

HEMPHILL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

Introductory Section

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Hemphill Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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CERTIFICATE OF BOARD

Hemphill Independent School District
Name of School District

Sabine
County

202-903
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, 2019, at a meeting of the board of trustees of such school district on the 19 day of December, 2019.


Signature of Board Secretary


Signature of Board President

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

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Financial Section

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Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Susan L. Murrell, CPA



4000 S. Medford Drive
Lufkin, Texas 75901

Wilbur E. Alexander, CPA
(1940-2009)
Ted A. Lankford, CPA
(Retired)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hemphill Independent School District
Hemphill, 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 Hemphill Independent School District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Auditor's Responsibility - Continued

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 Hemphill Independent School District as of August 31, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of District's OPEB contributions on pages 5 through 12 and 41 through 48 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 Hemphill Independent School District's basic financial statements. The introductory and other supplementary information sections, which include the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information - Continued

The introductory and other supplementary information sections, including 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 introductory and other supplementary information sections, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of Hemphill Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hemphill Independent School 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 Hemphill Independent School District's internal control over financial reporting and compliance.

Alexander, Lankford + Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
December 13, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$19,691,498 at August 31, 2019.

During the year, the District's expenses were \$172,332 less than the \$12,439,349 generated in taxes and other revenues for governmental activities.

The total cost of the District's programs was \$12,611,681, which is \$3,839,624 higher than the prior year. However, the prior year reflected a significant negative OPEB adjustment resulting from the implementation of GASB 75.

As of the close of the current fiscal year, the District's general fund reported a fund balance of \$8,386,450, a decrease of \$303,083.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

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

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain.

Figure A-1

Major Features of the District’s Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. The government-wide financial statements of the District include the governmental activities. Most of the District’s basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

The *statement of net position* presents all of the District’s assets, liabilities and deferred outflows/inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. These funds are reported using the *modified accrual* basis of accounting, which requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each major fund of the District. All other funds are combined into a single, aggregated presentation. The District adopts an annual budget for the general fund and the National School Breakfast and Lunch Program special revenue fund.

The basic governmental funds financial statements are referenced as Exhibits C-1, C-1R, C-2, and C-3 in this report.

Fiduciary Funds

Fiduciary funds are used to account for assets and activities when the District is functioning as a trustee or an agent, *fiduciary*, for another party. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The *agency fund* accounts for resources held for the benefit of students. That fund is not reflected in the District's government-wide financial statements because the resources of the fund are not available to support the District's own operations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements and government-wide statements. The notes to financial statements immediately follow the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget information and the cost-sharing multiple-employer pension and OPEB plans in which the District participates. The required supplementary information is referenced as Exhibits G-1 through G-5, and the associated notes immediately follow the exhibits in this report. The other supplementary section immediately follows the required supplementary information and includes schedules that the Texas Education Agency requires to be included. Those schedules are referenced as J-1, J-2 and K-1 in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$19,691,498 at August 31, 2019. The following table reflects the condensed Statement of Net Position.

Table A-1

	2019	2018
Current assets	\$ 9,588,393	\$ 9,814,154
Capital assets	17,806,769	17,433,409
Total assets	<u>27,395,162</u>	<u>27,247,563</u>
Deferred outflows of resources	<u>2,148,875</u>	<u>900,704</u>
Other liabilities	795,344	741,659
Long term liabilities	<u>7,212,283</u>	<u>5,651,298</u>
Total liabilities	<u>8,007,627</u>	<u>6,392,957</u>
Deferred inflows of resources	<u>1,844,912</u>	<u>1,891,480</u>
Net position:		
Net investment in capital assets	17,776,717	17,394,072
Restricted	241,017	194,332
Unrestricted	<u>1,673,764</u>	<u>2,275,426</u>
Total net position	<u>\$ 19,691,498</u>	<u>\$ 19,863,830</u>

- A portion of the District's net position (ninety percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to student; consequently, these assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

- The \$1,673,764 (eight percent) of unrestricted net position represents resources available to fund the programs of the District next year.
- At the end of the current fiscal year, the District is able to report a positive balance in all categories of net position.

Analysis of the District's Operations

The following table provides a summary of the District's operations for the year ended August 31, 2019. Governmental activities decreased the District's net position by \$172,332.

	2019	2018
Program revenues:		
Charges for services	\$ 640,889	\$ 642,954
Operating grants and contributions	2,645,160	859,715
General revenues:		
Property taxes	4,924,041	4,714,292
State aid	3,959,422	3,897,739
Investment earnings	245,466	166,076
Miscellaneous	24,371	107,389
Total revenues	<u>12,439,349</u>	<u>10,388,165</u>
Expenses:		
Instruction, instructional resources and media services	7,055,107	4,679,335
Curriculum and staff development	123,946	60,363
Instructional leadership	153,054	105,692
School leadership	630,324	378,397
Guidance, counseling and evaluation services	658,212	314,272
Health services	136,461	88,132
Student transportation	436,750	342,421
Food service	656,952	470,034
Cocurricular/extracurricular activities	508,593	494,003
General administration	618,140	432,910
Facilities maintenance and operations	1,164,783	1,010,162
Security and monitoring services	67,829	
Data processing services	30,109	36,812
Interest on long-term debt	1,855	2,331
Payments to related shared service arrangements	172,222	166,688
Other intergovernmental charges	197,344	190,505
Total expenses	<u>12,611,681</u>	<u>8,772,057</u>
Change in net position	(172,332)	1,616,108
Net position, beginning of year	<u>19,863,830</u>	<u>25,074,972</u>
Cumulative effect of change in accounting principle		(6,827,250)
Net position, beginning - restated	<u>19,863,830</u>	<u>18,247,722</u>
Net position, end of year	<u>\$ 19,691,498</u>	<u>\$ 19,863,830</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Analysis of the District's Operations - Continued

The District's total revenues were \$12,439,349. A significant portion, forty percent, of the District's revenue comes from taxes. Thirty-two percent comes from state aid, while only five percent relates to charges for services. Property tax rates remained the same for the year.

The cost of all governmental activities this year was \$12,611,681. However, the amount that our taxpayers paid for these activities through property taxes was only \$4,924,041. Those who directly benefitted from the programs paid \$640,889 and grants and contributions paid \$2,645,160.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,627,467. Less than one percent of the total is considered nonspendable because it is not in spendable form. Three percent or \$241,017 of this total is restricted due to external limitations on its use, which is for federal grants. Ninety-seven percent or \$8,343,414 is unassigned.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,343,414, while total fund balance was \$8,386,450. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents eighty-one percent of total general fund expenditures, while total fund balance represents eighty-two percent of that same amount.

Revenues from governmental fund types totaled \$12,163,202, an increase of two percent from the preceding year. This increase is primarily due an increase in local revenues. The local revenues increase is due to an increase in tax revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS - CONTINUED

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget eight times. Differences between the original budget and the final amended budget were significant for expenditures (\$1,328,128 increase in projected expenditures). The increase in budgeted expenditures is due primarily to an increase in facilities acquisition and construction of \$1,190,204 for several capital projects.

Differences between the actual results and the final amended budget were significant for revenues and expenditures (\$285,543 increase in actual revenues and \$720,905 decrease in actual expenditures). The increase in actual revenues is primarily due to an increase in federal revenues resulting from mineral rights and federal forest funds that were not budgeted because they vary from year to year. The decrease in actual expenditures is primarily due to decreases of \$161,221 in instruction and \$269,485 in plant maintenance and operations. The decrease in instruction is primarily due to unexpended payroll costs such as workers compensation as well as the estimated cost of tuition was less than budgeted, while the decrease in plant maintenance and operations primarily relates to estimated overtime and utilities costs being lower and projects being postponed until the next year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the District had invested \$33,239,074 in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment and construction in progress. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$1,320,995, or four percent from last year.

Table A-3

DISTRICT'S CAPITAL ASSETS

	2019	2018
Land	\$ 829,362	\$ 829,362
Buildings and improvements	29,338,353	27,945,811
Vehicles	1,864,192	1,739,599
Furniture and equipment	1,077,245	1,053,576
Construction in progress	129,922	349,731
Totals at historical cost	33,239,074	31,918,079
Total accumulated depreciation	(15,432,305)	(14,484,670)
Net capital assets	<u>\$ 17,806,769</u>	<u>\$ 17,433,409</u>

The District does not expect to have any large capital projects in fiscal year 2020. More detailed information about the District's capital assets is presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Long Term Debt

At August 31, 2019, the District had \$30,052 in capital leases outstanding. The District does not anticipate the issuance of bonds or any other new debt for the year ending August 31, 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Appraised property tax value used for the 2020 budget preparation was up from 2019. General operating fund spending per student increased in the 2020 budget. The District's 2020 refined average daily attendance is expected to remain the same.

These indicators were taken into account when adopting the general fund budget for 2020. Revenue amounts available for appropriation in the general fund budget were \$10,197,610, an increase of six percent from the final 2019 budget of \$9,655,245.

Expenditures for the general fund were budgeted at \$10,197,610, a decrease of seven percent from the final 2019 budget of \$10,964,776. The District has not added or removed any programs or initiatives in the 2020 budget.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2019

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 8,751,197
1225	<i>Property Taxes Receivable, Net</i>	165,582
1240	<i>Due from Other Governments</i>	624,907
1290	<i>Other Receivables, Net</i>	3,671
1410	<i>Prepaid Items</i>	43,036
	Capital Assets:	
1510	<i>Land</i>	829,362
1520	<i>Buildings and Improvements, Net</i>	16,180,400
1530	<i>Furniture and Equipment, Net</i>	638,584
1550	<i>Capital Lease Assets, Net</i>	28,501
1580	<i>Construction in Progress</i>	129,922
1000	Total Assets	<u>27,395,162</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflows Related to Pensions</i>	1,802,700
	<i>Deferred Outflows Related to OPEB</i>	346,175
1700	Total Deferred Outflows of Resources	<u>2,148,875</u>
LIABILITIES:		
2165	<i>Accrued Liabilities</i>	716,345
2180	<i>Due to Other Governments</i>	78,999
	Noncurrent Liabilities:	
2501	<i>Due Within One Year</i>	9,788
2502	<i>Due in More Than One Year</i>	20,264
2540	<i>Net Pension Liability</i>	3,049,194
2545	<i>Net OPEB Liability</i>	4,133,037
2000	Total Liabilities	<u>8,007,627</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflows Related to Pensions</i>	167,089
	<i>Deferred Inflows Related to OPEB</i>	1,677,823
2600	Total Deferred Inflows of Resources	<u>1,844,912</u>
NET POSITION:		
3200	Net Investment in Capital Assets	17,776,717
	Restricted For:	
3820	State and Federal Programs	241,017
3900	Unrestricted	1,673,764
3000	Total Net Position	<u>\$ 19,691,498</u>

The accompanying notes are an integral part of this statement.

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 6,889,803	\$ 299,833	\$ 1,248,995	\$ (5,340,975)
12	Instructional Resources and Media Services	165,304	384	18,190	(146,730)
13	Curriculum and Staff Development	123,946	51	103,366	(20,529)
21	Instructional Leadership	153,054	93,519	42,195	(17,340)
23	School Leadership	630,324	1,459	73,223	(555,642)
31	Guidance, Counseling, & Evaluation Services	658,212	6,718	418,533	(232,961)
33	Health Services	136,461	35,271	17,674	(83,516)
34	Student Transportation	436,750	1,011	38,374	(397,365)
35	Food Service	656,952	176,652	457,868	(22,432)
36	Cocurricular/Extracurricular Activities	508,593	1,177	42,929	(464,487)
41	General Administration	618,140	2,311	59,426	(556,403)
51	Facilities Maintenance and Operations	1,164,783	14,862	83,883	(1,066,038)
52	Security and Monitoring Services	67,829	101	33,093	(34,635)
53	Data Processing Services	30,109	70	1,106	(28,933)
72	Interest on Long-term Debt	1,855	--	--	(1,855)
93	Payments Related to Shared Services Arrangements	172,222	7,470	6,305	(158,447)
99	Other Intergovernmental Charges	197,344	--	--	(197,344)
TG	Total Governmental Activities	<u>12,611,681</u>	<u>640,889</u>	<u>2,645,160</u>	<u>(9,325,632)</u>
TP	Total Primary Government	<u>\$ 12,611,681</u>	<u>\$ 640,889</u>	<u>\$ 2,645,160</u>	<u>(9,325,632)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				4,924,041
IE	Investment Earnings				245,466
GC	Grants and Contributions Not Restricted to Specific Programs				3,959,422
MI	Miscellaneous				24,371
TR	Total General Revenues				<u>9,153,300</u>
CN	Change in Net Position				(172,332)
NB	Net Position - Beginning				19,863,830
NE	Net Position - Ending				<u>\$ 19,691,498</u>

The accompanying notes are an integral part of this statement.

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10 General Fund	Sabine County Special Education SSA	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 8,407,926	\$ 112,697	\$ 230,574	\$ 8,751,197
1225	Taxes Receivable, Net	165,582	--	--	165,582
1240	Due from Other Governments	410,484	210	214,213	624,907
1260	Due from Other Funds	151,617	--	--	151,617
1290	Other Receivables	3,441	59	171	3,671
1410	Prepaid Items	43,036	--	--	43,036
1000	Total Assets	<u>9,182,086</u>	<u>112,966</u>	<u>444,958</u>	<u>9,740,010</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 66,659	\$ --	\$ --	\$ 66,659
2160	Accrued Wages Payable	420,624	24,150	44,809	489,583
2170	Due to Other Funds	--	483	151,134	151,617
2180	Due to Other Governments	--	77,859	1,140	78,999
2200	Accrued Expenditures	142,771	10,474	6,858	160,103
2000	Total Liabilities	<u>630,054</u>	<u>112,966</u>	<u>203,941</u>	<u>946,961</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Property Tax Revenue	165,582	--	--	165,582
2600	Total Deferred Inflows of Resources	<u>165,582</u>	<u>--</u>	<u>--</u>	<u>165,582</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3430	Prepaid Items	43,036	--	--	43,036
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	241,017	241,017
3600	Unassigned	8,343,414	--	--	8,343,414
3000	Total Fund Balances	<u>8,386,450</u>	<u>--</u>	<u>241,017</u>	<u>8,627,467</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,182,086</u>	<u>\$ 112,966</u>	<u>\$ 444,958</u>	<u>\$ 9,740,010</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 8,627,467
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	17,806,769
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	165,582
Payables for capital leases which are not due in the current period are not reported in the funds.	(30,052)
District's proportionate share of the collective net pension liability is not reported in the funds.	(3,049,194)
District's proportionate share of the collective deferred inflows of resources related to pension plans is not reported in the funds.	(167,089)
District's proportionate share of the collective deferred outflows of resources related to pension plans is not reported in the funds.	1,802,700
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(4,133,037)
District's proportionate share of the collective deferred inflows of resources related to the OPEB plan is not reported in the funds.	(1,677,823)
District's proportionate share of the collective deferred outflows of resources related to the OPEB plan is not reported in the funds.	<u>346,175</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 19,691,498</u>

The accompanying notes are an integral part of this statement.

HEMPHILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Sabine County Special Education SSA	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 5,213,076	\$ 440,374	\$ 181,422	\$ 5,834,872
5800 <i>State Program Revenues</i>	4,346,247	17,861	38,087	4,402,195
5900 <i>Federal Program Revenues</i>	381,465	17,254	1,527,416	1,926,135
5020 Total Revenues	<u>9,940,788</u>	<u>475,489</u>	<u>1,746,925</u>	<u>12,163,202</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	5,135,531	323,221	570,263	6,029,015
0012 <i>Instructional Resources and Media Services</i>	144,703	--	--	144,703
0013 <i>Curriculum and Staff Development</i>	3,038	--	102,561	105,599
0021 <i>Instructional Leadership</i>	--	105,797	27,058	132,855
0023 <i>School Leadership</i>	546,083	--	--	546,083
0031 <i>Guidance, Counseling, & Evaluation Services</i>	161,799	6,924	393,239	561,962
0033 <i>Health Services</i>	78,892	39,678	2	118,572
0034 <i>Student Transportation</i>	517,894	--	--	517,894
0035 <i>Food Service</i>	--	--	583,355	583,355
0036 <i>Cocurricular/Extracurricular Activities</i>	462,369	--	--	462,369
0041 <i>General Administration</i>	541,699	1,000	--	542,699
0051 <i>Facilities Maintenance and Operations</i>	1,078,671	13,809	--	1,092,480
0052 <i>Security and Monitoring Services</i>	35,730	--	23,764	59,494
0053 <i>Data Processing Services</i>	27,670	--	--	27,670
0071 <i>Principal on Long-term Debt</i>	9,285	--	--	9,285
0072 <i>Interest on Long-term Debt</i>	1,855	--	--	1,855
0081 <i>Facilities Acquisition and Construction</i>	1,137,086	--	--	1,137,086
0093 <i>Payments to Shared Service Arrangements</i>	164,222	8,000	--	172,222
0099 <i>Other Intergovernmental Charges</i>	197,344	--	--	197,344
6030 Total Expenditures	<u>10,243,871</u>	<u>498,429</u>	<u>1,700,242</u>	<u>12,442,542</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(303,083)</u>	<u>(22,940)</u>	<u>46,683</u>	<u>(279,340)</u>
1200 Net Change in Fund Balances	<u>(303,083)</u>	<u>(22,940)</u>	<u>46,683</u>	<u>(279,340)</u>
0100 Fund Balances - Beginning	<u>8,689,533</u>	<u>22,940</u>	<u>194,334</u>	<u>8,906,807</u>
3000 Fund Balances - Ending	<u>\$ 8,386,450</u>	<u>\$ --</u>	<u>\$ 241,017</u>	<u>\$ 8,627,467</u>

The accompanying notes are an integral part of this statement.

HEMPHILL 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, 2019*

Net change in fund balances - total governmental funds	\$ (279,340)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,336,495
The depreciation of capital assets used in governmental activities is not reported in the funds.	(963,135)
Certain property tax revenues are unavailable; therefore they are deferred inflows of resources in the funds. This is the change in these amounts this year.	(106)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	9,285
Pension contributions made after the measurement date, August 31, 2018, are required to be reported as deferred outflows of resources in the SOA.	207,808
District's recognition of its proportional share of collective net pension expense is recorded in the SOA, but not in the funds.	(483,120)
OPEB contributions made after the measurement date, August 31, 2018, are required to be reported as deferred outflows of resources in the SOA.	57,145
District's recognition of its proportional share of collective net OPEB expense is recorded in the SOA, but not in the funds.	<u>(57,364)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (172,332)</u>

The accompanying notes are an integral part of this statement.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2019

Data Control Codes		Agency Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 105,686
1000	Total Assets	<u>105,686</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	105,686
2000	Total Liabilities	<u>105,686</u>
	NET POSITION:	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

The basic financial statements of Hemphill 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.

Sabine County Special Education SSA: This fund accounts for the activity of the special education cooperative that serves local school districts.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible taxes receivable within the General Fund 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. The allowance for uncollectible taxes was \$496,747 as of August 31, 2019.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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 asset 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	12 - 30
Furniture and equipment	5 - 20

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.

For the year ended August 31, 2019, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reports the deferred outflows and inflows related to the Teacher Retirement System of Texas (TRS) net pension and net OPEB liabilities only on the government-wide Statement of Net Position. Those items are detailed in Notes I and J. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

e. Receivable and Payable Balances

The District believes sufficient detail of receivable and payable balances is not provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, disclosure is provided to disaggregate significant balances in Note F.

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those 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.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 TRS pension 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 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 the TRS' pension plan'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 TRS OPEB plan, known as TRS-Care, 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 (including refunds of employee contributions) 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.

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:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,856,883 and the bank balance was \$9,112,202. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the pledging financial institution'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 Act requires an annual review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The District is in compliance with the requirements of the Act and 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 and 11) interest-bearing deposits.

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.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 829,362	\$ --	\$ --	\$ 829,362
Construction in progress	349,731	944,929	1,164,738	129,922
Total capital assets not being depreciated	<u>1,179,093</u>	<u>944,929</u>	<u>1,164,738</u>	<u>959,284</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	27,945,811	1,392,542	--	29,338,353
Furniture and equipment	2,744,316	163,762	15,500	2,892,578
Furniture and equipment under capital leases	48,859	--	--	48,859
Total capital assets being depreciated	<u>30,738,986</u>	<u>1,556,304</u>	<u>15,500</u>	<u>32,279,790</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,355,040)	(802,913)	--	(13,157,953)
Furniture and equipment	(2,119,044)	(150,450)	(15,500)	(2,253,994)
Furniture and equipment under capital leases	(10,586)	(9,772)	--	(20,358)
Total accumulated depreciation	<u>(14,484,670)</u>	<u>(963,135)</u>	<u>(15,500)</u>	<u>(15,432,305)</u>
Total capital assets being depreciated, net	<u>16,254,316</u>	<u>593,169</u>	<u>--</u>	<u>16,847,485</u>
Governmental activities capital assets, net	<u>\$ 17,433,409</u>	<u>\$ 1,538,098</u>	<u>\$ 1,164,738</u>	<u>\$ 17,806,769</u>

Depreciation was charged to functions as follows:

Instruction	\$ 531,523
Instructional Resources and Media Services	12,757
Curriculum and Staff Development	9,310
Instructional Leadership	11,713
School Leadership	48,143
Guidance, Counseling, & Evaluation Services	49,543
Health Services	10,453
Student Transportation	45,658
Food Services	51,429
Extracurricular Activities	40,763
General Administration	47,845
Plant Maintenance and Operations	96,314
Security and Monitoring Services	5,245
Data Processing Services	2,439
	<u>\$ 963,135</u>

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ <u>151,617</u>	Short-term advances

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

2. Transfers To and From Other Funds

There were no transfers to or from other funds at August 31, 2019.

F. Due From/Due To Other Governments

Due from other governments consisted of the following at August 31, 2019:

	General Fund	Sabine County Special Education SSA	Other Governmental Funds	Total
Due from State - Days of instruction	\$ 265,930	\$ --	\$ --	\$ 265,930
Due from State - Foundation	101,598	--	--	101,598
Due from State - Grants	--	--	214,213	214,213
Due from other governments	<u>42,956</u>	<u>210</u>	<u>--</u>	<u>43,166</u>
Total	\$ <u>410,484</u>	\$ <u>210</u>	\$ <u>214,213</u>	\$ <u>624,907</u>

At August 31, 2019, due to other governments consisted of the following:

	General Fund	Sabine County Special Education SSA	Other Governmental Funds	Total
Due to State - Other state revenue	\$ --	\$ --	\$ 1,140	\$ 1,140
Due to other governments	<u>--</u>	<u>77,859</u>	<u>--</u>	<u>77,859</u>
Total	\$ <u>--</u>	\$ <u>77,859</u>	\$ <u>1,140</u>	\$ <u>78,999</u>

G. 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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases	\$ 39,337	\$ --	\$ (9,285)	\$ 30,052	\$ 9,788
Total governmental activities	\$ <u>39,337</u>	\$ <u>--</u>	\$ <u>(9,285)</u>	\$ <u>30,052</u>	\$ <u>9,788</u>

HEMPHILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

2. Capital Leases

The District entered into a capital lease with Canon Financial Services to finance the purchase of copiers. The interest rate on this lease is 5.28%. Interest expense for the year ended August 31, 2019 totaled \$1,855. The assets acquired through capital leases are as follows:

<u>Asset</u>	Governmental Activities
Furniture and equipment	\$ 48,859
Less: Accumulated depreciation	<u>(20,358)</u>
Total	<u>\$ 28,501</u>

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2019, as follows:

<u>Year Ending August 31:</u>	
2020	\$ 11,140
2021	11,140
2022	<u>10,211</u>
Total minimum rentals	32,491
Less amount representing interest	<u>(2,439)</u>
Present value of minimum lease payments	<u>\$ 30,052</u>

Amortization of leased equipment under capital leases is included with depreciation expense.

H. 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 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District is a member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The District participates in the Property, Liability, Auto, Unemployment Compensation and Workers' Compensation Programs.

For the Property, Liability, and Auto programs, the Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

The Unemployment Compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation program members.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2019

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims liability. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's retention of \$2,000,000. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. The estimated discounted amount for claims incurred but not yet reported at August 31, 2019 for the District is included in the table below.

For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions and/or reimbursable aggregate deductibles for all programs in which it participates.

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

In 1991, the District joined with other school districts in the East Texas area to form a risk pool arrangement called the East Texas Educational Insurance Association (the Association) for workers' compensation insurance. The District ended its participation in the Association in 2002.

The \$9,901 balance shown in the following table consists of the estimated discounted amount of claims incurred but not yet reported of \$96 and \$9,805 for the Association (prior to 2002) and the TASB workers' compensation program, previously described, respectively. This balance is included in accrued liabilities on the Statement of Net Position and accrued expenditures on the governmental funds balance sheet.

Fiscal Year	Beginning of Year Balance	Current Claims	Claim Payments	End of Year Balance
2017	\$ 13,034	\$ 9,445	\$ 21,612	867
2018	867	31,039	22,734	9,172
2019	9,172	19,591	18,862	9,901

I. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by TRS and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal 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.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions (fiscal year)		\$ 207,808
Member Contributions (fiscal year)		488,771
NECE On-Behalf Contributions (measurement year)	\$ 300,440	

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 GAA.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

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

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%*
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

*Source: Fixed income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Rate of Return			
As of August 31, 2016			
Asset Class	Target Allocation *	Long-term Expected Geometric Real Rate of Return **	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ***			-0.8%
Total	<u>100.0%</u>		<u>7.2%</u>

* Target allocation are based on the FY 2016 policy model.
 ** Capital market assumptions come from Aon Hewitt (2017Q4)
 *** The volatility drag results from the conversion between arithmetic and geometric mean returns.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 (6.907%) in measuring the net pension liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 4,601,965	\$ 3,049,194	\$ 1,792,134

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

At August 31, 2019, the District reported a liability of \$3,049,194 for its proportionate share of the TRS' 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	\$ 3,049,194
State's proportionate share that is associated with District	<u>4,911,989</u>
Total	<u>\$ 7,961,183</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0055397155%, which was an increase (decrease) of -.0001652993% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

For the year ended August 31, 2019, the District recognized pension expense of \$486,156 and revenue of \$486,156 for support provided by the State. The District also recognized their proportionate share of pension expense of \$483,120.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,006	\$ 74,815
Changes in actuarial assumptions	1,099,381	34,356
Difference between projected and actual investment earnings	--	57,857
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	476,505	61
Contributions paid to TRS subsequent to the measurement date	<u>207,808</u>	<u>--</u>
Total	<u>\$ 1,802,700</u>	<u>\$ 167,089</u>

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:

Plan (Fiscal) Year Ended August 31,	Pension Expense Amount
2019 (2020)	\$ 376,621
2020 (2021)	254,867
2021 (2022)	220,333
2022 (2023)	238,441
2023 (2024)	211,359
Thereafter	126,182

J. 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 TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

3. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
January 1, 2018 thru December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% 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 percent of the salary of each active employee of the public school. 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	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer contributions (fiscal year)		\$ 57,145
Member contributions (fiscal year)		41,261
NECE on-behalf contributions (measurement year)	\$ 67,245	

HEMPHILL INDEPENDENT SCHOOL DISTRICT

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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 to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

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

**8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

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

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

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2019

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% 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 (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 4,919,735	\$ 4,133,037	\$ 3,510,709

8. Healthcare Cost Trend Rates Sensitivity Analysis

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 Cost Trend Rate	Current Single Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 3,432,555	\$ 4,133,037	\$ 5,055,588

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

At August 31, 2019, the District reported a liability of \$4,133,037 for its proportionate share of the TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 4,133,037
State's proportionate share that is associated with the District	<u>4,874,017</u>
Total	<u>\$ 9,007,054</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2017 thru August 31, 2018.

At August 31, 2018, the District's proportion of the collective net OPEB liability was 0.0082775118%, which was an increase (decrease) of -0.0006759216% from its proportion measured as of August 31, 2017.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

The following were changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement period:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$177,287 and revenue of \$177,287 for support provided by the State. The District also recognized their proportionate share of OPEB expense of \$57,364.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

At August 31, 2019, the District reported its proportionate share of the TRS' 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	\$ 219,325	\$ 65,225
Changes in actuarial assumptions	68,969	1,241,741
Differences between projected and actual investment earnings	723	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	13	370,857
Contributions paid to TRS subsequent to the measurement date	<u>57,145</u>	<u> </u>
Total	<u>\$ 346,175</u>	<u>\$ 1,677,823</u>

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:

Plan (Fiscal) Year Ended August 31,	OPEB Expense Amount
2019 (2020)	\$ (208,799)
2020 (2021)	(208,798)
2021 (2022)	(208,797)
2022 (2023)	(208,935)
2023 (2024)	(209,016)
Thereafter	(344,446)

K. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a statewide health insurance coverage plan for public school employees. It was established by Chapter 1579, "Texas School Employees Uniform Health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by Aetna and CVS Caremark.

The District paid premiums of \$367 per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

L. 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 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 fiscal year ended August 31, 2019, the subsidy payments received by TRS-Care on behalf of the District were \$23,130.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

M. 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, 2019.

N. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for five Shared Services Arrangements ("SSAs") which provide IDEA - Part B, Preschool, IDEA - Part B, Formula, IDEA - Part B, Discretionary, Vocational Education/Carl Perkins, and Special Education services to the member districts listed below.

The IDEA - Part B Preschool, Formula, and Discretionary SSAs and the Vocational Education/Carl Perkins SSA are Model 2 SSAs. The Special Education SSA is accounted for using Model 3 in the SSA section of TEA's Resource Guide. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent for the Special Education SSA. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in special revenue funds.

Expenditures, excluding indirect costs, of the SSAs are summarized below:

Member Districts	Model 2 SSA Expenditures				
	IDEA - Part B, Preschool	IDEA - Part B, Formula	IDEA - Part B, Discretionary	Vocational Education/ Carl Perkins	Special Education
Hemphill ISD	\$ 5,952	\$ 208,501	\$ 6,000	\$ 14,866	\$ 184,419
West Sabine ISD	2,828	169,055	6,000	8,202	129,591
Broadus ISD	3,869	95,798	--	7,689	84,733
Brookeland ISD	2,232	90,163	--	6,152	99,686
San Augustine ISD	--	--	--	14,353	--
Total	\$ 14,881	\$ 563,517	\$ 12,000	\$ 51,262	\$ 498,429

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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.

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,042,261	\$ 5,055,037	\$ 5,213,076	\$ 158,039
5800	State Program Revenues	4,434,387	4,440,208	4,346,247	(93,961)
5900	Federal Program Revenues	160,000	160,000	381,465	221,465
5020	Total Revenues	9,636,648	9,655,245	9,940,788	285,543
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,278,615	5,296,752	5,135,531	161,221
0012	Instructional Resources and Media Services	147,973	148,073	144,703	3,370
0013	Curriculum and Staff Development	3,836	3,836	3,038	798
	Total Instruction & Instr. Related Services	5,430,424	5,448,661	5,283,272	165,389
Instructional and School Leadership:					
0023	School Leadership	552,967	552,967	546,083	6,884
	Total Instructional & School Leadership	552,967	552,967	546,083	6,884
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	165,477	165,477	161,799	3,678
0033	Health Services	92,652	92,652	78,892	13,760
0034	Student (Pupil) Transportation	577,246	577,246	517,894	59,352
0036	Cocurricular/Extracurricular Activities	511,665	520,665	462,369	58,296
	Total Support Services - Student (Pupil)	1,347,040	1,356,040	1,220,954	135,086
Administrative Support Services:					
0041	General Administration	565,630	565,630	541,699	23,931
	Total Administrative Support Services	565,630	565,630	541,699	23,931
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,243,290	1,348,156	1,078,671	269,485
0052	Security and Monitoring Services	79,560	79,560	35,730	43,830
0053	Data Processing Services	27,795	27,795	27,670	125
	Total Support Services - Nonstudent Based	1,350,645	1,455,511	1,142,071	313,440
Debt Service:					
0071	Principal on Long-Term Debt	9,788	9,418	9,285	133
0072	Interest on Long-Term Debt	1,485	1,855	1,855	--
	Total Debt Service	11,273	11,273	11,140	133
Facilities Acquisition and Construction:					
0081	Facilities Acquisition and Construction	--	1,190,204	1,137,086	53,118
	Total Facilities Acquisition and Construction	--	1,190,204	1,137,086	53,118
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	164,222	170,043	164,222	5,821
0099	Other Intergovernmental Charges	214,447	214,447	197,344	17,103
	Total Intergovernmental Charges	378,669	384,490	361,566	22,924
6030	Total Expenditures	9,636,648	10,964,776	10,243,871	720,905

HEMPHILL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(1,309,531)	(303,083)	1,006,448
1200	Net Change in Fund Balance	--	(1,309,531)	(303,083)	1,006,448
0100	Fund Balance - Beginning	8,689,533	8,689,533	8,689,533	--
3000	Fund Balance - Ending	<u>\$ 8,689,533</u>	<u>\$ 7,380,002</u>	<u>\$ 8,386,450</u>	<u>\$ 1,006,448</u>

HEMPHILL INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0055397155%	0.0053744162%	0.0048454%	0.0047427%	0.0027008%
District's proportionate share of the net pension liability (asset)	\$ 3,049,194	\$ 1,718,449	\$ 1,830,997	\$ 1,676,481	\$ 721,421
State's proportionate share of the net pension liability (asset) associated with the District	<u>4,911,989</u>	<u>2,952,488</u>	<u>3,652,637</u>	<u>3,520,012</u>	<u>3,177,977</u>
Total	\$ <u>7,961,183</u>	\$ <u>4,670,937</u>	\$ <u>5,483,634</u>	\$ <u>5,196,493</u>	\$ <u>3,899,398</u>
District's covered payroll	\$ 5,974,856	\$ 5,738,709	\$ 5,595,928	\$ 5,287,217	\$ 5,348,362
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.03%	29.94%	32.72%	31.71%	13.49%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-3

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 207,808	\$ 186,620	\$ 176,142	\$ 153,950	\$ 139,847
Contributions in relation to the contractually required contribution	<u>(207,808)</u>	<u>(186,620)</u>	<u>(176,142)</u>	<u>(153,950)</u>	<u>(139,847)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,347,678	\$ 5,974,856	\$ 5,738,709	\$ 5,595,928	\$ 5,287,217
Contributions as a percentage of covered payroll	3.27%	3.12%	3.07%	2.75%	2.65%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-4**

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

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.0082775118%	0.0089534334%
District's proportionate share of the net OPEB liability (asset)	\$ 4,133,037	\$ 3,893,512
State proportionate share of the collective net OPEB liability (asset) associated with the District	<u>4,874,017</u>	<u>4,283,980</u>
Total	<u>\$ 9,007,054</u>	<u>\$ 8,177,492</u>
District's covered payroll	\$ 5,974,856	\$ 5,738,709
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	69.17%	67.85%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

Note: Only two years of data are presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

HEMPHILL INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-5**

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

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 57,145	\$ 57,103
Contributions in relation to the contractually required contribution	<u>(57,145)</u>	<u>(57,103)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,347,678	\$ 5,975,019
Contributions as a percentage of covered payroll	0.90%	0.96%

Note: GASB 75, Paragraph 97 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

Note: Only two years of data are presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

Budget

The official budget was prepared for adoption for the general fund in accordance with accounting principles 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. 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.

There is not a legal requirement to adopt a budget for the Sabine County Special Education SSA funds; therefore, the District did not adopt a budget for those funds.

Defined Benefit Pension and OPEB Plans

Changes of benefit terms

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

The following were changes of benefit terms that affected the measurement of the total OPEB liability during the measurement period:

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

HEMPHILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2019

Defined Benefit Pension and OPEB Plans - Continued

Changes of assumptions

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

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

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

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.

HEMPHILL INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2010 and Prior Years	\$ Various	\$ Various	\$ Various
2011	1.0374	--	345,766,891
2012	1.0374	--	390,619,251
2013	1.04	--	424,062,060
2014	1.04	--	425,295,425
2015	1.04	--	418,264,757
2016	1.04	--	430,265,521
2017	1.04	--	461,828,190
2018	1.04	--	483,292,766
2019 (School Year Under Audit)	1.04	--	498,904,349

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 133,900	\$ --	\$ 4,444	\$ --	\$ (20,376)	\$ 109,080
17,678	--	2,126	--	51	15,603
24,059	--	2,727	--	(226)	21,106
25,671	--	2,958	--	(224)	22,489
36,768	--	6,829	--	(485)	29,454
54,956	--	12,121	--	(656)	42,179
71,649	--	20,836	--	(535)	50,278
109,284	--	33,012	--	(1,221)	75,051
188,788	--	75,938	--	(5,031)	107,819
--	4,871,301	4,656,065	--	(25,966)	189,270
<u>\$ 662,753</u>	<u>\$ 4,871,301</u>	<u>\$ 4,817,056</u>	<u>\$ --</u>	<u>\$ (54,669)</u>	<u>\$ 662,329</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 166,600	\$ 181,422	\$ 14,822
5800 <i>State Program Revenues</i>	11,400	12,019	619
5900 <i>Federal Program Revenues</i>	395,107	436,599	41,492
5020 Total Revenues	<u>573,107</u>	<u>630,040</u>	<u>56,933</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	645,107	583,355	61,752
Total Support Services - Student (Pupil)	<u>645,107</u>	<u>583,355</u>	<u>61,752</u>
6030 Total Expenditures	<u>645,107</u>	<u>583,355</u>	<u>61,752</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(72,000)</u>	46,685	118,685
1200 Net Change in Fund Balance	<u>(72,000)</u>	46,685	118,685
0100 Fund Balance - Beginning	194,332	194,332	--
3000 Fund Balance - Ending	<u>\$ 122,332</u>	<u>\$ 241,017</u>	<u>\$ 118,685</u>

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

Board of Trustees
Hemphill Independent School District
Hemphill, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hemphill Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Hemphill Independent School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hemphill 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 Hemphill Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hemphill 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hemphill 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
December 13, 2019

Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Susan L. Murrell, CPA



4000 S. Medford Drive
Lufkin, Texas 75901

Wilbur E. Alexander, CPA
(1940-2009)
Ted A. Lankford, CPA
(Retired)

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

Board of Trustees
Hemphill Independent School District
Hemphill, Texas

Report on Compliance for Each Major Federal Program

We have audited Hemphill Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hemphill Independent School District's major federal programs for the year ended August 31, 2019. Hemphill Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Hemphill 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 Hemphill 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 Hemphill Independent School District's compliance.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

Report on Compliance for Each Major Federal Program - Continued

Opinion on Each Major Federal Program

In our opinion, Hemphill Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of Hemphill 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 Hemphill 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 Hemphill 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED**

Report on Internal Control Over Compliance - Continued

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.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
December 13, 2019

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HEMPHILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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HEMPHILL INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior audit findings relative to federal awards; therefore, the summary schedule of prior audit findings is not required.		

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

There are no current year findings; therefore, a corrective action plan is not required.

HEMPHILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(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>U. S. Department of Agriculture Programs</u>				
Passed Through Texas Education Agency:				
<i>School Breakfast Program</i>	10.553	71401801	\$ --	\$ 13,198
<i>School Breakfast Program</i>	10.553	71401901	--	96,811
Total CFDA Number 10.553			<u> </u>	<u>110,009</u>
<i>National School Lunch Program</i>	10.555	71301801	--	29,748
<i>National School Lunch Program</i>	10.555	71301901	--	263,734
Passed Through Texas Department of Agriculture:				
<i>National School Lunch Program (Non-cash)</i>	10.555	958	--	33,107
Total CFDA Number 10.555			<u> </u>	<u>326,589</u>
Total Child Nutrition Cluster			<u> </u>	<u>436,598</u>
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
<u>U. S. Department of Agriculture Programs</u>				
Passed Through Sabine County:				
<i>Schools and Roads - Grants to Counties</i>	10.666	N/A	--	119,908
Total Forest Service Schools and Roads Cluster			<u> </u>	<u>119,908</u>
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education Programs</u>				
Passed Through Education Service Center, Region 20:				
<i>SSA IDEA - Part B, Discretionary</i>	84.027	226-543-19-07-007	--	6,000
<i>SSA IDEA - Part B, Discretionary</i>	84.027	226-543-19-07-008	--	6,000
Passed Through Texas Education Agency:				
<i>SSA IDEA - Part B, Discretionary</i>	84.027	18660077202903	--	9,294
<i>SSA IDEA - Part B, Formula</i>	84.027	186600012029036600	--	128,525
<i>SSA IDEA - Part B, Formula</i>	84.027	196600012029036600	--	449,284
Total CFDA Number 84.027			<u> </u>	<u>599,103</u>
<i>SSA - IDEA - Part B, Preschool</i>	84.173	186610012029036610	--	1,769
<i>SSA - IDEA - Part B, Preschool</i>	84.173	196610012029036610	--	13,550
Total CFDA Number 84.173			<u> </u>	<u>15,319</u>
Total Special Education (IDEA) Cluster			<u> </u>	<u>614,422</u>
OTHER PROGRAMS:				
<u>U. S. Department of Education Programs</u>				
Passed Through Texas Education Agency:				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010	19610101202903	--	354,895
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010	20610101202903	--	7,582
Total CFDA Number 84.010			<u> </u>	<u>362,477</u>

HEMPHILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(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
<i>SSA Career & Technical - Basic Grant</i>	84.048	19420006202903	--	51,262
<i>ESEA, Title VI, Part B, Subpart 2 - Rural & Low Income School Grant Program</i>	84.358	19696001202903	--	16,264
<i>ESEA, Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367	19694501202903	--	37,358
<i>ESEA, Title IV, Part A, Subpart I - Student Support & Academic Enrichment Program</i>	84.424	19680101202903	--	23,764
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ --</u>	<u>\$ 1,662,053</u>
 <u>Reconciliation to Exhibit C-2</u>				
Total Per Exhibit K-1				\$ 1,662,053
Other Federal Revenue:				
Mineral Right Receipts				196,682
School Health and Related Services (SHARS)				<u>67,400</u>
Total Federal Revenue per Exhibit C-2				<u>\$ 1,926,135</u>

The accompanying notes are an integral part of this schedule.

HEMPHILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hemphill Independent School District (District). The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the 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.

Indirect Cost Rate

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

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HEMPHILL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 3,049,194
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."