HAMSHIRE-FANNETT
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Hamshire-Fannett Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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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, 2020, at a meeting of the board of trustees of such school district on the 25 day of January, 2021.

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
www.westdavis.com / gary@westdavis.com

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, 2020, 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, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and 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 21, 2021 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 21, 2021

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, 2020. 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 $9.9 million to $8.7 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 $(0.9) million at August 31, 2020. 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	
	2020	2019
Current and other assets	12,314	11,759
Capital assets	31,186	33,458
Total assets	43,500	45,217
Deferred Outflow Related to Pensions	2,083	2,218
Deferred Outflow Related to OPEB	1,139	1,048
Total Deferred Outflows	3,222	3,266
Long-term liabilities	32,660	34,683
Other liabilities	2,006	1,744
Total liabilities	34,666	36,427
Deferred Inflow Related to Pensions	673	251
Deferred Inflow Related to OPEB	2,684	1,912
Total Deferred Inflows	3,357	2,163
Net Position:		
Invested in capital assets, net of related debt	9,041	9,924
Restricted	594	534
Unrestricted	-936	-565
Total Net Position	8,699	9,893

Table II
Hamshire-Fannett Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	252	511
Operating grants and contributions	2,359	1,983
General revenues:		
Maintenance and operations taxes	8,618	8,140
Debt service taxes	1,713	1,735
State aid - formula grants	10,540	10,625
Investment Earnings	140	238
Miscellaneous	5,043	1,317
Total Revenues	28,665	24,549
Expenses:		
Instruction, curriculum and media services	12,093	10,450
Instructional and school leadership	1,624	1,420
Student support services	1,910	1,725
Child nutrition	1,131	1,274
Extracurricular activities	1,033	1,153
General administration	1,119	812
Plant maintenance, security and data processing	10,048	3,451
Debt services	794	836
Other	107	370
Total Expenses	29,859	21,491
Change in Net Position	(1,194)	3,058

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

The District's net OPEB liability at year end totaled $6 million while the net pension liability was $4 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 $9.3 million, compared to last year's total of $9.1 million.

Over the course of the year, the Board of Trustees revised the District's budget several times. The significant amendments served to increase expenditures for flood mediation by $3.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had $31.2 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 $19.5 million in bonds outstanding versus $20.5 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 2020 budget and tax rates. Those factors include property values, changes in enrollment, the economy, and legislative mandates.

Student enrollment was budgeted to reflect a slight increase in the 2019-2020 ending enrollment, with the actual enrollment for the first semester of 2020-2021 showing a 2% decrease. Decrease in enrollment can be attributed to more students either being homeschooled or missing school due to COVID-19. Property values decreased by 12.5% due to wide spread flood damages caused by Tropical Storm Imelda. The tax rate increased from the previous year for Interest and Sinking and decreased for Maintenance and Operations due to the legislature compressing the tax rate again for 2020-2021.

The District will incur significant repair costs for flooding to several facilities caused by Tropical Storm Imelda and due to insurance limits and no federal funding being provided for this disaster.

The District passed a $36,920,000 bond in the continued effort to upgrade High School 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, 2020

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 129,170
1120	*Current Investments*	9,914,232
1225	*Property Taxes Receivable (Net)*	1,051,002
1240	*Due from Other Governments*	446,883
1290	*Other Receivables (Net)*	37,718
1410	*Unrealized Expenses*	734,870
	Capital Assets:	
1510	*Land*	322,756
1520	*Buildings and Improvements, Net*	24,824,318
1530	*Furniture and Equipment, Net*	3,779,932
1550	*Capital Lease Assets, Net*	1,086,709
1590	*Infrastructure, Net*	1,172,822
1000	Total Assets	43,500,412
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	2,082,567
	Deferred Outflow Related to OPEB	1,138,894
1700	Total Deferred Outflows of Resources	3,221,461
	LIABILITIES:	
2110	*Accounts Payable*	456,212
2140	*Interest Payable*	27,785
2165	*Accrued Liabilities*	1,440,088
2180	*Due to Other Governments*	73,979
2300	*Unearned Revenue*	7,966
	Noncurrent Liabilities:	
2501	*Due Within One Year*	1,423,661
2502	*Due in More Than One Year*	21,805,689
2540	*Net Pension Liability*	3,983,449
2545	*Net OPEB Liability*	5,446,876
2000	Total Liabilities	34,665,705
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	673,190
	Deferred Inflow Related to OPEB	2,684,170
2600	Total Deferred Inflows of Resources	3,357,360
	NET POSITION:	
3200	Net Investment in Capital Assets	9,041,302
	Restricted For:	
3820	Federal and State Programs	23
3850	Debt Service	593,233
3900	Unrestricted	(935,750)
3000	Total Net Position	$ 8,698,808

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

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*	$ 11,483,921	$ 27,000	$ 1,465,627	$ (9,991,294)
12	*Instructional Resources and Media Services*	338,071	--	10,587	(327,484)
13	*Curriculum and Staff Development*	269,957	--	30,801	(239,156)
21	*Instructional Leadership*	273,664	--	25,280	(248,384)
23	*School Leadership*	1,350,490	--	67,034	(1,283,456)
31	*Guidance, Counseling, & Evaluation Services*	843,253	--	310,587	(532,666)
33	*Health Services*	214,845	--	12,504	(202,341)
34	*Student Transportation*	852,242	--	--	(852,242)
35	*Food Service*	1,131,208	166,402	309,832	(654,974)
36	*Cocurricular/Extracurricular Activities*	1,033,369	57,992	24,802	(950,575)
41	*General Administration*	1,118,715	--	37,181	(1,081,534)
51	*Facilities Maintenance and Operations*	9,581,910	1,000	53,467	(9,527,443)
52	*Security and Monitoring Services*	22,280	--	331	(21,949)
53	*Data Processing Services*	444,051	--	10,738	(433,313)
72	*Interest on Long-term Debt*	791,478	--	--	(791,478)
73	*Bond Issuance Costs and Fees*	2,300	--	--	(2,300)
93	*Payments Related to Shared Services Arrangements*	8,700	--	--	(8,700)
95	*Payments to Juvenile Justice Alternative Ed. Programs*	18,000	--	--	(18,000)
99	*Other Intergovernmental Charges*	80,300	--	--	(80,300)
TG	Total Governmental Activities	29,858,754	252,394	2,358,771	(27,247,589)
TP	Total Primary Government	$ 29,858,754	$ 252,394	$ 2,358,771	(27,247,589)

	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	8,617,761
DT	*Property Taxes, Levied for Debt Service*	1,713,330
IE	*Investment Earnings*	139,574
GC	*Grants and Contributions Not Restricted to Specific Programs*	10,540,345
MI	*Miscellaneous*	5,042,593
TR	Total General Revenues	26,053,603
CN	Change in Net Position	(1,193,986)
NB	Net Position - Beginning	9,892,794
NE	Net Position - Ending	$ 8,698,808

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 55,084	$ 74,086	$ 129,170
1120	*Current Investments*	8,492,438	1,421,794	9,914,232
1225	*Taxes Receivable, Net*	878,382	172,620	1,051,002
1240	*Due from Other Governments*	53,613	393,270	446,883
1260	*Due from Other Funds*	351,519	133,042	484,561
1290	*Other Receivables*	28,851	8,867	37,718
1410	*Unrealized Expenditures*	734,870	--	734,870
1000	Total Assets	10,594,757	2,203,679	12,798,436
	LIABILITIES:			
	Current Liabilities:			
2110	*Accounts Payable*	$ 371,902	$ 84,310	$ 456,212
2120	*Short-Term Debt Payable*	73,407	--	73,407
2150	*Payroll Deductions & Withholdings*	112,707	3,319	116,026
2160	*Accrued Wages Payable*	1,165,891	68,797	1,234,688
2170	*Due to Other Funds*	49,404	435,157	484,561
2180	*Due to Other Governments*	73,979	--	73,979
2200	*Accrued Expenditures*	15,967	--	15,967
2300	*Unearned Revenue*	885,982	172,985	1,058,967
2000	Total Liabilities	2,749,239	764,568	3,513,807
	FUND BALANCES:			
	Restricted Fund Balances:			
3450	*Federal/State Funds Grant Restrictions*	--	23	23
3470	*Capital Acquisitions & Contractual Obligations*	--	865,586	865,586
3480	*Retirement of Long-Term Debt*	--	573,502	573,502
	Committed Fund Balances:			
3545	*Other Committed Fund Balance*	720,000	--	720,000
3600	Unassigned	7,125,518	--	7,125,518
3000	Total Fund Balances	7,845,518	1,439,111	9,284,629
4000	Total Liabilities and Fund Balances	$ 10,594,757	$ 2,203,679	$ 12,798,436

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, 2020

Total fund balances - governmental funds balance sheet	$	9,284,629
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.		31,186,537
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,051,001
Payables for bond principal which are not due in the current period are not reported in the funds.		(19,490,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(3,520,821)
Payables for bond interest which are not due in the current period are not reported in the funds.		(27,785)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(3,983,449)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(673,190)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		2,082,567
Bond premiums are amortized in the SNA but not in the funds.		(218,529)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(5,446,876)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(2,684,170)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		1,138,894
Net position of governmental activities - Statement of Net Position	$	8,698,808

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, 2020

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 13,803,237	$ 1,901,165	$ 15,704,402
5800	*State Program Revenues*	10,701,374	393,874	11,095,248
5900	*Federal Program Revenues*	138,651	1,138,145	1,276,796
5020	Total Revenues	24,643,262	3,433,184	28,076,446
	EXPENDITURES:			
	Current:			
0011	*Instruction*	9,263,048	690,171	9,953,219
0012	*Instructional Resources and Media Services*	178,857	--	178,857
0013	*Curriculum and Staff Development*	230,490	26,383	256,873
0021	*Instructional Leadership*	246,277	12,192	258,469
0023	*School Leadership*	1,177,866	450	1,178,316
0031	*Guidance, Counseling, & Evaluation Services*	445,575	289,881	735,456
0033	*Health Services*	179,181	1,553	180,734
0034	*Student Transportation*	685,483	10,000	695,483
0035	*Food Service*	--	817,764	817,764
0036	*Cocurricular/Extracurricular Activities*	825,861	--	825,861
0041	*General Administration*	1,032,204	27,801	1,060,005
0051	*Facilities Maintenance and Operations*	8,836,106	--	8,836,106
0052	*Security and Monitoring Services*	21,766	--	21,766
0053	*Data Processing Services*	410,561	--	410,561
0071	*Principal on Long-term Debt*	379,782	1,000,000	1,379,782
0072	*Interest on Long-term Debt*	154,282	665,351	819,633
0073	*Bond Issuance Costs and Fees*	--	2,300	2,300
0081	*Capital Outlay*	--	150,000	150,000
0093	*Payments to Shared Service Arrangements*	8,700	--	8,700
0095	*Payments to Juvenile Justice Altermative*			
0095	*Education Programs*	18,000	--	18,000
0099	*Other Intergovernmental Charges*	80,300	--	80,300
6030	Total Expenditures	24,174,339	3,693,846	27,868,185
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	468,923	(260,662)	208,261
	Other Financing Sources and (Uses):			
7915	*Transfers In*	407	337,860	338,267
8911	*Transfers Out*	(337,860)	(407)	(338,267)
7080	Total Other Financing Sources and (Uses)	(337,453)	337,453	--
1200	Net Change in Fund Balances	131,470	76,791	208,261
0100	Fund Balances - Beginning	7,714,048	1,362,320	9,076,368
3000	Fund Balances - Ending	$ 7,845,518	$ 1,439,111	$ 9,284,629

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, 2020

Net change in fund balances - total governmental funds	$	208,261
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		150,541
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,262,874)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.		(159,137)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		82,662
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,000,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		379,782
(Increase) decrease in accrued interest from beginning of period to end of period.		1,461
Bond premiums are reported in the funds but not in the SOA.		26,694
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		(268,281)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		317,851
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		(590,025)
GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.		(81,743)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.		93,235
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		(92,413)
Change in net position of governmental activities - Statement of Activities	$	(1,193,986)

The accompanying notes are an integral part of this statement.

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

Data Control Codes		Custodial Fund Student Activity
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 249,626
1000	Total Assets	249,626
	LIABILITIES:	
	Current Liabilities:	
2190	*Due to Student Groups*	$ 249,626
2000	Total Liabilities	249,626
	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.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Custodial 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.

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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting**.** This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to / deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB Statement No. 92, *Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insureres and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative* instrument and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for* Internal Revenue Code *Section 457 Deferred Compensation Plans - an Amendment of GASB Statements* No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for* Postemployment Benefit Plans Other Than Pension Plans, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

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
Function 51 Plant Maintenance and Operations Expenditures exceeded budgeted amounts	Costs associated witht flood remediation were budgeted in Function 81 instead of Function 51

Function	Actual	Variance
51	$4,952,521	($3,883,585)
81	--	$3,902,825

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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $129,171 and the bank balance was $202,691. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, 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 deposit ("CD's") at FDIC insured banks are not subject to the fair value hierarchy levels.

The District's investments at August 31, 2020 are shown below.

Investment or Investment Type	Rating	Maturity	Fair Value Using Level		Fair Value	Percentage
Lone Star	AAA	24 days	*	$	7,170,611	72.33%
TexSTAR	AAAm	26 days	*		1,090,018	10.99%
TexPool	AAAm	38 days	*		1,653,605	16.68%
Total Investments				$	9,914,234	

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, 2020, 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 shown 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, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 322,756	$ --	$ --	$ 322,756
Construction in progress	--	--	--	--
Total capital assets not being depreciated	322,756	--	--	322,756
Capital assets being depreciated:				
Buildings and improvements	48,474,640	--	--	48,474,640
Furniture and equipment	6,775,733	130,539	162,353	6,743,919
Capital lease assets	2,692,694	--	--	2,692,694
Infrastructure	3,047,496	20,002	--	3,067,498
Total capital assets being depreciated	60,990,563	150,541	162,353	60,978,751
Less accumulated depreciation for:				
Buildings and improvements	(22,277,399)	(1,372,923)	--	(23,650,322)
Furniture and equipment	(2,480,693)	(486,510)	(3,216)	(2,963,987)
Capital lease assets	(1,345,176)	(260,809)	--	(1,605,985)
Infrastructure	(1,752,044)	(142,632)	--	(1,894,676)
Total accumulated depreciation	(27,855,312)	(2,262,874)	(3,216)	(30,114,970)
Total capital assets being depreciated, net	33,135,251	(2,112,333)	159,137	30,863,781
Governmental activities capital assets, net	$ 33,458,007	$ (2,112,333)	$ 159,137	$ 31,186,537

Depreciation was charged to functions as follows:

Instruction	$ 837,785
Instructional Resources and Media Services	147,630
School Leadership	88,088
Guidance, Counseling, & Evaluation Services	29,863
Health Services	21,101
Student Transportation	156,759
Food Services	288,241
Extracurricular Activities	166,147
General Administration	1,692
Plant Maintenance and Operations	465,830
Data Processing Services	59,738
	$ 2,262,874

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	$ 351,519	Temporary advances
Other Governmental Funds	General Fund	49,404	Temporary advances
Other Governmental Funds	Other Governmental Funds	83,638	Temporary advances
	Total	$ 484,561	

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, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Food Service Fund	$ 337,860	Supplement food service fund
Other Governmental Funds	General fund	407	Reimburse expenditures
	Total	$ 338,267	

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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 20,490,000	$ --	$ 1,000,000	$ 19,490,000	$ 1,035,000
Capital leases	3,900,603	--	379,782	3,520,821	388,661
Premium on bonds issued	245,223	--	26,694	218,529	--
	24,635,826	--	1,406,476	23,229,350	1,423,661
Net Pension Liability *	4,000,900	250,762	268,213	3,983,449	--
Net OPEB Liability *	6,046,584	(517,964)	81,744	5,446,876	--
Total governmental activities	$ 34,683,310	$ (267,202)	$ 1,756,433	$ 32,659,675	$ 1,423,661

Per statement of net position:

Due within one year	$ 1,423,661
Due in more than one year	21,805,689
	$ 23,229,350

* 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

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	$ 1,370,000
9/3/2014	Series 2014	3.5 to 4.3	3,215,000	8/15/2024	1,380,000
7/15/2015	Series 2015	3.0 to 4.0	19,425,000	8/15/2035	16,740,000
					$ 19,490,000

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

	Governmental Activities		
	Bonds		
Year Ending August 31,	Principal	Interest	Total
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	1,140,000	524,631	1,664,631
2025	1,180,000	486,231	1,666,231
2026-2030	6,440,000	1,890,963	8,330,963
2031-2035	7,520,000	801,338	8,321,338
Totals	$ 19,490,000	$ 5,494,444	$ 24,984,444

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2020, as follows:

Year Ending August 31:	
2021	$ 388,661
2022	397,820
2023	407,270
2024	417,020
2025	427,082
2026-2029	1,482,968
Total Minimum Rentals	$ 3,520,821

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 2020, 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.texas.gov/TRS%20Documents/cafr2019.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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% (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.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

District's 2019 Employer Contributions	$	317,851
District's 2019 Member Contributions	$	843,938
2019 NECE On-Behalf Contributions (state)	$	486,166

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.

--- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25%. 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, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	**100.0%**	**100.0%**	**7.23%**

* Target allocations are based on the Strategic Asset Allocation as of FY2019

** New allocations are based on the Strategic Asset Allocation to be implemented FY2020

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	$ 6,123,139	$ 3,983,449	$ 2,249,886

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

At August 31, 2020, the District reported a liability of $3,983,449 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	$ 3,983,449
State's proportionate share that is associated with District	7,220,753
Total	$ 11,204,202

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0076629647%. which was an increase (decrease) of 0.0003942087% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

--- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

--- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.

--- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of $1,992,585 and revenue of $1,134,279 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 16,734	$ 138,312
Changes in actuarial assumptions	1,235,861	510,716
Difference between projected and actual investment earnings	39,998	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	472,123	24,162
Total as of August 31, 2019 measurement date	1,764,716	673,190
Contributions paid to TRS subsequent to the measurement date	317,851	--
Total	$ 2,082,567	$ 673,190

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
2021	$ 270,998
2022	$ 223,702
2023	$ 259,813
2024	$ 255,411
2025	$ 109,789
Thereafter	$ (28,186)

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

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, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

District's 2020 Employer Contributions	$	93,235
District's 2020 Member Contributions	$	71,243
2019 NECE On-Behalf Contributions (state)	$	108,613

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through 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 rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current

plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	$ 6,576,127	$ 5,446,876	$ 4,563,461

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

At August 31, 2020, the District reported a liability of $5,446,876 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	$ 5,446,876
State's proportionate share that is associated with the District	$ 7,237,679
Total	$ 12,684,555

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0115177299, compared which was an increase (decrease) of (0.0005921699)% from its proprtion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	$ 4,443,370	$ 5,446,876	$ 6,791,112

9. Changes Since the Prior Actuarial Valuation

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

--- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.

--- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

--- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.

--- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.

--- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of $364,912 and revenue of $190,756 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 267,216	$ 891,323
Changes in actuarial assumptions	302,531	1,465,076
Differences between projected and actual investment earnings	588	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	475,324	327,771
Total as of August 31, 2019 measurement date	1,045,659	2,684,170
Contributions paid to TRS subsequent to the measurement date	93,235	
Total	$ 1,138,894	$ 2,684,170

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,	OPEB Expense Amount
2021	$ (273,799)
2022	$ (273,799)
2023	$ (273,989)
2024	$ (274,100)
2025	$ (274,072)
Thereafter	$ (268,751)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was $53,127.

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 $378 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, 2020.

L. Subsequent Events

Subsequent to year end in November 2020, the District's voters authorized the issuance of $36.9 million in school building bonds. The bonds are to used for improvements and renovations the the high school.

M. Infectious Disease Outbreak - COVID - 19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, The Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, imposed limitations on social gatherings of more than 10 people, ordered closure of in-person classroom attendance at school districts through the remainder of the 2019-2020 school year and maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household. These include, for example, the issuance on June 3, 2020 of Executive Order GA-26 which, among other things, provided that public schools may resume operations for the summer as provided by, and under the minimum standard health protocols found in, guidance issued by the TEA. Notwithstanding anything therein to the contrary, schools may conduct graduation ceremonies consistent with the minimum standard health protocols found in guidance issued by TEA. Prior orders permitted public school districts to offer summer school programs, special education evaluations, specialized assessments, and individualized tutoring, under the minimum standard health protocols found in guidance issued by the TEA. Executive Order GA-26 remains in place until amended, rescinded or superseded by the Governor. In addition to the actions by the state and federal officials, certain local

officials have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools.

On July 7, 2020, TEA issued public planning health guidance to support school systems in planning for the 2020-2021 school year, addressing on campus and virtual instruction, administrative and extracurricular activities, and school visits. Within the guidance, TEA instructs schools to provide parental and public notices of the school district's plan to follow in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unneccessary exposure to others to prevent the spread of COVID-19.

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. A reduction in property values may require an increase in the ad valorem tax rate required to pay debt as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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, 2020

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*	$ 8,529,213	$ 13,471,306	$ 13,803,237	$ 331,931
5800	*State Program Revenues*	11,172,799	11,172,799	10,701,374	(471,425)
5900	*Federal Program Revenues*	165,000	198,822	138,651	(60,171)
5020	Total Revenues	19,867,012	24,842,927	24,643,262	(199,665)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	9,441,987	9,379,250	9,263,048	116,202
0012	*Instructional Resources and Media Services*	192,319	184,733	178,857	5,876
0013	*Curriculum and Staff Development*	262,315	252,315	230,490	21,825
	Total Instruction & Instr. Related Services	9,896,621	9,816,298	9,672,395	143,903
	Instructional and School Leadership:				
0021	*Instructional Leadership*	185,242	249,742	246,277	3,465
0023	*School Leadership*	1,119,838	1,184,838	1,177,866	6,972
	Total Instructional & School Leadership	1,305,080	1,434,580	1,424,143	10,437
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	467,757	467,683	445,575	22,108
0033	*Health Services*	176,538	182,673	179,181	3,492
0034	*Student (Pupil) Transportation*	1,171,000	700,000	685,483	14,517
0036	*Cocurricular/Extracurricular Activities*	936,975	874,975	825,861	49,114
	Total Support Services - Student (Pupil)	2,752,270	2,225,331	2,136,100	89,231
	Administrative Support Services:				
0041	*General Administration*	969,765	1,046,765	1,032,204	14,561
	Total Administrative Support Services	969,765	1,046,765	1,032,204	14,561
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	2,518,504	4,952,521	8,836,106	(3,883,585)
0052	*Security and Monitoring Services*	46,900	24,900	21,766	3,134
0053	*Data Processing Services*	294,892	419,098	410,561	8,537
	Total Support Services - Nonstudent Based	2,860,296	5,396,519	9,268,433	(3,871,914)
	Debt Service:				
0071	*Principal on Long-Term Debt*	379,784	379,784	379,782	2
0072	*Interest on Long-Term Debt*	154,283	154,283	154,282	1
	Total Debt Service	534,067	534,067	534,064	3
	Capital Outlay:				
0081	*Capital Outlay*	154,000	3,902,825	--	3,902,825
	Total Capital Outlay	154,000	3,902,825	--	3,902,825
	Intergovernmental Charges:				
0093	*Payments to Fiscal Agent/Member Dist.-SSA*	8,700	8,700	8,700	--
0095	*Payments to Juvenile Justice Alternative*				
0095	*Education Programs*	18,000	18,000	18,000	--
0099	*Other Intergovernmental Charges*	120,000	85,000	80,300	4,700
	Total Intergovernmental Charges	146,700	111,700	107,000	4,700
6030	Total Expenditures	18,618,799	24,468,085	24,174,339	293,746

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

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	1,248,213	374,842	468,923	94,081
	Other Financing Sources (Uses):				
7915	*Transfers In*	--	--	407	407
8911	*Transfers Out*	(56,426)	(337,860)	(337,860)	--
7080	Total Other Financing Sources and (Uses)	(56,426)	(337,860)	(337,453)	407
1200	Net Change in Fund Balance	1,191,787	36,982	131,470	94,488
0100	Fund Balance - Beginning	7,714,048	7,714,048	7,714,048	--
3000	Fund Balance - Ending	$ 8,905,835	$ 7,751,030	$ 7,845,518	$ 94,488

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,				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.007662965%	0.007268756%	0.006661284%	0.006724645%	0.007159600%
District's proportionate share of the net pension liability (asset)	$ 3,983,449	$ 4,000,900	$ 2,129,920	$ 2,541,143	$ 2,530,823
State's proportionate share of the net pension liability (asset) associated with the District	7,220,753	8,134,239	4,982,291	6,193,414	5,824,549
Total	$ 11,204,202	$ 12,135,139	$ 7,112,211	$ 8,734,557	$ 8,355,372
District's covered-employee payroll	$ 9,515,585	$ 9,140,452	$ 8,865,603	$ 8,819,718	$ 8,487,350
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.86%	43.77%	24.02%	28.81%	29.82%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%

* 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.

Measurement Year Ended August 31,				
2014	2013	2012	2011	2010
0.004459700%	--	--	--	--
$ 1,191,247	$ --	$ --	$ --	$ --
5,603,903	--	--	--	--
$ 6,795,150	$ --	$ --	$ --	$ --
$ 9,259,871	$ --	$ --	$ --	$ --
12.86%	--	--	--	--
--	--	--	--	--

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Contractually required contribution	$ 317,851	$ 268,281	$ 245,258	$ 214,859	$ 213,660
Contributions in relation to the contractually required contribution	(317,851)	(268,281)	(245,258)	(214,859)	(213,660)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 10,960,237	$ 9,515,585	$ 9,140,452	$ 8,865,603	$ 8,819,718
Contributions as a percentage of covered-employee payroll	2.90%	2.82%	2.68%	2.42%	2.42%

* 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.

Fiscal Year				
2015	2014	2013	2012	2011
$ 212,572	$ --	$ --	$ --	$ --
(212,572)	--	--	--	--
$ --	$ --	$ --	$ --	$ --
$ 8,487,350	$ --	$ --	$ --	$ --
2.50%	--	--	--	--

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				
	2019	2018	2017	2016	2015
District's proportion of the collective net OPEB liability	0.011517730%	0.012109900%	0.011119807%	--	--
District's proportionate share of the collective net OPEB liability	$ 5,446,876	$ 6,046,584	$ 4,835,587	$ --	$ --
State proportionate share of the collective net OPEB liability associated with the District	$ 7,237,679	$ 7,873,641	$ 7,111,740	$ --	$ --
Total	$ 12,684,555	$ 13,920,225	$ 11,947,327	$ --	$ --
District's covered-employee payroll	$ 9,515,585	$ 9,140,452	$ 8,865,603	$ --	$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	57.24%	66.15%	54.54%	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	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.

Measurement Year Ended				
2014	2013	2012	2011	2010
--	--	--	--	--
$ --	$ --	$ --	$ --	$ --
$ --	$ --	$ --	$ --	$ --
$ --	$ --	$ --	$ --	$ --
$ --	$ --	$ --	$ --	$ --
--	--	--	--	--
--	--	--	--	--

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year Ended				
	2020	2019	2018	2017	2016
Statutorily or contractually required District contribution	$ 93,235	$ 81,743	$ 83,530	$ --	$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(93,235)	(81,743)	(83,530)	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 10,930,419	$ 9,515,585	$ 9,140,452	$ --	$ --
Contributions as a percentage of covered-employee payroll	0.85%	0.86%	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				
	2015	2014	2013	2012	2011
	$ --	$ --	$ --	$ --	$ --
	--	--	--	--	--
	$ --	$ --	$ --	$ --	$ --
	$ --	$ --	$ --	$ --	$ --
	--	--	--	--	--

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 Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB 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, 2020

Year Ended August 31	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes
2011 and Prior Years	$ Various	$ Various	$ Various
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	1.17	.2463	715,170,571
2019	1.17	.2463	694,445,271
2020 (School Year Under Audit)	1.0684	.2115	802,508,341
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
$ 231,537	$ --	$ 7,598	$ 1,028	$ (16,538)	$ 206,373
61,355	--	2,517	400	(383)	58,055
68,680	--	4,475	711	(399)	63,095
68,983	--	5,816	924	(377)	61,866
54,174	--	2,747	437	(190)	50,800
77,937	--	11,750	2,629	(2,154)	61,404
98,482	--	12,355	2,687	(2,297)	81,143
139,767	--	19,245	4,051	(7,871)	108,600
268,367	--	78,139	16,449	(21,321)	152,458
--	10,270,903	8,296,942	1,642,535	(13,060)	318,366
$ 1,069,283	$ 10,270,903	$ 8,441,584	$ 1,671,851	$ (64,590)	$ 1,162,161
$ --	$ --	$ --	$ --	$ --	$ --

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 262,219	$ 166,402	$ (95,817)
5800	*State Program Revenues*	3,500	7,529	4,029
5900	*Federal Program Revenues*	352,804	305,973	(46,831)
5020	Total Revenues	618,523	479,904	(138,619)
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	*Food Services*	958,283	817,764	140,519
	Total Support Services - Student (Pupil)	958,283	817,764	140,519
6030	Total Expenditures	958,283	817,764	140,519
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(339,760)	(337,860)	1,900
	Other Financing Sources (Uses):			
7915	*Transfers In*	337,860	337,860	--
7949	*Other Resources*	1,900	--	(1,900)
7080	Total Other Financing Sources and (Uses)	339,760	337,860	(1,900)
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, 2020

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 1,705,017	$ 1,703,868	$ (1,149)
5800	*State Program Revenues*	--	31,091	31,091
5020	Total Revenues	1,705,017	1,734,959	29,942
	EXPENDITURES:			
	Debt Service:			
0071	*Principal on Long-Term Debt*	1,000,000	1,000,000	--
0072	*Interest on Long-Term Debt*	665,351	665,351	--
0073	*Bond Issuance Costs and Fees*	3,500	2,300	1,200
	Total Debt Service	1,668,851	1,667,651	1,200
6030	Total Expenditures	1,668,851	1,667,651	1,200
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	36,166	67,308	31,142
1200	Net Change in Fund Balance	36,166	67,308	31,142
0100	Fund Balance - Beginning	506,194	506,194	--
3000	Fund Balance - Ending	$ 542,360	$ 573,502	$ 31,142

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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, 2020, 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 21, 2021.

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 21, 2021

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report 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, 2020. 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, 2020.

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.

West, Davis & Company, LLP
Austin, Texas
January 21, 2021

HAMSHIRE-FANNETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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__	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__	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Version of compliance supplement used in audit:	August 2019			
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

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, 2020

(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	71402001	$	$ 72,838
National School Lunch Program (Non-cash)	10.555	123-914	--	45,508
National School Lunch Program	10.555	71302001	--	187,628
Total CFDA Number 10.555			--	233,136
Total Passed Through State Department of Education			--	305,974
Total U. S. Department of Agriculture			--	305,974
Total Child Nutrition Cluster			--	305,974
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA-B Formula	84.027A	206600011239146000	--	370,315
IDEA-B Preschool	84.173A	206610011239146000	--	18,894
Total Passed Through State Department of Education			--	389,209
Total U. S. Department of Education			--	389,209
Total Special Education (IDEA) Cluster			--	389,209
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	20610101123914	--	155,573
ESEA Title II Part A - Teacher & Principal Training & Recruitment	84.367A	20694501123914	--	19,814
CARES Act Coronavirus Relief Fund (CRF) - ESSER	84.425D	20521001123914	--	28,148
Restart for 2019 Flooding	84.938A	20511703123914	--	227,801
Title IV, Part A, Subpart 1	84.424A	20680101123914	--	11,627
Total Passed Through State Department of Education			--	442,963
Total U. S. Department of Education			--	442,963
FEMA				
Passed Through Texas Division of Emergency Management:				
Public Assistance Grant, Texas Hurricane Harvey	97.036	4332DRTXP0000001	--	33,822
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ --	$ 1,171,968

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, 2020

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, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 daysfrom the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	$ --