

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

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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CERTIFICATE OF BOARD

Hallsville Independent School District
Name of School District

Harrison
County

102904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2019.

(s) Troy Crafton
Signature of Board Secretary

(s) Jay Nelson
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)

FINANCIAL SECTION



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

Members of the Board:

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 Hallsville Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 aggregate remaining fund information of the District as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 13 and Exhibits G-1 to G5 on pages 51 to 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules, Exhibits J-1, J-2, and J-3, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, TEA required schedules, and the schedule of expenditures of federal awards (SEFA) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, TEA required schedules, and the SEFA 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 January 18, 2019, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

Ameyra, Johnson, Azayo & Co. LLP
Certified Public Accountants

Tyler, Texas
January 18, 2019



REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hallsville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditor's report, and the District's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position as of 8-31-2018 was \$32,585,341.
- During the year, the District had general fund expenditures of \$40,151,666 and revenues of \$41,290,458 for a net excess of \$1,138,792.
- The General Fund ended the year with a fund balance of \$12,357,975.

USING THIS ANNUAL REPORT

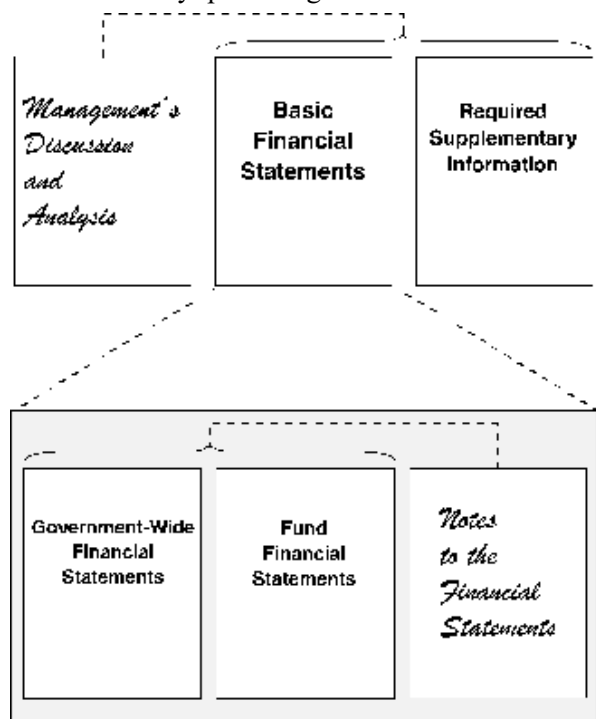
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

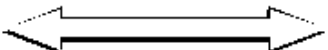
Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental

activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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



Summary  Detail

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities – Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position includes all the District's assets, liabilities, and deferred outflows and inflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement have no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note I and Note III.

The District only has governmental activities to report in the government wide financial statements. The District has no business-type activities and no component units for which it is financially accountable.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds and the District's administration establishes other funds to help it control and manage money for particular purposes.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative government-wide financial information serves as a useful indicator of the government's financial position. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The District has no business-type activities.

Net Position

Table I shows the comparative Net Position of Hallsville ISD as of August 31, 2018 and August 31, 2017. Net Position of the District's governmental activities is \$32,585,341 a decrease of 34.3%. Of the Net Position amount, \$41,607,546 is net investment in capital assets. The increase in the net investment in capital assets category is due to the acquisition of capital assets and construction in progress in excess of the amount of depreciation during the year. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The resources to repay the related debt are acquired through taxes. The restricted asset balance of \$2,962,963 represents amounts in the debt service, campus activities, state grants, and school nutrition accounts that are legally restricted for specific purposes. Unrestricted net position totaled (\$11,985,168) at August 31, 2018 compared to \$8,724,475 at August 31, 2017. These assets represent resources available for future operations, long-term commitments and emergencies of the District. Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Table I
NET POSITION
Governmental Funds

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Current and Other Assets	\$ 21,554,655	\$ 17,539,387	23%
Capital Assets	110,206,854	112,117,900	-2%
Deferred Outflows of Resources	3,529,602	4,257,457	-17%
Total Assets/Deferred Outflows of Resources	\$ 135,291,111	\$ 133,914,744	1%
Long-term Liabilities	\$ 85,364,323	\$ 76,238,225	12%
Other Liabilities	10,018,059	7,635,208	31%
Deferred Inflows of Resources	7,323,388	433,059	1591%
Total Liabilities/Deferred Inflows of Resources	\$ 102,705,770	\$ 84,306,492	22%
Net Investment in Capital Assets	\$ 41,607,546	\$ 38,705,894	7%
Restricted	2,962,963	2,177,883	36%
Unrestricted	(11,985,168)	8,724,475	-237%
Total Net Position	\$ 32,585,341	\$ 49,608,252	-34%

Changes in Net Position

Table II presents a comparative summary of the revenues, expenses, and changes in net position for the year ended August 31, 2018 and August 31, 2017.

Table II
CHANGES IN NET POSITION
Governmental Funds

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,165,958	\$ 2,772,760	14%
Operating grants and contributions	(2,229,541)	6,310,457	-135%
General revenues:			
Maintenance and operations taxes	25,845,810	24,771,893	4%
Debt service taxes	8,201,085	7,860,330	4%
State Aid and grants and contributions not restricted to specific functions	12,113,386	13,798,366	-12%
Investment earnings	392,679	166,487	136%
Miscellaneous local and intermediate revenue and special items	594,680	560,941	6%
Total Revenue	<u>\$ 48,084,057</u>	<u>\$ 56,241,234</u>	<u>-15%</u>
Expenses:			
Instruction, curriculum and media services	\$ 18,151,981	\$ 27,439,061	-34%
Instructional and school leadership	2,573,435	3,846,467	-33%
Student support services	2,854,031	4,467,449	-36%
Child nutrition	1,968,211	1,866,501	5%
Extracurricular activities	1,729,372	2,090,393	-17%
General Administration	1,196,808	1,504,389	-20%
Plant maintenance, security & data processing	4,811,954	6,208,336	-22%
Community services	7,212	52,380	-86%
Debt service	3,765,741	3,925,617	-4%
Capital Outlay	-	429	0%
Payments to member districts	889,541	1,058,611	-16%
Other intergovernmental charges	657,528	680,000	-3%
Total Expenses	<u>\$ 38,605,814</u>	<u>\$ 53,139,633</u>	<u>-27%</u>
Increase/(Decrease) in net position	<u><u>\$ 9,478,243</u></u>	<u><u>\$ 3,101,601</u></u>	

The main sources of revenue for the District are property taxes and state funds. Property taxes for the general operations and debt service operations represent 70.8% of the government wide resources. The percentage of total funding provided by property taxes increased by 12.8%, up from 58.0% in 2016-17 to 70.8% in 2017-18. This percentage increase was due to a decrease in funding from state revenue and operating grants and contributions. The total tax rate for both 2016-17 and 2017-18 was \$1.37, with \$1.04 for maintenance and operations and \$.33 for debt service.

Grants and contributions decreased from the prior year primarily due to adjustments to revenue for implementation of GASB 75.

As shown in Table II, the cost of all governmental activities this year was \$38,605,814. This is an overall decrease from the previous year. The district expenses decreased in most areas due to efforts made by the district to reduce costs to bolster net position.

The decrease in functional expenses is primarily due to the adjustments to functional expenses to record the State's negative on-behalf contributions for OPEB in conjunction with the implementation of GASB 75.

The largest expenses of the District were for instruction, curriculum and media services. Expenses for these areas constitute over 47.0% of the total expenses of the district, a decrease of 34%.

The 20% decrease in general administration and the 22% decrease in the plant maintenance, security, and data processing categories are due to the district's continued efforts in 2017-18 to decrease expenditures in those categories that do not directly impact the classroom, in order to reduce costs and increase the district's net position, as was discussed previously.

For 2017-18 the statements reflect an increase in net position of \$9,478,243, before the GASB 75 related prior period adjustment.

THE DISTRICT'S FUNDS

Governmental fund reporting focuses primarily on the sources, uses and balances of current financial resources. The general fund and the debt service fund are the major funds of the District. All other governmental funds are combined in the statements. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance use the modified accrual basis of accounting for the governmental funds of the District.

As the District completed the year, its governmental funds reported a combined fund balance of \$15,320,938, which is an increase from last year's total of \$13,366,783. The increase included an increase of \$521,282 in the debt service fund, an increase in other funds of \$263,798, and an increase in general fund of \$1,169,075. The total unassigned fund balance in the general fund is \$10,619,790. The remaining fund balances in the report include \$478,592 restricted for federal and state grant funds, \$1,530,256 restricted for debt service, \$331,603 restricted for the Special Education SSA, and \$2,196,976 committed to construction, capital expenditures, campus activity and other groups.

Total governmental funds expenditures for the year ended August 31, 2018 increased to \$54,420,887. Table III shows a comparison of the expenditures for the years ended August 31, 2018 and August 31, 2017.

Table III
GOVERNMENTAL FUND (MODIFIED ACCRUAL BASIS) EXPENDITURES

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Instruction, curriculum and media services	\$ 24,456,747	\$ 24,338,328	0%
Instructional and school leadership	3,443,148	3,388,810	2%
Student support services	3,903,685	4,206,478	-7%
School Nutrition	2,028,343	1,769,987	15%
Cocurricular activities	1,952,928	1,994,458	-2%
General administration	1,478,761	1,360,972	9%
Plant maintenance, security & data processing	5,754,696	5,935,592	-3%
Community services	7,212	48,467	-85%
Debt service	8,587,704	8,567,230	0%
Facilities acquisition and construction	1,260,594	429	293745%
Payments to fiscal agent	889,541	1,058,611	-16%
Other Intergovernmental Charges	657,528	680,000	-3%
Total Expenditures	<u>\$ 54,420,887</u>	<u>\$ 53,349,362</u>	2%

The overall change in expenditures in the governmental fund financial statements was 2% for the 2017-18 year.

A major difference between the expenditures as reported on Table II and Table III is the treatment of expenditures related to fixed assets and debt service. On the modified accrual basis (Table III) long-term assets show up as expenditures. When these records are converted to full accrual (Table II) these items are de-expended and capitalized as assets on the balance sheet and depreciation is recorded to expense the items over the useful life of the asset. For long-term debt, on the modified accrual basis, debt principal and interest are recorded as expenditures while on the full accrual basis the principal payments are de-expended during the conversion, leaving only interest as an expenditure.

The difference in the treatment of fixed asset purchases between the two methods accounts for many of the differences between the absolute and percentage changes among the various categories on Tables II and III.

The explanation for the changes in the other categories mirror the explanations in the government wide section of the report and therefore the explanations contained in that section of this report are applicable to this section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. The budget was amended to:

- Provide for payroll allocations between functions.
- Provide for the purchase of a parcel of land adjacent to the District's stadium property.
- Provide for the associated costs of renovating the District's central administration building.
- Provide for costs related to additional summer facility maintenance projects.
- Provide for payroll expenditures for new virtual school funded employees.
- Provide for purchases of additional expenditures in food services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017-18, the District had \$157,884,966 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, technology, and maintenance. This amount represents a net increase of \$1,353,657, \$1,132,337 of which is construction in progress, related to the renovation and conversion of a vacant primary building to a central administration building. More detailed information about the District's capital assets is presented in Note III, Section E to the financial statements.

Debt

At year-end, the District had \$68,340,000 in bonds outstanding versus \$73,125,000 last year. Debt activity for the year included bond premium amortization. Other obligations include \$183,424 in outstanding notes payable. More detailed information about the District's long-term liabilities is presented in Note III, Section F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-19 budget and tax rates. The funding formula implemented by the 85th Legislature for the biennium was used for developing the 2018-19 budget. The same basic allotment amount was included in the formula for the 2017-18 and 2018-19 school years, therefore there were no significant formula increases in funding for the 2018-19 school year. Additional consideration was made for the 2018-19 budget, to conservatively budget for new 2018-19 virtual school revenues and related expenditures, due to the approval in the Spring of 2018 of a three-year contract with K12 Virtual Schools LLC. As the 2018-19 year progresses, virtual school enrollment and related ADA levels will be closely monitored to determine any budget amendments necessary for these operations. Additionally, budget appropriations were made for the completion of the Central Administration renovation project, which was underway at the end of 2017-18. Completion of this project is expected by January 2019.

The District will face future financial challenges due to the state funding formulas adopted by the Legislature during the 2015 and 2017 legislative sessions. Due to the strong political nature of public school funding in the State of Texas, it is unclear the potential changes that may occur in the 2019 legislative session. Over the course of the last year and continuing into the coming year, the Texas School Finance Commission have met and will continue to meet to propose potentially significant changes and legislative reform to the way that public schools will be funded in the coming years. This dialogue and any resulting legislation is of much interest to all public school districts across the State, and our District will remain attentive to this activity, as the budget for the 2019-20 and 2020-21 years will be affected by it. The District's budgeting approach will remain conservative, but excellence for all students will remain the primary goal.

The refined average daily attendance used for estimating 2018-19 revenues was 5,300. The District's average daily attendance has remained stable, with slight growth over the past 5 years. The ADA of the district will be closely monitored during the 2018-19 school year and appropriate budget adjustments will be made for any increase or decrease during the year, especially as it relates to virtual school ADA. The District will also continue to accept transfer students during the 2018-19 fiscal year.

The certified appraisal rolls, as determined by Harrison Central Appraisal District for Hallsville ISD, indicated a 2.2636% increase for the 2018-19 school year. The district assessed a maintenance and operations (M&O) tax rate of \$1.04 and a debt service tax rate of \$.33 for the 2018-19 budget. A budget with general fund revenues of \$42,747,753 was adopted for the maintenance and operations of the district for 2018-19.

Every effort was made during the budget process to provide for an excellent education to the students of Hallsville ISD, and to ensure the education they receive is a source of pride for the staff, parents, students and community. The dedicated employees of Hallsville ISD will continue to strive to provide a high quality of education to the students of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Hallsville Independent School District, P.O. Box 810, Hallsville, Texas, 75650.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 16,687,403
1120 Current Investments	2,041,194
1220 Property Taxes - Delinquent	1,443,917
1230 Allowance for Uncollectible Taxes	(44,609)
1240 Due from Other Governments	1,190,827
1290 Other Receivables, Net	62,542
1300 Inventories	129,977
1410 Prepayments	43,404
Capital Assets:	
1510 Land	4,887,492
1520 Buildings, Net	102,349,777
1530 Furniture and Equipment, Net	1,837,248
1580 Construction in Progress	1,132,337
1000 Total Assets	131,761,509
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	124,871
1705 Deferred Outflow Related to TRS Pension	3,172,621
1706 Deferred Outflow Related to TRS OPEB	232,110
1700 Total Deferred Outflows of Resources	3,529,602
LIABILITIES	
2110 Accounts Payable	793,096
2140 Interest Payable	162,089
2150 Payroll Deductions and Withholdings	249,794
2160 Accrued Wages Payable	1,676,398
2180 Due to Other Governments	825,309
2200 Accrued Expenses	205,906
2300 Unearned Revenue	1,083,906
Noncurrent Liabilities:	
2501 Due Within One Year	5,021,561
2502 Due in More Than One Year	63,702,618
2540 Net Pension Liability (District's Share)	6,548,363
2545 Net OPEB Liability (District's Share)	15,113,342
2000 Total Liabilities	95,382,382
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	1,001,449
2606 Deferred Resource Inflow Related to TRS OPEB	6,321,939
2600 Total Deferred Inflows of Resources	7,323,388
NET POSITION	
3200 Net Investment in Capital Assets	41,607,546
3820 Restricted for Federal and State Programs	518,660
3850 Restricted for Debt Service	1,530,256
3870 Restricted for Campus Activities	582,444
3890 Restricted for Other Purposes	331,603
3900 Unrestricted	(11,985,168)
3000 Total Net Position	\$ 32,585,341

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,482,709	\$ 905,447	\$ (2,516,386)	\$ (19,093,648)
12 Instructional Resources and Media Services	447,037	26,778	(90,373)	(510,632)
13 Curriculum and Instructional Staff Development	222,235	-	109,181	(113,054)
21 Instructional Leadership	1,062,804	248,637	(78,932)	(893,099)
23 School Leadership	1,510,631	-	(360,564)	(1,871,195)
31 Guidance, Counseling and Evaluation Services	1,086,135	405,627	257,933	(422,575)
32 Social Work Services	90,108	-	(15,129)	(105,237)
33 Health Services	275,070	-	(64,348)	(339,418)
34 Student (Pupil) Transportation	1,402,718	-	(280,886)	(1,683,604)
35 Food Services	1,968,211	690,474	1,333,251	55,514
36 Extracurricular Activities	1,729,372	849,524	(113,152)	(993,000)
41 General Administration	1,196,808	39,471	(167,011)	(1,324,348)
51 Facilities Maintenance and Operations	4,019,856	-	(441,115)	(4,460,971)
52 Security and Monitoring Services	287,515	-	(71,073)	(358,588)
53 Data Processing Services	504,583	-	(79,276)	(583,859)
61 Community Services	7,212	-	5,952	(1,260)
72 Debt Service - Interest on Long-Term Debt	3,764,941	-	-	(3,764,941)
73 Debt Service - Bond Issuance Cost and Fees	800	-	-	(800)
93 Payments Related to Shared Services Arrangements	889,541	-	342,387	(547,154)
99 Other Intergovernmental Charges	657,528	-	-	(657,528)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 38,605,814	\$ 3,165,958	\$ (2,229,541)	(37,669,397)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	25,845,810
DT	Property Taxes, Levied for Debt Service	8,201,085
SF	State Aid - Formula Grants	10,301,317
GC	Grants and Contributions not Restricted	1,812,069
IE	Investment Earnings	392,679
MI	Miscellaneous Local and Intermediate Revenue	570,902
SI	Special Item -	23,778
TR	Total General Revenues and Special Items	47,147,640
CN	Change in Net Position	9,478,243
NB	Net Position - Beginning	49,608,252
PA	Prior Period Adjustment	(26,501,154)
NE	Net Position--Ending	\$ 32,585,341

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,507,021	\$ 1,722,288	\$ 1,458,094	\$ 16,687,403
1120 Investments - Current	2,041,194	-	-	2,041,194
1220 Property Taxes - Delinquent	1,109,580	334,337	-	1,443,917
1230 Allowance for Uncollectible Taxes	(34,545)	(10,064)	-	(44,609)
1240 Due from Other Governments	803,615	7,346	379,866	1,190,827
1260 Due from Other Funds	414,114	-	47,135	461,249
1290 Other Receivables	33,600	-	28,942	62,542
1300 Inventories	80,249	-	49,728	129,977
1410 Prepayments	43,404	-	-	43,404
1000 Total Assets	<u>\$ 17,998,232</u>	<u>\$ 2,053,907</u>	<u>\$ 1,963,765</u>	<u>\$ 22,015,904</u>
LIABILITIES				
2110 Accounts Payable	\$ 643,085	\$ -	\$ 150,013	\$ 793,098
2150 Payroll Deductions and Withholdings Payable	239,553	-	10,241	249,794
2160 Accrued Wages Payable	1,606,766	-	69,632	1,676,398
2170 Due to Other Funds	-	199,379	261,870	461,249
2180 Due to Other Governments	825,309	-	-	825,309
2200 Accrued Expenditures	205,906	-	-	205,906
2300 Unearned Revenue	1,044,604	-	39,302	1,083,906
2000 Total Liabilities	<u>4,565,223</u>	<u>199,379</u>	<u>531,058</u>	<u>5,295,660</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,075,034	324,272	-	1,399,306
2600 Total Deferred Inflows of Resources	<u>1,075,034</u>	<u>324,272</u>	<u>-</u>	<u>1,399,306</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	80,249	-	40,068	120,317
3430 Prepaid Items	43,404	-	-	43,404
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	478,592	478,592
3480 Retirement of Long-Term Debt	-	1,530,256	-	1,530,256
3490 Other Restricted Fund Balance	-	-	331,603	331,603
Committed Fund Balance:				
3510 Construction	1,526,032	-	-	1,526,032
3530 Capital Expenditures for Equipment	38,500	-	-	38,500
3545 Other Committed Fund Balance	50,000	-	582,444	632,444
3600 Unassigned Fund Balance	10,619,790	-	-	10,619,790
3000 Total Fund Balances	<u>12,357,975</u>	<u>1,530,256</u>	<u>1,432,707</u>	<u>15,320,938</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,998,232</u>	<u>\$ 2,053,907</u>	<u>\$ 1,963,765</u>	<u>\$ 22,015,904</u>

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

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

Total Fund Balances - Governmental Funds (from Exhibit C-1)	\$ 15,320,938
Capital assets used in governmental activities are not reported in the funds.	110,206,854
Net property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,399,308
Payables for bond principal which are not due in the current period are not reported in the funds	(68,340,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(162,089)
Payables for notes which are not due in the current period are not reported in the funds.	(183,424)
Payables for contracts which are not due in the current period are not reported in the funds.	(200,755)
The deferred loss on defeasance of debt is not reported in the funds.	124,871
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(6,548,363)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(15,113,342)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,001,449)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(6,321,939)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,172,621
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	232,110
Net Position of Governmental Activities - Statement of Net Position (see Exhibit A-1)	\$ <u>32,585,341</u>

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

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

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,286,737	\$ 8,310,706	\$ 2,771,896	\$ 38,369,339
5800 State Program Revenues	12,193,508	130,666	331,334	12,655,508
5900 Federal Program Revenues	1,810,213	-	3,516,204	5,326,417
5020 Total Revenues	41,290,458	8,441,372	6,619,434	56,351,264
EXPENDITURES:				
Current:				
0011 Instruction	21,661,888	-	1,969,106	23,630,994
0012 Instructional Resources and Media Services	575,009	-	28,509	603,518
0013 Curriculum and Instructional Staff Development	116,759	-	105,476	222,235
0021 Instructional Leadership	1,049,973	-	321,507	1,371,480
0023 School Leadership	2,071,668	-	-	2,071,668
0031 Guidance, Counseling and Evaluation Services	792,037	-	789,571	1,581,608
0032 Social Work Services	81,765	-	-	81,765
0033 Health Services	367,946	-	-	367,946
0034 Student (Pupil) Transportation	1,872,366	-	-	1,872,366
0035 Food Services	1,057	-	2,027,286	2,028,343
0036 Extracurricular Activities	1,196,530	-	756,398	1,952,928
0041 General Administration	1,475,822	-	2,939	1,478,761
0051 Facilities Maintenance and Operations	4,780,252	-	-	4,780,252
0052 Security and Monitoring Services	380,756	-	-	380,756
0053 Data Processing Services	593,688	-	-	593,688
0061 Community Services	1,260	-	5,952	7,212
Debt Service:				
0071 Principal on Long-Term Debt	533,241	4,310,000	-	4,843,241
0072 Interest on Long-Term Debt	133,573	3,610,090	-	3,743,663
0073 Bond Issuance Cost and Fees	800	-	-	800
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,260,594	-	-	1,260,594
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	547,154	-	342,387	889,541
0099 Other Intergovernmental Charges	657,528	-	-	657,528
6030 Total Expenditures	40,151,666	7,920,090	6,349,131	54,420,887
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,138,792	521,282	270,303	1,930,377
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	14,040	-	-	14,040
7915 Transfers In	6,505	-	-	6,505
7949 Other Resources	9,738	-	-	9,738
8911 Transfers Out (Use)	-	-	(6,505)	(6,505)
7080 Total Other Financing Sources (Uses)	30,283	-	(6,505)	23,778
1200 Net Change in Fund Balances	1,169,075	521,282	263,798	1,954,155
0100 Fund Balance - September 1 (Beginning)	11,188,900	1,008,974	1,168,909	13,366,783
3000 Fund Balance - August 31 (Ending)	\$ 12,357,975	\$ 1,530,256	\$ 1,432,707	\$ 15,320,938

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

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

Net Change in Fund Balances - Governmental Funds (from Exhibit C-3)	\$ 1,954,155
Capital outlays are not reported as expenses in the Statement of Activities (SOA).	1,676,192
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,587,238)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(184,575)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,785,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(62,435)
(Increase) decrease in accrued interest from beginning of period to end of period.	9,264
Repayment of note is an expenditure in the funds but is not an expense in the SOA.	58,241
Bond premiums are reported in the funds but not in the SOA.	31,893
Pension contributions made after the measurement date but in current FY were de-expended and reduced Net Pension.	641,146
OPEB contributions made after the measurement date but in current FY were de-expended and reduced Net OPEB.	229,746
Pension expenditures relating to GASB 68 is recorded in the SOA but not in the funds.	(1,141,383)
OPEB expenditures relating to GASB 75 is recorded in the SOA but not in the funds.	5,068,237
Change in Net position of Governmental Activities - Statement of Activities (see Exhibit B-1)	<u><u>\$ 9,478,243</u></u>

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

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 81,363
Total Assets	<u>\$ 81,363</u>
LIABILITIES	
Due to Student Groups	\$ 81,363
Total Liabilities	<u>\$ 81,363</u>

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hallsville Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

Pensions: The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, and there are no component units included within the reporting entity. The combined financial statements of the District include all activities for which the Board exercises these governance responsibilities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Hallsville Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business type activities.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

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

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

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

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

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

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

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept that is when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

The District’s Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

2. **Capital Projects Funds** – These governmental funds are established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal. The District has no Capital Projects Funds.
3. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

1. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no internal service funds.

Fiduciary Funds:

1. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no Private Purpose Trust Funds.
2. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
3. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Funds for each campus.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.
3. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.
4. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

5. The District does not have a policy to pay any amounts when employees separate from service with the district; therefore, there is no liability for unpaid accumulated sick leave.
6. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Building Improvements	10-20
Vehicles	5
Office Equipment	10
Computer Equipment	10

Land and Construction in Progress are not depreciated.

7. Internal Service Funds support the operations of governmental funds and are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole. The District has no Internal Service Funds.
8. In the fund financial statements, governmental funds report fund balances in the following classifications:
 - a. *Nonspendable fund balance* – amounts that are not in spendable form, such as fund balances associated with inventories, prepaids, and long-term loans and notes receivable.
 - b. *Restricted fund balance* – amounts that can be spent only for the specific purposes stipulated by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or enabling legislation.
 - c. *Committed fund balance* – amounts that can only be used for the specific purposes determined by a formal action of the District’s Board of Trustees (the District’s highest level of decision-making authority). These amounts cannot be used for any other purpose unless the District’s Board of Trustees takes the same level of action to remove or change the constraint.
 - d. *Assigned fund balance* – amounts intended to be used by the government for a specific purpose but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District’s Board of Trustees or by the Superintendent or the Superintendent’s designee to whom the Board of Trustees has delegated the authority to assign fund balances.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

- e. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.
9. When the District incurs an expense for which it may use assets available in more than one classification, the District uses restricted assets first, followed by committed, assigned and finally unassigned, unless unassigned assets will have to be returned because they were not used.
10. Management's use of estimates in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
11. In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources, for its proportionate share of TRS's deferred outflow related to pensions as described in Note III G, its proportionate share of TRS's deferred outflow related to OPEB as described in Note III H, and for deferred charges for bond refunding.
12. In addition to liabilities, the statement 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of the Teacher Retirement System of Texas' (TRS) deferred inflow related to pensions as described in Note III G and related to OPEB as described in Note III H. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
13. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:
 - Provide for payroll allocations between functions.
 - Provide for the purchase of a parcel of land adjacent to the District's stadium property.
 - Provide for the associated costs of renovating the District's central administration building.
 - Provide for costs related to additional summer facility maintenance projects.
 - Provide for payroll expenditures for new virtual school funded employees.
 - Provide for purchases of additional expenditures in food services.
4. Each budget 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. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2018
	<u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$ 518,660
Non-appropriated Budget Funds	<u>914,047</u>
All Special Revenue Funds	<u>\$ 1,432,707</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Deposits

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District does not have any deposits or investments denominated in a foreign currency.

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

As of August 31, 2018, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 1,713,496	9.11%	\$ 1,713,496	-	-	N/A
Money Markets	992	0.01%	992	-	-	N/A
Investment Pools:						
Lone Star	15,036,789	79.93%	15,036,789	-	-	AAA
TexPool	12,437	0.07%	12,437	-	-	AAA
TexSTAR	5,052	0.03%	5,052	-	-	AAA
Certificates of Deposit	2,041,194	10.85%	2,041,194	-	-	AAA
Total Cash, Deposits in Investment Pools, and Money Market Accounts	<u>\$ 18,809,960</u>	<u>100.00%</u>	<u>\$ 18,809,960</u>	<u>-</u>	<u>-</u>	

Total Cash and Cash Equivalents - Primary Government	\$ 18,728,597
Total Cash and Cash Equivalents - Fiduciary Funds	<u>81,363</u>
Total Cash and Cash Equivalents	<u>\$ 18,809,960</u>

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Additional policies and contractual provisions governing deposits and investments for Hallsville Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those covered by the Public Funds Investment Act. As of August 31, 2018, the District's investments in investment pools was rated AAA by Standard & Poor's.

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

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2018 had a maturity of one year or less.

Foreign Currency Risk for Investments The District does not have any investments denominated in a foreign currency.

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

The District's investments are held in First Public Lone Star Corporate Overnight Plus Fund, TexPool Texas Local Government Investment Pool, TexSTAR, and Certificates of Deposit, which are classified as cash and cash equivalents as they are exempt from Fair Value Measurement under GASB 72 as they qualify as 2a-7 like investment pools.

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

B. PROPERTY TAXES

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real estate and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, however, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

The tax rates assessed for the year ended August 31, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.33 per \$100 valuation, respectively, for a total of \$1.370 per \$100 valuation. The assessed value of the property tax roll on July 20, 2017, upon which the levy for the 2017-2018 fiscal year was based, was \$2,523,865,509.

Current tax collections for the year ended August 31, 2018 were 98.89% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, unavailable revenue, net of estimated uncollectible taxes, totaled \$1,075,034 and \$324,272 for the General and Debt Service Funds, respectively.

C. INTERFUND BALANCES AND TRANSFERS

1. Due To and From Other Funds

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

Due to Fund	Due From Fund	Amount
General Fund	Debt Service Fund	\$ 199,379
Special Revenue Funds	General Fund	47,135
General Fund	Special Revenue Funds	214,735
	Total	\$ <u>461,249</u>

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

2. Transfers To and From Other Funds

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

Transfers From	Transfer To	Amount
Special Revenue Funds	General Fund	\$ 6,505
	Total	\$ <u>6,505</u>

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018
were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 1,109,580	\$ 803,615	\$ 414,114	\$ 33,600	\$ 2,360,909
Debt Service Fund	334,337	7,346	-	-	341,683
Nonmajor Governmental Fund	<u>-</u>	<u>379,866</u>	<u>47,135</u>	<u>28,942</u>	<u>455,943</u>
Total – Governmental Activities	<u>\$ 1,443,917</u>	<u>\$ 1,190,827</u>	<u>\$ 461,249</u>	<u>\$ 62,542</u>	<u>\$ 3,158,535</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 44,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,609</u>

Payables at August 31, 2018
were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Gov'ts</u>	<u>Other</u>	<u>Total Payments</u>
Governmental Activities:						
General Fund	\$ 643,085	\$1,846,319	\$ -	\$ 825,309	\$ -	\$ 3,314,713
Debt Service Fund	-	-	199,379	-	-	199,379
Nonmajor Governmental Fund	<u>150,013</u>	<u>79,873</u>	<u>261,870</u>	<u>-</u>	<u>-</u>	<u>491,756</u>
Total-Governmental Activities	<u>\$ 793,098</u>	<u>\$1,926,192</u>	<u>\$ 461,249</u>	<u>\$ 825,309</u>	<u>\$ -</u>	<u>\$ 4,005,848</u>
Fiduciary Funds:						
Agency Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,363</u>	<u>\$ 81,363</u>

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Adjustments & Retirements	Ending Balance
Governmental Activities:				
Assets Not Being Depreciated:				
Land	\$ 4,759,235	\$ 128,257	\$ -	\$ 4,887,492
Construction in Progress	-	1,132,337	-	1,132,337
Assets with Depreciation:				
Buildings and Improvements	141,057,717	21,000	-	141,078,717
Equipment	5,631,956	287,380	-	5,919,336
Vehicles	5,082,401	107,218	(322,535)	4,867,084
Totals at Historic Cost	<u>156,531,309</u>	<u>1,676,192</u>	<u>(322,535)</u>	<u>157,884,966</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(35,538,984)	(3,189,956)	-	(38,728,940)
Equipment	(4,172,745)	(283,700)	-	(4,456,445)
Vehicles	(4,701,680)	(113,582)	322,535	(4,492,727)
Total Accumulated Depreciation	<u>(44,413,409)</u>	<u>(3,587,238)</u>	<u>322,535</u>	<u>(47,678,112)</u>
Governmental Activities Capital Assets, Net	\$ <u>112,117,900</u>	\$ <u>(1,911,046)</u>	\$ <u>-</u>	\$ <u>110,206,854</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,292,755
Instructional Resources and Media Services	48,690
Instructional Leadership	131,483
School Leadership	213,358
Guidance, Counseling and Evaluation Services	156,532
Social Work Services	8,343
Health Services	36,191
Student (Pupil) Transportation	152,401
Food Services	77,848
Cocurricular/Extracurricular Activities	65,583
General Administration	105,244
Plant Maintenance and Operations	223,022
Security and Monitoring Service	35,826
Data Processing Services	39,962
	<u>\$ 3,587,238</u>

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. LONG-TERM OBLIGATIONS

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Unlimited tax & refunding					
bonds	\$ 73,125,000	\$ -	\$ 4,785,000	\$ 68,340,000	\$ 4,930,000
Notes payable	241,665	-	58,241	183,424	59,668
Unamortized bond premium	232,648	-	31,893	200,755	31,893
TRS Net Pension Liability	7,514,046	1,181,580	2,147,263	6,548,363	-
TRS Net OPEB Liability *	-	26,684,398	11,571,056	15,113,342	-
Total governmental activities	\$ 81,113,359	\$ 27,865,978	\$ 18,593,453	\$ 90,385,884	\$ 5,021,561

* Additions include prior period adjustment of \$26,501,154.

Bond Payable

Bonds payable currently outstanding are as follows:

	Interest Rates	Maturity Dates	Amount
Series 2010B Unlimited Tax School Building Bonds	4.272-5.966%	2/15/2030	\$ 64,565,000
Series 2014 Unlimited Tax Refunding Bonds	3.00-3.65%	2/15/2025	3,775,000
			<u>\$ 68,340,000</u>

Changes in debt-related deferred outflows of resources for the fiscal year ended August 31, 2018 were:

	Balance at August 31, 2017, <u>As Adjusted</u>	Retired/ <u>Refunded</u>	Balance at <u>August 31, 2018</u>
Deferred Loss on Defeasance of Bonds	\$ 187,306	\$ 62,435	\$ 124,871

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 4,930,000	\$ 3,526,562	\$ 8,456,562
2020	5,080,000	3,302,213	8,382,213
2021	5,240,000	3,060,396	8,300,396
2022	5,410,000	2,803,737	8,213,737
2023	5,600,000	2,531,533	8,131,533
2024-2028	29,270,000	8,011,784	37,281,784
2029-2030	12,810,000	771,702	13,581,702
Totals	\$ <u>68,340,000</u>	\$ <u>24,007,927</u>	\$ <u>92,347,927</u>

Note Payable

Notes payable currently outstanding are as follows:

Governmental Capital Corporation: Principal balance of \$183,424, interest rate of 2.45%, maturing 8/1/2021.

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

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 59,668	\$ 4,494	\$ 64,162
2020	61,130	3,032	64,162
2021	62,626	1,534	64,160
Totals	\$ <u>183,424</u>	\$ <u>9,060</u>	\$ <u>192,484</u>

G. DEFINED BENEFIT PENSION PLAN

Plan Description – The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan 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.

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

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

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

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's FY 2018 Employer Contributions		\$ 641,146
District's FY 2018 Member Contributions		\$ 2,121,325
Measurement Year NECE On-behalf Contributions		\$ 1,633,493

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, 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 including public 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 or from a privately sponsored source.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

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 does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate – The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 11,039,246	\$ 6,548,363	\$ 2,808,974

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2018, the Hallsville Independent School District reported a liability of \$6,896,205 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 6,548,363
State's proportionate share that is associated with District	15,969,935
Total	<u>\$ 22,518,298</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .020479882% which was an increase of .000595410% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$1,218,123 and revenue of \$1,633,493 for support provided by the State in the Government-Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 95,805	\$ 353,145
Changes in actuarial assumptions	298,288	170,763
Difference between projected and actual investment earnings	-	477,231
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,137,382	310
Contributions paid to TRS subsequent to the measurement date	641,146	-
Total	\$ 3,172,621	\$ 1,001,449

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

	Pension Expense
Year ended August 31:	Amount
2019	\$ 308,652
2020	726,651
2021	276,531
2022	134,008
2023	67,492
Thereafter	16,693

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

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

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

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

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

TRS-Care Plan Premium Rates Effective Sept. 1, 2016 - Dec. 31, 2017			
	<u>TRS Care-1</u>	<u>TRS Care-2</u>	<u>TRS Care-3</u>
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
*or surviving spouse			

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's 2018 FY Employer Contributions		\$ 229,746
District's 2018 FY Member Contributions		\$ 179,588
Measurement Year NECE On-Behalf Contributions		\$ 261,094

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

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

Actuarial Assumptions – The total OPEB liability in the August 31, 2017 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:

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

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

Discount Rate – A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$ 17,837,495	\$ 15,113,342	\$ 12,923,737

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 12,583,367	\$ 15,113,342	\$ 18,432,988

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At August 31, 2018, Hallsville Independent School District reported a liability of \$15,113,342 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Hallsville Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 15,113,342
State's proportionate share that is associated with the District	<u>21,838,769</u>
Total	<u>\$36,952,111</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.034754301% which was the same proportion measured as of August 31, 2016.

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

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

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

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

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

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

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

For the year ended August 31, 2018, Hallsville Independent School District recognized OPEB expense of \$(7,307,833) and revenue of \$261,094 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ 315,502
Changes in actuarial assumptions	-	6,006,437
Net Difference between projected and actual investment earnings	2,296	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	68	-
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	229,746	-
Total	\$ 232,110	\$ 6,321,939

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (833,875)
2020	(833,875)
2021	(833,875)
2022	(833,875)
2023	(834,449)
Thereafter	(2,149,625)

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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I. HEALTH CARE COVERAGE - ACTIVE EMPLOYEES

Plan Description The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

J. WORKERS' COMPENSATION

The District joined together with other districts in the East Texas area to form the East Texas Education Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2017-18 school year, the District paid a fixed cost in the amount of \$48,737 for administration of claims, loss control, recordkeeping, and the cost of stop-loss insurance.

Total workers' compensation claims and loss funding sharing payments were \$19,008 for the year. The District may be required to pay and retains the risk of loss for workers' compensation claims up to its loss fund maximum. When and if schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. A reconciliation of claims activity for the past two fiscal years is provided below:

		Beginning Balance		Claims Incurred		Claims Paid		Ending Balance
Year ended August 31, 2018	\$	236,610	\$	19,008	\$	(49,712)	\$	205,906
Year ended August 31, 2017		272,219		75,941		(111,550)		236,610

K. OPERATING LEASES

The term of the lease for copiers started September 2018 and ends September 2022 for \$12,375 per month. The district also leases a postage meter for five years beginning November 2012 and ending 2018 for \$2,951 per month. It was renewed for November 2018 to 2022.

The future lease payments at August 2018 are as follows:

	Postage Meter	Copiers	Total
2019	\$ 35,412	\$ 148,500	\$ 183,912
2020	35,412	148,500	183,912
2021	35,412	148,500	183,912
2022	35,412	148,500	183,912
	<u>\$ 141,648</u>	<u>\$ 594,000</u>	<u>\$ 735,648</u>

Total lease expense (including operating leases noted above) amounted to \$177,048 and \$128,528 in 2018 and 2017, and respectively.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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L. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Total
Tuition from Transfer Students	\$ 197,975	\$ -	\$ 197,975
Tickets for Athletic Activity	35,719	-	35,719
Unearned School Nutrition	-	15,169	15,169
Texas Education Agency	-	24,133	24,133
K-12 Virtual Academy	808,100	-	808,100
Other	2,810	-	2,810
Total Deferred Revenue	<u>\$ 1,044,604</u>	<u>\$ 39,302</u>	<u>\$ 1,083,906</u>

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Other</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$ 23,066	\$ 410,094	\$ 370,455	\$ 803,615
Debt Service Fund	7,346	-	-	7,346
Special Revenue Funds	<u>-</u>	<u>379,866</u>	<u>-</u>	<u>379,866</u>
Total	<u>\$ 30,412</u>	<u>\$ 789,960</u>	<u>\$ 370,455</u>	<u>\$ 1,190,827</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as shown on the governmental activities financials consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Property Taxes	\$26,030,974	\$8,260,597	\$ -	\$34,291,571
Food Sales	-	-	690,474	690,474
Investment Income	334,139	50,109	8,422	392,670
Penalties, Interest and Other Tax Related Income	336,436	-	-	336,436
Campus Activity	-	-	217,195	217,195
Athletics	123,997	-	-	123,997
Shared Service	-	-	918,161	918,161
Other	461,191	-	937,644	1,398,835
	<u>\$27,286,737</u>	<u>\$8,310,706</u>	<u>\$2,771,896</u>	<u>\$38,369,339</u>

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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O. SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. 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 Fund 313, SSA-IDEA-8 Formula; Special Revenue Fund 314, SSA-IDEA-8 Preschool; Special Revenue Fund 434, SSA State Supplemental Visually Impaired; and Special Revenue Fund 437, SSA Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Elysian Fields ISD	\$ 234,414
Harleton ISD	182,520
Karnack ISD	62,630
Waskom ISD	230,835
Hallsville ISD	1,079,017
Total	\$ <u>1,789,416</u>

P. LITIGATION AND CONTINGENCIES

The District is not a party to any legal action and is not aware of any potential litigations. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingency.

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 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 combined financial statements for such contingencies.

Q. RISK MANAGEMENT

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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R. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75. During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

Function	Operating Grants And Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
11 Instruction	\$ (2,516,386)	\$ (4,781,885)	\$ 2,265,499
12 Instructional Resources and Media Services	(90,373)	(109,805)	19,432
13 Curriculum and Instructional Staff Development	109,181	-	109,181
21 Instructional Leadership	(78,932)	(248,901)	169,969
23 School Leadership	(360,564)	(432,819)	72,255
31 Guidance, Counseling and Evaluation Services	257,933	(245,791)	503,724
32 Social Work Services	(15,129)	(18,161)	3,032
33 Health Services	(64,348)	(77,244)	12,896
34 Student (Pupil) Transportation	(280,886)	(337,175)	56,289
35 Food Services	1,333,251	(6,227)	1,339,478
36 Extracurricular Activities	(113,152)	(135,827)	22,675
41 General Administration	(167,011)	(204,008)	36,997
51 Facilities Maintenance and Operations	(441,115)	(529,512)	88,397
52 Security and Monitoring Services	(71,073)	(85,316)	14,243
53 Data Processing Services	(79,276)	(95,162)	15,886
61 Community Services	5,952	-	5,952
93 Payments to Fiscal Agent/Member Districts of SSA	342,387	-	342,387
Totals	<u>\$ (2,229,541)</u>	<u>\$ (7,307,833)</u>	<u>\$ 5,078,292</u>

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED AUGUST 31, 2018

S. PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING PRINCIPLES

During fiscal year 2018, the District adopted GASB Statement No. 75, Accounting and Reporting for Post-Employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the TRS-Care. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, the government-wide beginning net position was restated by \$26,501,154.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 26,698,558	\$ 26,943,158	\$ 27,286,737	\$ 343,579
5800	State Program Revenues	11,932,976	12,044,976	12,193,508	148,532
5900	Federal Program Revenues	1,460,138	1,460,138	1,810,213	350,075
5020	Total Revenues	40,091,672	40,448,272	41,290,458	842,186
	EXPENDITURES:				
	Current:				
0011	Instruction	21,955,409	21,864,914	21,661,888	203,026
0012	Instructional Resources and Media Services	553,796	578,796	575,009	3,787
0013	Curriculum and Instructional Staff Development	133,269	136,269	116,759	19,510
0021	Instructional Leadership	1,070,750	1,083,425	1,049,973	33,452
0023	School Leadership	2,155,371	2,130,371	2,071,668	58,703
0031	Guidance, Counseling and Evaluation Services	721,970	792,695	792,037	658
0032	Social Work Services	79,906	81,906	81,765	141
0033	Health Services	356,830	371,830	367,946	3,884
0034	Student (Pupil) Transportation	2,059,146	1,990,884	1,872,366	118,518
0035	Food Services	-	5,000	1,057	3,943
0036	Extracurricular Activities	1,101,564	1,186,564	1,196,530	(9,966)
0041	General Administration	1,595,218	1,518,418	1,475,822	42,596
0051	Facilities Maintenance and Operations	4,616,525	4,931,525	4,780,252	151,273
0052	Security and Monitoring Services	419,819	419,819	380,756	39,063
0053	Data Processing Services	609,072	609,072	593,688	15,384
0061	Community Services	2,710	2,710	1,260	1,450
	Debt Service:				
0071	Principal on Long-Term Debt	539,162	533,241	533,241	-
0072	Interest on Long-Term Debt	134,778	140,699	133,573	7,126
0073	Bond Issuance Cost and Fees	5,000	5,000	800	4,200
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	1,300,000	1,260,594	39,406
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	550,000	550,000	547,154	2,846
0099	Other Intergovernmental Charges	680,000	680,000	657,528	22,472
6030	Total Expenditures	39,340,295	40,913,138	40,151,666	761,472
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	751,377	(464,866)	1,138,792	1,603,658
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	14,040	14,040
7915	Transfers In	-	7,173	6,505	(668)
7949	Other Resources	-	9,738	9,738	-
8911	Transfers Out (Use)	-	(668)	-	668
7080	Total Other Financing Sources (Uses)	-	16,243	30,283	14,040
1200	Net Change in Fund Balances	751,377	(448,623)	1,169,075	1,617,698
0100	Fund Balance - September 1 (Beginning)	11,188,900	11,188,900	11,188,900	-
3000	Fund Balance - August 31 (Ending)	\$ 11,940,277	\$ 10,740,277	\$ 12,357,975	\$ 1,617,698

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

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0204799%	0.0198844%	0.020431%	0.0089279%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,548,363	\$ 7,514,046	\$ 7,222,087	\$ 2,384,766
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	15,969,935	19,851,808	19,225,141	15,748,323
Total	<u>\$ 22,518,298</u>	<u>\$ 27,365,854</u>	<u>\$ 26,447,228</u>	<u>\$ 18,133,089</u>
District's Covered Payroll	\$ 27,834,688	\$ 27,932,831	\$ 27,057,260	\$ 24,972,750
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	23.53%	26.90%	26.69%	9.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 641,146	\$ 632,354	\$ 631,695	\$ 597,887
Contribution in Relation to the Contractually Required Contribution	(641,146)	(632,354)	(631,695)	(597,887)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 27,638,153	\$ 27,834,688	\$ 27,932,831	\$ 27,057,260
Contributions as a Percentage of Covered Payroll	2.32%	2.27%	2.26%	2.21%

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

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

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

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.034754301%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 15,113,342
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	21,838,769
Total	<u>\$ 36,952,111</u>
District's Covered Payroll	\$ 27,834,688
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	54.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 229,746
Contribution in Relation to the Contractually Required Contribution	(229,746)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 27,638,153
Contributions as a Percentage of Covered Payroll	0.83%

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

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

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

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

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

Data Control Codes		211 ESEA I, A Improving Basic Program	215 ESEA I, D Subpart 2 Delinquent Pr	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	100,846	13,052	19,960	1,155
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 100,846</u>	<u>\$ 13,052</u>	<u>\$ 19,960</u>	<u>\$ 1,155</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	3,964	-	-	-
2160	Accrued Wages Payable	39,321	-	19,960	1,155
2170	Due to Other Funds	57,561	13,052	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>100,846</u>	<u>13,052</u>	<u>19,960</u>	<u>1,155</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 100,846</u>	<u>\$ 13,052</u>	<u>\$ 19,960</u>	<u>\$ 1,155</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288 Title IV Part A SSAEP	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	397 Advanced Placement Incentives
\$ 543,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51,757	120	13,395	12,112	47,382	113,214	6,873	-
-	-	-	-	-	-	-	-
26,035	-	-	-	-	2,907	-	-
49,728	-	-	-	-	-	-	-
<u>\$ 670,921</u>	<u>\$ 120</u>	<u>\$ 13,395</u>	<u>\$ 12,112</u>	<u>\$ 47,382</u>	<u>\$ 116,121</u>	<u>\$ 6,873</u>	<u>\$ -</u>
\$ 126,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
985	-	-	-	-	4,746	-	-
9,196	-	-	-	-	-	-	-
-	120	13,395	12,112	47,382	111,375	6,873	-
15,169	-	-	-	-	-	-	-
<u>152,261</u>	<u>120</u>	<u>13,395</u>	<u>12,112</u>	<u>47,382</u>	<u>116,121</u>	<u>6,873</u>	<u>-</u>
40,068	-	-	-	-	-	-	-
478,592	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>518,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 670,921</u>	<u>\$ 120</u>	<u>\$ 13,395</u>	<u>\$ 12,112</u>	<u>\$ 47,382</u>	<u>\$ 116,121</u>	<u>\$ 6,873</u>	<u>\$ -</u>

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

Data Control Codes		410 State Textbook Fund	429 Other State Special Revenue Funds	434 SSA - SSVI Visually Impaired	437 SSA Special Education
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 332,250
1240	Due from Other Governments	-	-	-	-
1260	Due from Other Funds	47,135	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 47,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,250</u>
LIABILITIES					
2110	Accounts Payable	\$ 22,998	\$ -	\$ -	\$ 105
2150	Payroll Deductions and Withholdings Payable	4	-	-	542
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenue	24,133	-	-	-
2000	Total Liabilities	<u>47,135</u>	<u>-</u>	<u>-</u>	<u>647</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	331,603
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,603</u>
4000	Total Liabilities and Fund Balances	<u>\$ 47,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,250</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 582,443	\$ 1,458,094
-	379,866
-	47,135
-	28,942
-	49,728
<u>\$ 582,443</u>	<u>\$ 1,963,765</u>
\$ (1)	\$ 150,013
-	10,241
-	69,632
-	261,870
-	39,302
<u>(1)</u>	<u>531,058</u>
-	40,068
-	478,592
-	331,603
582,444	582,444
<u>582,444</u>	<u>1,432,707</u>
<u>\$ 582,443</u>	<u>\$ 1,963,765</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	215 ESEA I, D Subpart 2 Delinquent Pr	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	594,648	68,583	19,960	1,155
5020 Total Revenues	594,648	68,583	19,960	1,155
EXPENDITURES:				
Current:				
0011 Instruction	573,752	67,894	16,311	-
0012 Instructional Resources and Media Services	1,101	-	-	-
0013 Curriculum and Instructional Staff Development	-	689	-	-
0021 Instructional Leadership	13,843	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	3,649	1,155
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	5,952	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	594,648	68,583	19,960	1,155
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288 Title IV Part A SSAEP	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	397 Advanced Placement Incentives
\$ 690,474 \$ 11,997 1,326,441 2,028,912	\$ - - 37,354 37,354	\$ - - 96,890 96,890	\$ - - 12,908 12,908	\$ - - 48,569 48,569	\$ - - 1,283,211 1,283,211	\$ - - 26,485 26,485	- 3,705 - - 3,705
-	34,715	-	12,908	48,569	398,207	26,485	-
-	-	-	-	-	-	-	-
-	2,490	96,890	-	-	5,407	-	-
-	149	-	-	-	102,655	-	-
-	-	-	-	-	431,616	-	-
2,027,286	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,939	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	342,387	-	-
2,027,286	37,354	96,890	12,908	48,569	1,283,211	26,485	-
1,626	-	-	-	-	-	-	3,705
-	-	-	-	-	-	-	(3,705)
1,626	-	-	-	-	-	-	-
517,034	-	-	-	-	-	-	-
\$ 518,660 \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ - - - - - - -	\$ - - - - - - -	\$ - - - - - - -	\$ - - - - - - -	\$ - - - - - - -	\$ - - - - - - -	-

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

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	434 SSA - SSVI Visually Impaired	437 SSA Special Education
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 10,775	\$ 907,386
5800 State Program Revenues	259,458	2,800	-	53,374
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	259,458	2,800	10,775	960,760
EXPENDITURES:				
Current:				
0011 Instruction	259,458	-	10,775	277,682
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	180,499
0031 Guidance, Counseling and Evaluation Services	-	-	-	353,151
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	259,458	-	10,775	811,332
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,800	-	149,428
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(2,800)	-	-
1200 Net Change in Fund Balance	-	-	-	149,428
0100 Fund Balance - September 1 (Beginning)	-	-	-	182,175
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 331,603

	461 Campus Activity Funds		Total Nonmajor Governmental Funds
\$	1,163,261	\$	2,771,896
	-		331,334
	-		3,516,204
	1,163,261		6,619,434

	242,350		1,969,106
	27,408		28,509
	-		105,476
	24,361		321,507
	-		789,571
	-		2,027,286
	756,398		756,398
	-		2,939
	-		5,952

	-		342,387
	1,050,517		6,349,131

	112,744		270,303
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	-		(6,505)
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	112,744		263,798
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	469,700		1,168,909
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\$	582,444	\$	1,432,707
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T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.313000	2,563,762,443
2011	1.040000	0.313000	2,094,590,522
2012	1.040000	0.383000	2,170,797,892
2013	1.040000	0.350000	2,260,174,748
2014	1.040000	0.353000	2,276,705,675
2015	1.040000	0.343000	2,386,180,356
2016	1.040000	0.330000	2,415,217,007
2017	1.040000	0.330000	2,414,245,444
2018 (School year under audit)	1.040000	0.330000	2,501,858,263
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 238,627	\$ -	\$ 54,883	\$ 17,028	\$ 4,132	\$ 170,848
55,917	-	3,802	1,144	(5,137)	45,834
66,318	-	3,237	974	(6,158)	55,949
104,206	-	6,160	2,268	(7,954)	87,824
106,110	-	10,910	3,672	(7,309)	84,219
116,995	-	15,397	5,226	(7,907)	88,465
158,515	-	32,570	10,742	(8,465)	106,738
212,322	-	51,890	16,465	(5,233)	138,734
572,842	-	193,582	61,425	(31,015)	286,820
-	34,275,458	25,658,543	8,141,653	(96,776)	378,486
<u>\$ 1,631,852</u>	<u>\$ 34,275,458</u>	<u>\$ 26,030,974</u>	<u>\$ 8,260,597</u>	<u>\$ (171,822)</u>	<u>\$ 1,443,917</u>

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 660,637	\$ 660,637	\$ 690,474	\$ 29,837
5800	State Program Revenues	10,234	10,234	11,997	1,763
5900	Federal Program Revenues	1,267,849	1,267,849	1,326,441	58,592
5020	Total Revenues	1,938,720	1,938,720	2,028,912	90,192
EXPENDITURES:					
0035	Food Services	1,927,251	2,029,251	2,027,286	1,965
6030	Total Expenditures	1,927,251	2,029,251	2,027,286	1,965
1200	Net Change in Fund Balances	11,469	(90,531)	1,626	92,157
0100	Fund Balance - September 1 (Beginning)	517,034	517,034	517,034	-
3000	Fund Balance - August 31 (Ending)	\$ 528,503	\$ 426,503	\$ 518,660	\$ 92,157

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,192,537	\$ 8,192,537	\$ 8,310,706	\$ 118,169
5800 State Program Revenues	127,000	127,000	130,666	3,666
5020 Total Revenues	8,319,537	8,319,537	8,441,372	121,835
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	4,310,000	4,310,000	4,310,000	-
0072 Interest on Long-Term Debt	3,610,090	3,610,090	3,610,090	-
6030 Total Expenditures	7,920,090	7,920,090	7,920,090	-
1200 Net Change in Fund Balances	399,447	399,447	521,282	121,835
0100 Fund Balance - September 1 (Beginning)	1,008,974	1,008,974	1,008,974	-
3000 Fund Balance - August 31 (Ending)	\$ 1,408,421	\$ 1,408,421	\$ 1,530,256	\$ 121,835

FEDERAL AWARDS SECTION



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

**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 GOVERNMENTAL
AUDITING STANDARDS**

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

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 Hallsville Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Aguayo, Johnson, Aguayo & Co. P.C.
Certified Public Accountants

Tyler, Texas
January 18, 2019



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

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

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

Report on Compliance for Each Major Program

We have audited Hallsville Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The 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 Hallsville 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 Hallsville 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 for each major federal program. However, our audit does not provide a legal determination of Hallsville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hallsville 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, 2018.

Report on Internal Control Over Compliance

Management of Hallsville Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Angus, Johnson, Angus & Co., P.C.
Certified Public Accountants

Tyler, Texas
January 18, 2019

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Federal Awards

Noncompliance material to financial statements noted? _____ yes X no

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ? _____ yes X no

Identification of major federal programs:

CFDA Number(s)
84.010A

Name of Federal Program or Cluster
ESEA Title I – Improving Basic Program

84.027
84.173

Special Education Cluster:
SSA IDEA – B Formula
SSA IDEA – B Preschool

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

There are no findings to report.

Section III—Federal Award Findings and Questioned Costs

None.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-001:</p> <p><u>Condition</u></p> <p>The District does not have a policy to obtain financial information for component units such as PTA's, Booster Clubs, Foundations for HISD, and other organizations that donate money to the district or its constituents.</p> <p><u>Recommendation:</u></p> <p>SJS recommends the board to set up a policy to obtain financial statements from the component units.</p>	<p>The condition has not recurred.</p> <p>Management now has a policy to obtain financial statements from the component units</p>	
<p>Finding 2017-002:</p> <p><u>Condition</u></p> <p>The District did not review their investment policy in FY 2017.</p> <p><u>Recommendation:</u></p> <p>SJS recommends the District maintain a schedule for when the investment policy is reviewed to ensure it is reviewed annually.</p>	<p>The condition has not recurred.</p> <p>Management reviewed the investment policy in FY 2018.</p>	

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

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</u>				
Passed Through State Department of Education:				
240 School Breakfast Program	10.553	00536	\$ -	\$ 283,572
240 National School Lunch Program	10.555	00536	-	904,195
240 National School Lunch Program (Non-cash)	10.555	00536	-	138,674
Total CFDA Number 10.555			-	1,042,869
Total Passed Through State Department of Education			-	1,326,441
Total U. S. Department of Agriculture			-	1,326,441
Total Child Nutrition Cluster			-	1,326,441
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
224 LEA IDEA-B Formula	84.027	196600011029046600	-	19,960
313 SSA IDEA-B Formula	84.027	186600011029046600	342,387	1,283,211
Total CFDA Number 84.027			342,387	1,303,171
225 LEA IDEA-B Preschool	84.173	196610011029046610	-	1,155
314 SSA IDEA-B Preschool	84.173	186610011029046610	-	26,485
Total CFDA Number 84.173			-	27,640
Total Passed Through State Department of Education			342,387	1,330,811
Total U. S. Department of Education			342,387	1,330,811
Total Special Education (IDEA) Cluster			342,387	1,330,811
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
211 ESEA Title I Part A - Improving Basic Programs	84.010a	18610101102904	-	587,423
211 ESEA Title I Part A - Improving Basic Programs	84.010a	19610101102904	-	7,225
215 ESEA Title I Part D, Subpart 2 - Delinquent Programs	84.010a	18610103102904	-	68,583
Total CFDA Number 84.010a			-	663,231
244 Career and Technical - Basic Grant	84.048	18420006102904	-	37,354
Total CFDA Number 84.048			-	37,354
255 ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18694501102904	-	96,890
Total CFDA Number 84.367a			-	96,890
289 Summer School LEP	84.369a	69551702	-	1,187
Total CFDA Number 84.369a			-	1,187
288 Title IV, Part A, Subpart 1	84.424a	18680101102904	-	12,908
Total CFDA Number 84.424a			-	12,908
289 Emergency Impact Aid to LEAs	84.938c	51271901	-	47,382
Total CFDA Number 84.938c			-	47,382
Total Passed Through State Department of Education			-	858,952
Total U. S. Department of Education			-	858,952
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 342,387	\$ 3,516,204

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or a Special Revenue Fund which are Governmental Fund types.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
4. Federal revenues in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

Total Federal Expenditures, Exhibit K-1	\$ 3,516,204
Other Federal Revenues:	
Build America Bonds – Interest Subsidy	1,236,304
School Health and Related Services (SHARS)	573,909
Total Federal Revenues, Exhibit C-3	<u>\$ 5,326,417</u>

5. Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed. At August 31, 2018, the District had food commodities totaling \$9,660 in inventory.