pension Expense Amount
2019	$ 27,311
2020	$ 163,269
2021	$ 16,868
2022	$ (25,566)
2023	$ (6,381)
Thereafter	$ (4,561)

I. Defined Other Post-Employment Benefit Plans

1. 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 Benefitg (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.

2. OPEB Plan Fiduciary Net Position

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

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

3. 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 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:

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

* or surviving spouse

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions		$ 83,530
Current fiscal year Member contributions		$ 59,133
2017 measurement year NECE contributions	$ 85,025	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether 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 NECE in the amount of $15.6 million in fiscal year 2017 and $182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The total OPEB liability in the 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 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 Texas 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:

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

Additional Actuarial Methods and Assumptions:

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 reported 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.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1%Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	$ 5,707,193	$ 4,835,587	$ 4,135,012

8. 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 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 4,026,109	$ 4,835,587	$ 5,897,724

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

At August 31, 2018, the District reported a liability of $4,835,587 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 4,835,587
State's proportionate share that is associated with the District	$ 7,111,740
Total	$ 11,947,327

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0111198.
Since this is the first year of implentation, the District does not have the proportion measured as of August 31, 2016.
The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial a therefore, disregarded this year.

10. Changes Since the Prior Actuarial Valuation.

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

a. Significant plan changes were adopted during the 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.

b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

a. 2018 thresholds of $850/$2,292 were indexed annually by 2.50%.

b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

c. 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 provision 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, the District recognized OPEB expense of $(4,001,609) and revenue of $(2,379,777) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ --	$ 100,947
Changes in actuarial assumptions	--	1,921,789
Differences between projected and actual investment earnings	735	--
Changes in proportion and difference between the District's congtributions and the proportionate share of contributions	22	--
Contributions paid to TRS subsequent to the measurement date	83,530	
	$ 84,287	2,022,736

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

Year ended August 31,	Amount
2019	$ (266,801)
2020	$ (266,801)
2021	$ (266,801)
2022	$ (266,801)
2023	$ (266,985)
Thereafter	$ (687,788)

J. Employee Health Care Coverage

During the year employees of the District were covered by a statewide health insurance plan, TRS Active Care. The District paid premiums of $351 per month per participating employee to the Plan**.** Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Teacher Retirement System (TRS) manages TRS Active Care. Administration is provided by Aetna.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership
The District participates in a shared services arrangement ("SSA") for IDEA-B with the following school districts:

Member Districts
Hardin-Jefferson ISD
High Island ISD

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

M. Prior Period Adjustment

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. The prior period adjustment totaled $ (8,479,398) which resulted in a restated beginning net position balance of $ 5,188,775.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 9,267,137	$ 14,942,116	$ 12,620,696	$ (2,321,420)
5800	*State Program Revenues*	7,486,918	7,486,918	8,700,568	1,213,650
5900	*Federal Program Revenues*	178,000	178,000	225,403	47,403
5020	Total Revenues	16,932,055	22,607,034	21,546,667	(1,060,367)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	7,953,169	7,769,531	7,717,307	52,224
0012	*Instructional Resources and Media Services*	206,180	206,180	176,609	29,571
0013	*Curriculum and Staff Development*	48,145	48,145	42,749	5,396
	Total Instruction & Instr. Related Services	8,207,494	8,023,856	7,936,665	87,191
	Instructional and School Leadership:				
0021	*Instructional Leadership*	138,154	160,154	157,798	2,356
0023	*School Leadership*	1,004,163	1,019,460	1,014,449	5,011
	Total Instructional & School Leadership	1,142,317	1,179,614	1,172,247	7,367
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	380,322	380,322	367,129	13,193
0033	*Health Services*	108,749	110,970	110,641	329
0034	*Student (Pupil) Transportation*	1,080,000	3,252,603	3,097,957	154,646
0036	*Cocurricular/Extracurricular Activities*	837,511	864,159	837,253	26,906
	Total Support Services - Student (Pupil)	2,406,582	4,608,054	4,412,980	195,074
	Administrative Support Services:				
0041	*General Administration*	745,798	745,798	740,609	5,189
	Total Administrative Support Services	745,798	745,798	740,609	5,189
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	2,261,121	4,079,473	3,993,562	85,911
0052	*Security and Monitoring Services*	17,450	17,950	17,497	453
0053	*Data Processing Services*	98,559	100,559	99,660	899
	Total Support Services - Nonstudent Based	2,377,130	4,197,982	4,110,719	87,263
	Debt Service:				
0071	*Principal on Long-Term Debt*	170,000	170,000	168,941	1,059
0072	*Interest on Long-Term Debt*	95,000	95,000	91,210	3,790
	Total Debt Service	265,000	265,000	260,151	4,849
	Capital Outlay:				
0081	*Capital Outlay*	792,174	4,358,080	4,347,349	10,731
	Total Capital Outlay	792,174	4,358,080	4,347,349	10,731
	Intergovernmental Charges:				
0093	*Payments to Fiscal Agent/Member Dist.-SSA*	335,436	335,436	328,730	6,706
0095	*Payments to Juvenile Justice Alternative*				
0095	*Education Programs*	18,000	18,000	18,000	--
0099	*Other Intergovernmental Charges*	110,000	100,000	78,582	21,418
	Total Intergovernmental Charges	463,436	453,436	425,312	28,124
6030	Total Expenditures	16,399,931	23,831,820	23,406,032	425,788

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	532,124	(1,224,786)	(1,859,365)	(634,579)
	Other Financing Sources (Uses):				
7912	*Sale of Real or Personal Property*	--	--	19,195	19,195
7913	*Issuance of Capital Leases*	--	2,325,025	2,216,327	(108,698)
7915	*Transfers In*	538,174	538,174	1,400	(536,774)
8911	*Transfers Out*	(581,768)	(1,552,682)	(71,909)	1,480,773
7080	Total Other Financing Sources and (Uses)	(43,594)	1,310,517	2,165,013	854,496
1200	Net Change in Fund Balance	488,530	85,731	305,648	219,917
0100	Fund Balance - Beginning	4,966,716	4,966,716	4,966,716	--
3000	Fund Balance - Ending	$ 5,455,246	$ 5,052,447	$ 5,272,364	$ 219,917

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year Ended August 31,				
	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.006661284%	0.006724645%	0.007159600%	0.004459700%	--
District's proportionate share of the net pension liability (asset)	$ 2,129,920	$ 2,541,143	$ 2,530,823	$ 1,191,247	$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,982,291	6,193,414	5,824,549	5,603,903	--
Total	$ 7,112,211	$ 8,734,557	$ 8,355,372	$ 6,795,150	$ --
District's covered-employee payroll	$ 8,865,603	$ 8,819,718	$ 8,487,350	$ 9,259,871	$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.02%	28.81%	29.82%	12.86%	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--

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

EXHIBIT G-2

Measurement Year Ended August 31,					
2012	2011	2010	2009	2008	
--	--	--	--	--	
$ --	$ --	$ --	$ --	$ --	
--	--	--	--	--	
$ --	$ --	$ --	$ --	$ --	
$ --	$ --	$ --	$ --	$ --	
--	--	--	--	--	
--	--	--	--	--	

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year				
	2018	2017	2016	2015	2014
Contractually required contribution	$ 245,258	$ 214,859	$ 213,660	$ 212,572	$ --
Contributions in relation to the contractually required contribution	(245,258)	(214,859)	(213,660)	(212,572)	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 9,140,452	$ 8,865,603	$ 8,819,718	$ 8,487,350	$ --
Contributions as a percentage of covered-employee payroll	2.68%	2.42%	2.42%	2.50%	--

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

EXHIBIT G-3

Fiscal Year				
2013	2012	2011	2010	2009
$ --	$ --	$ --	$ --	$ --
--	--	--	--	--
$ --	$ --	$ --	$ --	$ --
$ --	$ --	$ --	$ --	$ --
--	--	--	--	--

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Measurement Year Ended				
	2017	2016	2015	2014	2013
District's proportion of the collective net OPEB liability	0.011119807%	--	--	--	--
District's proportionate share of the collective net OPEB liability	$ 4,835,587	$ --	$ --	$ --	$ --
State proportionate share of the collective net OPEB liability associated with the District	$ 7,111,740	$ 1	$ 1	$ --	$ --
Total	$ 11,947,327	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 8,865,603	$ --	$ --	$ --	$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.54%	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--

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

EXHIBIT G-4

	Measurement Year Ended				
	2012	2011	2010	2009	2008
	--	--	--	--	--
$	--	$ --	$ --	$ --	$ --
$	--	$ --	$ --	$ --	$ --
$	--	$ --	$ --	$ --	$ --
$	--	$ --	$ --	$ --	$ --
	--	--	--	--	--
	--	--	--	--	--

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year Ended				
	2018	2017	2016	2015	2014
Statutorily or contractually required District contribution	$ 83,530	$ --	$ --	$ --	$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(83,530)	--	--	--	--
Contribution deficiency (excess)	$ 167,060	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 9,140,452	$ --	$ --	$ --	$ --
Contributions as a percentage of covered-employee payroll	0.91%	--	--	--	--

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

EXHIBIT G-5

Fiscal Year Ended				
2013	2012	2011	2010	2009
$ --	$ --	$ --	$ --	$ --
--	--	--	--	--
$ --	$ --	$ --	$ --	$ --
$ --	$ --	$ --	$ --	$ --
--	--	--	--	--

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan

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 of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Supplementary Information

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

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

Year Ended August 31	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes
2009 and Prior Years	$ Various	$ Various	$ Various
2010	1.17	.166	650,778,967
2011	1.17	.176	625,942,040
2012	1.17	.186	672,505,678
2013	1.17	.186	708,890,855
2014	1.17	.186	688,941,150
2015	1.17	.186	696,511,646
2016	1.17	.2618	664,229,711
2017	1.17	.2544	666,149,922
2018 (School Year Under Audit)	1.17	.2463	715,170,571
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
$ 312,254	$ --	$ 4,086	$ 580	$ (62,707)	$ 244,881
31,564	--	663	94	(1)	30,806
42,960	--	1,522	229	(1)	41,208
70,785	--	3,457	550	(406)	66,373
79,054	--	4,497	715	(1)	73,841
86,055	--	8,538	1,357	(178)	75,982
73,938	--	8,430	1,340	(1,041)	63,127
141,979	--	38,935	8,712	(223)	94,109
283,201	--	108,657	23,626	(17,449)	133,469
--	10,128,961	8,165,884	1,719,023	(25,399)	218,654
$ 1,121,790	$ 10,128,961	$ 8,344,669	$ 1,756,226	$ (107,405)	$ 1,042,451
$ --	$ --	$ --	$ --	$ --	$ --

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 492,321	$ 344,997	$ (147,324)
5800	*State Program Revenues*	3,500	3,225	(275)
5900	*Federal Program Revenues*	376,416	524,015	147,599
5020	Total Revenues	872,237	872,237	--
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	*Food Services*	944,146	944,146	--
	Total Support Services - Student (Pupil)	944,146	944,146	--
6030	Total Expenditures	944,146	944,146	--
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(71,909)	(71,909)	--
	Other Financing Sources (Uses):			
7915	*Transfers In*	71,909	71,909	--
7080	Total Other Financing Sources and (Uses)	71,909	71,909	--
0100	Fund Balance - Beginning	23	23	--
3000	Fund Balance - Ending	$ 23	$ 23	$ --

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 1,801,750	$ 1,794,195	$ (7,555)
5800	*State Program Revenues*	--	33,888	33,888
5020	Total Revenues	1,801,750	1,828,083	26,333
	EXPENDITURES:			
	Debt Service:			
0071	*Principal on Long-Term Debt*	935,000	935,000	--
0072	*Interest on Long-Term Debt*	728,751	728,751	--
0073	*Bond Issuance Costs and Fees*	3,550	3,550	--
	Total Debt Service	1,667,301	1,667,301	--
6030	Total Expenditures	1,667,301	1,667,301	--
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	134,449	160,782	26,333
1200	Net Change in Fund Balance	134,449	160,782	26,333
0100	Fund Balance - Beginning	248,916	248,916	--
3000	Fund Balance - Ending	$ 383,365	$ 409,698	$ 26,333

West, Davis & Company, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Hamshire-Fannett Independent School District
Hamshire, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamshire-Fannett Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Hamshire-Fannett Independent School District's basic financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



West, Davis & Company, LLP
Austin, Texas
January 28, 2019

West, Davis & Company, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Hamshire-Fannett Independent School District
Hamshire, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Hamshire-Fannett Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2018.

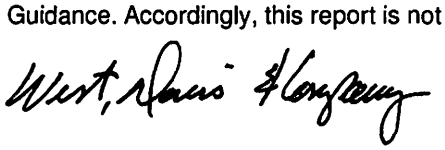
Report on Internal Control Over Compliance

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

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

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

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



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HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
One or more material weaknesses identified?	____ Yes	X No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X No	None Reported
Noncompliance material to financial statements noted?	____ Yes	X No	

2. Federal Awards

Internal control over major programs:			
One or more material weaknesses identified?	____ Yes	X No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X No	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	CHILD NUTRITION CLUSTER
10.553	School Breakfast Program
10.555	National School Lunch Program (Non-cash)
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000		
Auditee qualified as low-risk auditee?	X Yes	____ No	

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71401801	$	$ 98,745
National School Lunch Program (Non-cash)	10.555	123-914	--	42,500
National School Lunch Program	10.555	71301801	--	382,770
Total CFDA Number 10.555			--	425,270
Total Passed Through State Department of Education			--	524,015
Total U. S. Department of Agriculture			--	524,015
Total Child Nutrition Cluster			--	524,015
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	106610011000905	--	--
IDEA-B Formula	84.027A	186600011239146600	--	221,602
IDEA-B Formula	84.027A	196600011239146600	--	14,595
Total CFDA Number 84.027A			--	236,197
IDEA-B Preschool	84.173A	186610011239146610	--	17,403
IDEA-B Preschool	84.173A	196610011239146610	--	1,833
Total CFDA Number 84.173A			--	19,236
Total Passed Through State Department of Education			--	255,433
Total U. S. Department of Education			--	255,433
Total Special Education (IDEA) Cluster			--	255,433
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101123914	--	143,757
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101123914	--	7,074
Total CFDA Number 84.010A			--	150,831
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	18694501123914	--	30,394
Total CFDA Number 84.367A			--	30,394
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.424A	18680101123914	--	9,348
Project Serv Hurricane Recovery	84.938G	18510701123914	--	5,288
Total Passed Through State Department of Education			--	195,861
Total U. S. Department of Education			--	195,861
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ --	$ 975,309

The accompanying notes are an integral part of this schedule.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Hamshire-Fannett Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Hamshire-Fannett Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018

Data Control Codes			Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?		No
SF4	Was there an unmodified opinion in the Annual Financial Report?		Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?		No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?		No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?		Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?		Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	$	--
SF11	Net Pension Assets (object 1920) at fiscal year-end.	$	--
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	$	2,129,920
SF13	Pension Expense (object 6147) at fiscal year-end.	$	
	In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."		