

Hays Consolidated Independent School District

Kyle, Texas



Comprehensive Annual Financial Report

For the Fiscal year Ended August 31, 2018

Prepared by the Financial Services Department

Annette Folmar, MBA, CPA
Rebecca Palmer

Chief Financial Officer
Director of Finance

Hays Consolidated Independent School District

Kyle, Texas

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION



21003 N IH 35, Kyle, Texas 78640
Phone (512) 268-2141
Fax (512) 268-2147

January 22, 2019

Merideth Keller, President
Board of Trustees
Hays Consolidated Independent School District
21003 IH 35
Kyle, TX 78640

Dear Mrs. Keller and Members of the Board:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with the generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to the requirement, we hereby issue the Comprehensive Annual Financial Report of the Hays Consolidated Independent School District (the District) for the fiscal year ended August 31, 2018. The District's Financial Services Department prepares the report, which has earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) every year since 2006.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Federal Awards. The Introductory section includes this transmittal letter, a copy of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for 2017, the District's organizational chart and a list of principal officials. The management's discussion and analysis in the Financial section provides an overview of the financial position and results of operations for the year. The Financial section also includes the auditors' report, the basic financial statements, including the Government Wide Financial Statements and the Governmental Fund Financial Statements, the combining schedules and required supplementary information. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Federal Awards section includes the schedule of federal awards, auditors' reports and the schedule of findings for both current and prior years.

This report consists of management's representations concerning the finances of the district. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the district's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Maxwell, Locke & Ritter LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Federal Awards section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

THE DISTRICT AND ITS SERVICES

Hays Consolidated Independent School District was formed on May 6, 1967, through the consolidation of Kyle Independent School District, Buda County-Line Independent School District and Wimberley Rural High School District. The Wimberley School District withdrew from the consolidation in September 1986 and created Wimberley Independent School District. The District comprises 212 square miles of land, or approximately half of the total area of Hays County, with small portions extending into Travis and Caldwell Counties. The District includes the cities of Kyle and Buda, both of which are located within Hays County. The cities of Kyle and Buda are located on Interstate Highway 35 between Austin and San Marcos. The District also includes the cities of Hays, Uhland, Niederwald and Driftwood.

The District is governed by a seven member Board of Trustees (the Board). The Trustees serve three-year staggered terms with elections being held every year. Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

The Board meets annually to set goals for the District. The goals are both long-term and short-term in an effort to focus resources and efforts on specific areas, as well as set high standards for the students and staff of the District. They are reviewed and revised by the Board periodically.

Mission Statement - The mission of Hays CISD is to nurture students to become extraordinary citizens through unique, personal educational experiences through an innovative community of learners while celebrating our diversity and legacy.

Vision Statement - All Hays CISD learners will be:

- academically prepared for college, career, and life
- effective communicators and collaborators
- globally competent and competitive
- prepared for life and citizenship

Beliefs - We believe:

- Decision making is student-focused
- All students have the capacity to learn and be successful
- A safe and secure environment is essential
- Success is a shared investment that includes learners, educators, parents and the community
- In treating our educators and staff with dignity and respect
- The allocation of resources will support high quality learning
- An educated populace is essential to democracy
- High expectations lead to high achievement
- Open communication, transparency, and accountability build trust
- Inspired learning is the foundation of lifelong success
- Diverse and varied opportunities further learning
- Student success includes a well-rounded education that goes beyond standardized testing

Board and Superintendent Goals for 2018-2019

Hays CISD believes in the achievement of every student. The District will evaluate and address the individual needs of each student. Student performance will be evaluated in academics, college readiness, and career development. Our staff believes in the education of the whole child and knows that success is based on more than the results of a single test.

Hays CISD is dedicated to the safety social and emotional well-being of students and staff. A safe environment must include secure facilities, staff and student training, and our adopted standard response protocol. The district will partner with local and state entities to assure preparedness. Specific areas to be addressed are campus access, detecting and reporting possible threats, and building an environment of trust between adults and all students. Our Emergency Operations Plan is updated annually and followed throughout the district.

Hays CISD is dedicated to treating all stakeholders with respect and dignity. Cultivating great community and staff relations requires empathy, visibility, trust, and communication. Communication through all appropriate avenues is a priority, and staff will receive training in these areas. Our district is committed to increasing client engagement both internally and externally.

The District provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, Bilingual/ESL, intervention, college preparatory, and career and technical programs. The District is fully accredited by the Texas Education Agency (TEA).

Hays CISD operates fourteen elementary schools, six middle schools, two comprehensive high schools, one alternative education program high school, and one disciplinary alternative education program campus. The District's 2018-19 enrollment for budget purposes was 20,164, an increase of 264 students or 1.3% from 2017-2018 budgeted enrollment of 19,900. Actual enrollment for 2017-2018 was 19,859 at PEIMS snapshot.

ECONOMIC INFORMATION

Hays County, created in 1848, is located in south central Texas and is a component of the Austin Metropolitan Statistical Area. Hays County is traversed by Interstate Highway 35, U.S. Highway 290, State Highways 21 and 123 with the City of San Marcos as the county seat. State Highway 130 is a new commuter roadway on the outskirts of the district to relieve congestion on IH 35 and extends from north of Georgetown, east of metropolitan Austin, to I-10 near Seguin.

Hays County is diversified by tourism, education, agriculture, retail, healthcare, and manufacturing. Kyle, Buda and San Marcos are located within what has become known as the Austin/San Antonio Corridor along Interstate Highway 35. Austin and San Antonio are two anchors of a region which includes several million people.

The District's population has grown to an estimated 106,193 in 2017-18, up from the 2000 census number of 29,892, making it one of the fastest growing school districts in Texas. Residents in Hays County have easy access to higher education including the University of Texas, Texas State University, St. Edward's University and Austin Community College. The Hays Consolidated Independent School District covers land which was once used primarily for ranching and recreational area. Residential and retail development has steadily increased in the last ten years. The cities of Kyle and Buda are located on Interstate Highway 35 between San Marcos and Austin. Extensive roadway improvement projects, expansion of the Austin Community College campus, and the addition of a large, regional hospital complex that opened in 2009 will continue to drive growth in the District. In 2016-2017, the Board approved a Freeport tax exemption, creating a triple Freeport exemption within Hays County that opens the door for future commercial development within the district.

REPORT INFORMATION

The Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). All funds of the district are covered by this report. The District's financial policies address accounting and fiscal operations of the district, with an emphasis on asset, procurement, and budget management.

The District maintains budgetary controls, and the objective is to ensure compliance with legal provisions embodied in the annual budget approved by the District's Board. The annual expenditure budget serves as the foundation for the district's financial planning and control. Every school district in Texas is required, by law, to prepare and file a budget with the Texas Education Agency (TEA). The board legally adopts a budget for the General Fund, Debt Service Fund, and Child Nutrition Fund. Budgets for Special Revenue Funds (other than Child Nutrition) and Capital Projects Funds are prepared on a project bases, based on grant regulations or applicable bond ordinances.

Budgetary control (the level at which expenditures cannot legally exceed appropriations) is mandated at the functional category level within each fund. These functional categories are defined by TEA and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end unless specifically identified for rollover into the next fiscal year.

LONG TERM FINANCIAL PLANNING

In January 2017, the board of trustees will consider a proposed bond package to provide relief for overcrowding, replace aging facilities, expand program offerings to students, perform repairs and maintenance, and provide capacity for anticipated student enrollment growth. The District anticipates student enrollment growth in excess of 2,100 students in the next four years.

In 2017, Hays CISD voters approved a \$250 million bond package that includes a High School, 2 Elementary Schools (including Buda Elementary replacement), Transportation facility, New HHS Band Hall, New HHS Softball & Baseball complex, Library Upgrades, Career and technology education and Maintenance projects.

Since the Texas Legislature meets every two years to approve education funding, school districts are unable to accurately predict what mandates or funding changes will be implemented over the long-term. The District has accumulated unassigned fund balance in excess of \$30 million to prepare for uncertainties in future student enrollment growth, property values, and funding reductions.

The 2018-2019 adopted budget included \$800,000 for additional teachers to accommodate growth; \$5.0M for employee compensation that included a 3% increase for all employees, and increased the district's current employee health insurance contribution to \$4,404 annually; \$2M for special education, curriculum and departmental needs district-wide, as well as savings and revenue enhancements of \$2,115,621.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the entire staff of the Financial Services Department. We would like to express our sincere appreciation to all members of the departments and surrounding entities who assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of, and belief in, our public schools, and principals and teachers who provide the quality education for which the District has become known.

Respectfully submitted,



Dr. Eric Wright
Superintendent of Schools



Annette Folmar
Chief Financial Officer



Rebecca Palmer
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Hays Consolidated Independent
School District, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morill

Executive Director/CEO



Hays Consolidated Independent School District ORGANIZATIONAL CHART

Senior Leadership

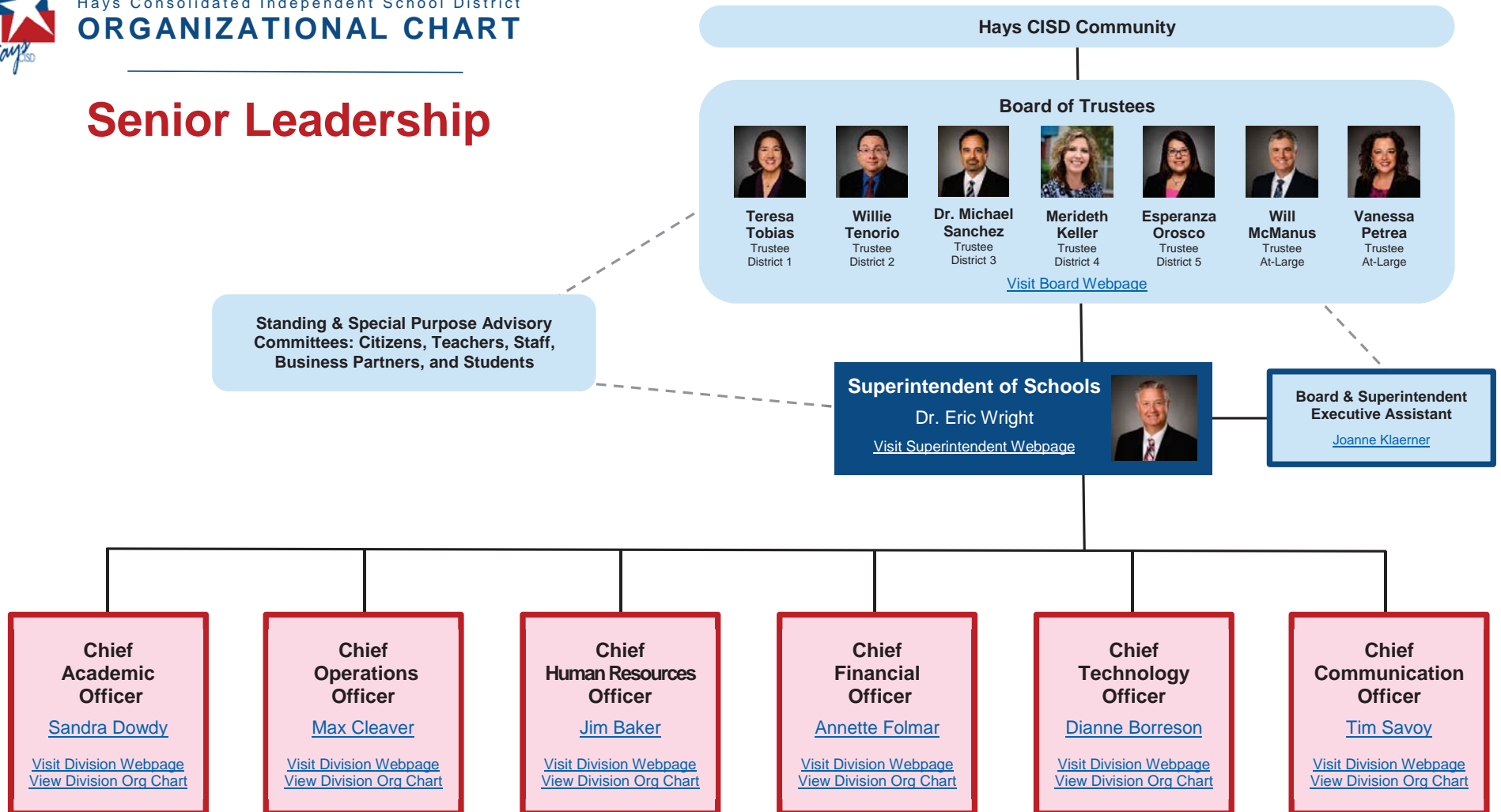


Table updated June 2018

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

School Board and Administrators

Board of Trustees

Merideth Keller	President
Esperanza Orosco	Vice President
Vanessa Petrea	Secretary
Will McManus	Trustee
Dr. Michael Sanchez	Trustee
Willie Tenorio, Jr.	Trustee
Teresa Tobias	Trustee

Administration

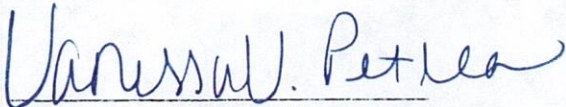
Eric Wright, Ed. D.	Superintendent of Schools
Tim Savoy, B.J.	Public Information Officer
Dianne Borreson, M. Ed.	Chief Technology Officer
Max Cleaver, M.S.	Chief Operations Officer
Annette Folmar, M.B.A., CPA	Chief Financial Officer
Jim Baker, M. Ed.	Chief Human Resources Officer
Sandra Dowdy, M. Ed.	Chief Academic Officer

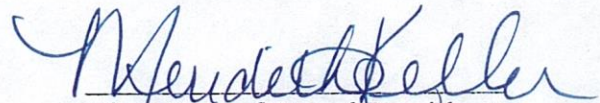


CERTIFICATE OF BOARD

Hays Consolidated Independent School District	Hays	105906
Name of School District	County	Co.-Dist. Number

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


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Hays Consolidated Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hays Consolidated Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 and Note 19 to the financial statements, for the year ended August 31, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in a restatement of the District's governmental net position, nonmajor internal service funds net position, and nonmajor enterprise funds net position as of August 31, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the notes to the required supplementary information on pages 5 through 13, 57, 58, 59, 60, and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
January 22, 2019

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
AUGUST 31, 2018**

As Management of the Hays Consolidated Independent School District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District is changing fiscal years in 2018-2019. The new fiscal year will begin July 1st and end June 30th.
- In 2017, voters approved a \$250 million bond package that includes a High School, 2 Elementary Schools (including Buda Elementary replacement), Transportation facility, New HHS Band Hall, New HHS Softball & Baseball complex, Library Upgrades, Career and technology education and Maintenance projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$34,613,866, which represents 20.5% percent of total fiscal year 2018-19 General Fund adopted budgeted expenditures. Including the \$5,987,345 of fund balance assigned for the 2018-19 budget, the total percentage is 24.1%.
- Hays CISD has been a fast-growth district for over twelve years. The District anticipates adding 1,800+ students over the next five years.
- For the year ended August 31, 2018, the District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard resulted in a prior period adjustment to net position of \$103,453,871 to recognize the net other post-employment benefits (“OPEB”) liability at the measurement period ending August 31, 2016, and the deferred outflows of resources related to the District’s contributions after the measurement period ending August 31, 2016 through August 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

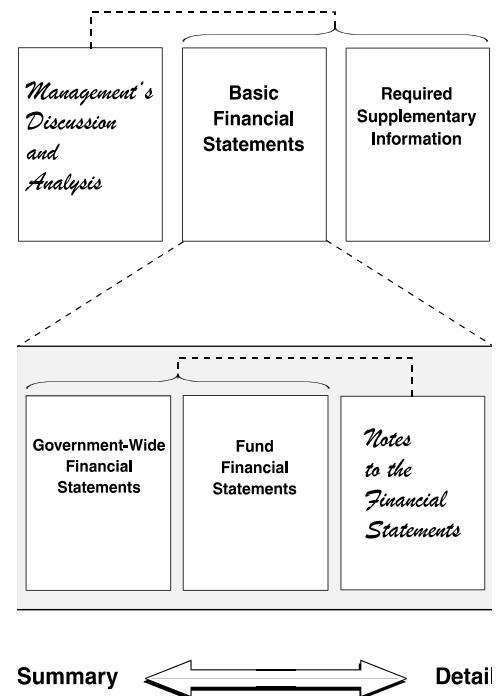
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves. Figure A-1 shows how the required parts of the annual report are arranged and related to one another.

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

Figure A-1, Required Components of the District's Annual Financial Report



The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District are designed to educate and benefit the children of the community. Functional codes for Texas school districts are uniform throughout the state. They include instruction and instructional-related services, instructional and school leadership, support services for students, administrative support services, non-student based support services, ancillary services, debt service and capital outlay for facilities and construction.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the District's most significant funds and not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the 2017 School Building Bonds Fund that are considered to be major funds. Data from the other individual governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses Enterprise Funds for child care operations and health clinic services.

The second type of proprietary fund is the Internal Service Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses Internal Service Funds for printing services and to report activities outstanding from its previously self-funded workers' compensation program.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position.

These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. The required supplementary information relates to the District's contributions to a cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$58,012,143 as of August 31, 2018. The District's total net position increased \$22,827,854 from the prior year, as restated. The District's financial position has improved with an increase in capital assets. The overall financial status of the District is stable, however, the financial outlook for all Texas school districts is uncertain beyond the current biennium.

TABLE 1

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 123,804,619	235,001,899	756,038	755,665	124,560,657	235,757,564
Capital assets	402,433,260	294,142,832	-	-	402,433,260	294,142,832
Total assets	526,237,879	529,144,731	756,038	755,665	526,993,917	529,900,396
Total deferred outflows of resources	33,754,784	33,719,397	153,739	169,466	33,908,523	33,888,863
Long-term liabilities	543,890,934	471,687,660	843,705	296,143	544,734,639	471,983,803
Other liabilities	44,593,274	67,180,071	48,343	45,815	44,641,617	67,225,886
Total liabilities	588,484,208	538,867,731	892,048	341,958	589,376,256	539,209,689
Total deferred inflows of resources	29,263,690	1,948,663	274,637	17,033	29,538,327	1,965,696
Net position:						
Net investment in capital assets	(8,472,122)	(8,409,938)	-	-	(8,472,122)	(8,409,938)
Restricted	4,147,547	2,772,186	-	-	4,147,547	2,772,186
Unrestricted	(53,430,660)	27,685,486	(256,908)	566,140	(53,687,568)	28,251,626
Total net position	(57,755,235)	22,047,734	(256,908)	566,140	(53,687,568)	22,613,874
Prior period adjustment	-	(102,491,750)	-	(962,121)	-	(103,453,871)
Total net position, as restated	<u>\$ (57,755,235)</u>	<u>(80,444,016)</u>	<u>(256,908)</u>	<u>(395,981)</u>	<u>(58,012,143)</u>	<u>(80,839,997)</u>

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used (e.g. debt service). This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

Governmental activities. Program and general revenues for the year totaled \$244,325,579, an 18.3% increase from the prior year. Expenses for the year totaled \$221,636,798 which is an increase of 9.5% from the prior year. The increase in governmental net position is primarily due to strong tax collections and state funding. Expenditures were up in all areas due to expanded services, compensation increases and facilities acquisition and construction.

Key elements of the increase or decrease are shown in the following table:

TABLE 2
HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 5,384,629	4,266,412	1,425,090	1,362,957	6,809,719	5,629,369
Operating grants and contributions	51,630,194	29,436,444	-	-	51,630,194	29,436,444
General revenues:						
Maintenance and operations taxes	70,597,077	62,826,641	-	-	70,597,077	62,826,641
Debt service taxes	33,793,448	30,061,633	-	-	33,793,448	30,061,633
Grants and contributions not restricted	79,327,796	78,950,276	-	-	79,327,796	78,950,276
Investment earnings	2,669,340	657,291	-	-	2,669,340	657,291
Miscellaneous local and intermediate	923,095	9,089	-	-	923,095	9,089
Total revenues	<u>244,325,579</u>	<u>206,207,786</u>	<u>1,425,090</u>	<u>1,362,957</u>	<u>245,750,669</u>	<u>207,570,743</u>
EXPENSES						
Instruction	114,814,051	108,247,784	-	-	114,814,051	108,247,784
Instructional resources and media services	2,883,062	2,340,974	-	-	2,883,062	2,340,974
Curriculum and staff development	2,868,662	3,663,644	-	-	2,868,662	3,663,644
Instructional leadership	3,498,890	3,311,840	-	-	3,498,890	3,311,840
School leadership	11,133,136	10,058,400	-	-	11,133,136	10,058,400
Guidance, counseling, and evaluation services	6,025,876	5,044,509	-	-	6,025,876	5,044,509
Social work services	329,784	353,162	-	-	329,784	353,162
Health services	2,053,262	1,929,862	35,554	84,983	2,088,816	2,014,845
Student transportation	10,928,526	10,475,450	-	-	10,928,526	10,475,450
Food services	8,543,174	8,548,077	-	-	8,543,174	8,548,077
Extracurricular activities	4,788,104	4,383,613	-	-	4,788,104	4,383,613
General administration	4,485,798	4,835,276	-	-	4,485,798	4,835,276
Facilities maintenance and operations	20,170,693	18,160,410	-	-	20,170,693	18,160,410
Security and monitoring services	1,721,178	1,501,888	-	-	1,721,178	1,501,888
Data processing services	5,387,084	4,830,224	-	-	5,387,084	4,830,224
Community services	301,028	342,092	-	-	301,028	342,092
Interest on long-term debt	14,907,519	12,260,504	-	-	14,907,519	12,260,504
Bond issuance costs and fees	282,390	1,120,642	-	-	282,390	1,120,642
Facilities acquisition and construction	5,504,580	-	-	-	5,504,580	-
Payments related to shared services arrangements	300,988	388,879	-	-	300,988	388,879
Other intergovernmental charges	709,013	674,577	-	-	709,013	674,577
Childcare services	-	-	1,250,463	1,370,324	1,250,463	1,370,324
Total expenses	<u>221,636,798</u>	<u>202,471,807</u>	<u>1,286,017</u>	<u>1,455,307</u>	<u>222,922,815</u>	<u>203,927,114</u>
INCREASE (DECREASE) IN NET POSITION	22,688,781	3,735,979	139,073	(92,350)	22,827,854	3,643,629
NET POSITION, BEGINNING PRIOR PERIOD ADJUSTMENT	(80,444,016)	18,311,755	(395,981)	658,490	(80,839,997)	18,970,245
	<u>-</u>	<u>(102,491,750)</u>	<u>-</u>	<u>(962,121)</u>	<u>-</u>	<u>(103,453,871)</u>
NET POSITION, ENDING (AS RESTATED)	<u>\$ (57,755,235)</u>	<u>(80,444,016)</u>	<u>(256,908)</u>	<u>(395,981)</u>	<u>(58,012,143)</u>	<u>(80,839,997)</u>

Property taxes, including penalties and interest, increased 12.4% and accounted for 42.7% of total 2017-2018 revenues. This revenue increase was the result of additional property values related to new businesses and residential construction, and a corresponding reduction in state funding due to property tax increases. The District tax rate of \$1.04 for operations has not increased since 2007. The tax rate for debt service remained steady for 2017-2018 at \$0.4977.

Business-type Activities. Revenues of the District's business-type activities represent \$1,395,607 from child care operations at District campuses and \$29,483 from health clinic operations. Health clinic operations were transferred to an outside operator in 2016-2017 and the revenue represents reimbursement for district expenses related to health clinic operations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$92,463,923. A complete listing of fund balances at August 31, 2018, is shown in the following table:

Fund Balances	Fiscal Year 2018
General Fund, Committed	\$ 3,509,200
General Fund, Assigned	11,461,783
General Fund, Non-spendable	1,300
General Fund, Unassigned	34,613,866
Food Service, Restricted & Non-spendable	2,315,565
2017 Capital Projects, Restricted	32,788,304
2014 Capital Projects, Restricted	4,159,257
2008 Capital Projects, Restricted	1,245,371
2006 Capital Projects, Restricted	111,809
2004 Capital Projects, Restricted	199,952
Local Capital Projects, Assigned	51,085
Debt Service, Restricted	2,006,431
Total Fund Balances	<u>\$ 92,463,923</u>

The General Fund decreased its total fund balance by \$1,220,035. The total fund balance of \$49,586,149 at August 31, 2018 represents a 2.4% decrease over the prior year. Revenues received from tax collections and state funding met projections even though enrollment was less than anticipated. While expenditures were less than anticipated in most areas, especially in instruction, maintenance and data processing services, one-time planned uses of fund balance contributed to the overall decrease in total fund balance. A portion of the remaining budget was due to purchases on order with \$474,438 of fund balance rolled over to 2018-2019.

The Debt Service Fund increased its total fund balance by \$864,294 due to increases in tax revenues for the year as well as net earnings realized on the 2017 issuance of refunding bonds. The tax rate for debt service remained constant for 2017-2018 at \$0.4977.

The 2017 Bond was approved by the District's voters at the close of 2016-2017 for \$250M and is classified as a major Capital Project Fund with a remaining balance of \$32,788,304 at August 31, 2018. The District issued the remaining \$75M of bonds in August 2017 for these projects. Projects include a High School, 2 Elementary Schools (including Buda Elementary replacement), Transportation facility, New HHS Band Hall, New HHS Softball & Baseball complex, Library Upgrades, Career and technology education and Maintenance projects. Additional information can be found on the District's website at www.hayscisd.net/bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budgets have continually included budget reductions and revenue enhancements in an effort to maximize the use of existing resources and meet the needs of a fast-growth district. The ability to provide additional teachers and staff, maintain student-to-teacher ratios, support core operations, expand technology systems and maintain competitive salaries continues to be a challenge.

In recent years, the District has consistently moved toward the adoption of a balanced budget while maintaining its current maintenance and operations tax rate of \$1.04. In 2013-2014 and 2014-2015 the District adopted general fund deficit budgets of (\$1,933,100) and (\$466,444) respectively. The District adopted a balanced budget in 2015-2016, due in large part to the funding efforts of the 84th Legislature, strong property value growth, and additional budget cuts and revenue enhancements. Reduction of state funding due to the elimination of ASATR and property value growth saw the district's return to deficit operating budgets in 2016-2017, 2017-2018 and 2018-2019. The 2016-2017 budgeted deficit was (\$1,828,618), the 2017-2018 original budget reflected a deficit of (\$3,417,041), and the 2018-2019 adopted budget reflected a deficit of (\$5,987,345), which is reflective of the funding challenges faced by school districts with the return to formula funding. These budgets enabled the district to maintain competitive wages, address student enrollment growth and staffing needs, and expand programs.

Over the course of the year, actual expenditures were less than final budget amounts for the General Fund. In addition, total revenues were \$761,821 above the final budgeted amount. Positive variances were widespread, primarily in the functional categories of instruction, transportation, maintenance and technology.

The maintenance and transportation budgets include all utilities and fuel for the District, which are budgeted with a reserve to allow for utility rate, fuel price and usage fluctuations throughout the school year. Instruction budgets include classroom teachers and other instructional professionals, of which payroll is a large portion of the District's overall budget. The District's conversion to a new ERP computer system was underway at the end of 2016-2017 and was primarily accounted for in the technology budget, resulting in budget carryforward to 2017-2018. Various timing differences in hiring and health insurance choices resulted in positive budget variances during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2018, the District had invested \$402,433,260 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. This amount represents a net increase (including depreciation, additions and deductions) of \$108,290,428 from last year. Total depreciation expense for the year was \$11,867,677 charged proportionately to the various functions/programs of the District. Additional information on the District's capital assets can be found in Note 7 pages 37-38 of this report.

Long-term Debt. At year-end, the District had \$466,814,842 in bonds payable outstanding. Additional information about the District's debt is presented in Note 9 on pages 38-40 of this report.

The District maintains a "AAA" rating from Moody's and Fitch for general obligation debt based upon the guarantee from the State of Texas Permanent School Fund (PSF). Prior to sale of bonds in August 2017, the District received a bond rating from Fitch Ratings of AA and Moody's issued an underlying rating of Aa2.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- State funding calculations for the 2018-2019 budget were based upon on formula funding. While the loss of Additional State Aid for Tax Reduction (ASATR) caused by shifting from target revenue to formula funding was initially offset by student enrollment growth and property value increases, current and future state funding will continue to be reduced as property values increase.
- House Bill 21, 85th Texas Legislature, 1st Called Special Session (2017), established the Texas Commission on Public School Finance to develop and make recommendations for improvements to the current public school finance system or for new methods of financing public schools. The Commission's recommendations for the 86th Legislative Session can be found at <https://tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539627394>
- The District's 2018-19 enrollment for budget purposes was 20,164, an increase of 264 students or 1.3% from 2017-2018 budgeted enrollment of 19,900. Actual enrollment for 2017-2018 was 19,859.
- The 2018-2019 adopted budget included \$868,000 for additional teachers to accommodate growth; \$5M increase for employee compensation that included a 3% increase for all employees, and increased the district's current employee health insurance contribution to \$4,404 annually; \$2M for special education, curriculum and departmental needs district-wide, \$2M for opening Uhland Elem and Johnson High School, as well as savings and revenue enhancements of \$2,115,621.
- The District's 2018-19 total tax rate held steady at \$1.5377 per \$100/valuation, with a Maintenance and Operations tax of \$1.04 and Interest and Sinking of \$0.4977.

The operating budget increased \$5.2 million for 2018-19 which is a 3.2% increase in projected expenditures over the prior year. The budget includes anticipated decrease in state funding of (\$2.9M) due to property value growth even with projected enrollment increase of 264 students at budget adoption. The District anticipates that future budget increases will drop below the \$4M range, assuming property value and enrollment growth estimates continue. The largest increases in the 2018-2019 budget were for new schools, additional teachers to address enrollment growth, and employee compensation. If budget estimates are realized, the District's General Fund balance is expected to decrease modestly by the close of 2018-19 before any one-time uses of fund balance. Additional information regarding the District's budget can be found at www.hayscisd.net.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Department at (512) 268-2141, or log on to www.hayscisd.net.

BASIC FINANCIAL STATEMENTS

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 3,476,602	550,740	4,027,342
Temporary investments	114,366,290	-	114,366,290
Receivables:			
Property taxes - delinquent	2,563,522	-	2,563,522
Allowance for uncollectible taxes	(766,633)	-	(766,633)
Due from other governments	3,324,839	-	3,324,839
Internal balances	(205,298)	205,298	-
Due from fiduciary funds	49,044	-	49,044
Other receivables	978,059	-	978,059
Inventory	16,394	-	16,394
Prepaid items	1,800	-	1,800
Capital assets (net of accumulated depreciation):			
Land	19,065,767	-	19,065,767
Buildings and improvements	265,681,711	-	265,681,711
Furniture and equipment	12,272,080	-	12,272,080
Construction in progress	105,413,702	-	105,413,702
Total assets	<u>526,237,879</u>	<u>756,038</u>	<u>526,993,917</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on bond refundings	17,353,682	-	17,353,682
Pension contributions after measurement date	3,618,248	33,913	3,652,161
Deferred outflows related to pension liability	11,788,147	110,488	11,898,635
OPEB contributions after measurement date	985,559	9,252	994,811
Deferred outflows related to OPEB liability	9,148	86	9,234
Total deferred outflows of resources	<u>33,754,784</u>	<u>153,739</u>	<u>33,908,523</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	19,757,129	366	19,757,495
Payroll deductions and withholdings payable	2,166,342	-	2,166,342
Accrued wages payable	4,568,619	47,977	4,616,596
Due to student groups	6,521	-	6,521
Bond interest payable	739,322	-	739,322
Bonds payable	14,635,000	-	14,635,000
Compensated absences	208,942	-	208,942
Unearned revenue	2,511,399	-	2,511,399
Noncurrent liabilities:			
Compensated absences	1,785,274	-	1,785,274
Bonds payable	452,179,842	-	452,179,842
Net pension liability	31,475,614	295,015	31,770,629
Net OPEB liability	58,450,204	548,690	58,998,894
Total liabilities	<u>588,484,208</u>	<u>892,048</u>	<u>589,376,256</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pension liability	4,813,859	45,119	4,858,978
Deferred inflows related to OPEB liability	24,449,831	229,518	24,679,349
Total deferred inflows of resources	<u>29,263,690</u>	<u>274,637</u>	<u>29,538,327</u>
NET POSITION:			
Net investment in capital assets	(8,523,207)	-	(8,523,207)
Restricted for:			
Debt service	1,832,482	-	1,832,482
Food service	2,315,065	-	2,315,065
Unrestricted	(53,379,575)	(256,908)	(53,636,483)
Total net position	<u>\$ (57,755,235)</u>	<u>(256,908)</u>	<u>(58,012,143)</u>

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Activities

Year Ended August 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 114,814,051	1,165,042	31,494,075	(82,154,934)	-	(82,154,934)
Instructional resources and media services	2,883,062	-	523,806	(2,359,256)	-	(2,359,256)
Curriculum and staff development	2,868,662	-	1,031,120	(1,837,542)	-	(1,837,542)
Instructional leadership	3,498,890	-	820,121	(2,678,769)	-	(2,678,769)
School leadership	11,133,136	-	2,539,587	(8,593,549)	-	(8,593,549)
Guidance, counseling, and evaluation services	6,025,876	-	1,579,395	(4,446,481)	-	(4,446,481)
Social work services	329,784	-	77,170	(252,614)	-	(252,614)
Health services	2,053,262	-	436,143	(1,617,119)	-	(1,617,119)
Student transportation	10,928,526	-	2,215,930	(8,712,596)	-	(8,712,596)
Food services	8,543,174	3,350,262	5,700,256	507,344	-	507,344
Extracurricular activities	4,788,104	372,999	700,405	(3,714,700)	-	(3,714,700)
General administration	4,485,798	-	1,183,010	(3,302,788)	-	(3,302,788)
Facilities maintenance and operations	20,170,693	496,326	2,351,227	(17,323,140)	-	(17,323,140)
Security and monitoring services	1,721,178	-	54,978	(1,666,200)	-	(1,666,200)
Data processing services	5,387,084	-	780,683	(4,606,401)	-	(4,606,401)
Community services	301,028	-	142,288	(158,740)	-	(158,740)
Interest on long-term debt	14,907,519	-	-	(14,907,519)	-	(14,907,519)
Bond issuance costs and fees	282,390	-	-	(282,390)	-	(282,390)
Facilities acquisition and construction	5,504,580	-	-	(5,504,580)	-	(5,504,580)
Payments related to shared services arrangements	300,988	-	-	(300,988)	-	(300,988)
Other intergovernmental charges	709,013	-	-	(709,013)	-	(709,013)
Total governmental activities	\$ 221,636,798	5,384,629	51,630,194	(164,621,975)	-	(164,621,975)
Business-type activities:						
Childcare - District-wide	\$ 1,250,463	1,395,607	-	-	145,144	145,144
Other Enterprise Funds	35,554	29,483	-	-	(6,071)	(6,071)
Total business-type activities	\$ 1,286,017	1,425,090	-	-	139,073	139,073
Total primary government	\$ 222,922,815	6,809,719	51,630,194	(164,621,975)	139,073	(164,482,902)
General revenues:						
Property taxes levied for general purposes				\$ 70,597,077	-	70,597,077
Property taxes levied for debt service				33,793,448	-	33,793,448
State aid-formula grants				79,327,796	-	79,327,796
Investment earnings				2,669,340	-	2,669,340
Miscellaneous				923,095	-	923,095
Total general revenues				187,310,756	-	187,310,756
Change in net position				22,688,781	139,073	22,827,854
Net position - beginning, as restated				(80,444,016)	(395,981)	(80,839,997)
Net position - ending				\$ (57,755,235)	(256,908)	(58,012,143)

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2018

	General	Debt Service	2017 School Building Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,481,898	-	16,117	447,381	2,945,396
Temporary investments	53,045,979	1,756,626	51,134,442	8,425,454	114,362,501
Receivables:					
Property taxes - delinquent	1,791,542	771,980	-	-	2,563,522
Allowance for uncollectible taxes	(560,026)	(206,607)	-	-	(766,633)
Due from other governments	713,131	209,855	-	2,401,853	3,324,839
Due from other funds	3,011,289	204,192	345,625	232,701	3,793,807
Other receivables	632,416	180,791	23,366	141,010	977,583
Prepaid items	1,300	-	-	500	1,800
Total assets	<u>\$ 61,117,529</u>	<u>2,916,837</u>	<u>51,519,550</u>	<u>11,648,899</u>	<u>127,202,815</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 1,241,635	-	18,165,355	345,952	19,752,942
Payroll deductions and withholdings payable	2,166,342	-	-	-	2,166,342
Accrued wages payable	4,192,483	-	-	359,586	4,552,069
Due to other funds	946,051	-	565,891	2,440,788	3,952,730
Due to student groups	6,521	-	-	-	6,521
Unearned revenue	1,746,832	345,033	-	419,534	2,511,399
Total liabilities	<u>10,299,864</u>	<u>345,033</u>	<u>18,731,246</u>	<u>3,565,860</u>	<u>32,942,003</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	1,231,516	565,373	-	-	1,796,889
Fund balances:					
Non-spendable -					
Prepaid items	1,300	-	-	500	1,800
Restricted for:					
Debt service	-	2,006,431	-	-	2,006,431
Authorized construction	-	-	32,788,304	5,716,389	38,504,693
Food service	-	-	-	2,315,065	2,315,065
Committed to :					
Artificial turf replacement	1,000,000	-	-	-	1,000,000
Fine arts capital equipment	250,000	-	-	-	250,000
Planned maintenance	1,250,000	-	-	-	1,250,000
Technology capital replacements	750,000	-	-	-	750,000
Uniforms	259,200	-	-	-	259,200
Assigned to:					
Authorized construction	-	-	-	51,085	51,085
Subsequent fiscal year's budget deficit	5,987,345	-	-	-	5,987,345
Joint access and use agreement	5,000,000	-	-	-	5,000,000
Purchases on order	474,438	-	-	-	474,438
Unassigned	34,613,866	-	-	-	34,613,866
Total fund balances	<u>49,586,149</u>	<u>2,006,431</u>	<u>32,788,304</u>	<u>8,083,039</u>	<u>92,463,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 61,117,529</u>	<u>2,916,837</u>	<u>51,519,550</u>	<u>11,648,899</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 402,404,382

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,796,889

The internal service fund is used by management to charge the costs of insurance and employee day care to individual funds.

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 397,129

The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable, including premiums	(466,814,842)
Less: Deferred charges on refundings	17,353,682
Interest payable	(739,322)
Compensated absences	(1,994,216)
Net pension liability	(31,425,473)
Pension contributions after measurement date	3,612,484
Deferred outflows related to pension liability	11,769,369
Deferred inflows related to pension liability	(4,806,191)
Net OPEB liability	(58,355,806)
OPEB contributions after measurement date	983,967
Deferred outflows related to OPEB liability	9,134
Deferred inflows related to OPEB liability	(24,410,344)
Net position of governmental activities	<u>\$ (57,755,235)</u>

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2018

	General	Debt Service	2017 School Building Bonds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 74,035,585	34,433,820	1,568,133	3,569,885	113,607,423
State program revenues	85,622,265	1,811,493	-	2,605,951	90,039,709
Federal program revenues	2,490,295	-	-	11,356,075	13,846,370
Total revenues	162,148,145	36,245,313	1,568,133	17,531,911	217,493,502
EXPENDITURES:					
Current:					
Instruction	93,947,909	-	-	7,728,145	101,676,054
Instructional resources and media services	2,183,098	-	336,795	58	2,519,951
Curriculum and staff development	2,002,820	-	-	758,986	2,761,806
Instructional leadership	3,315,685	-	-	3,832	3,319,517
School leadership	9,933,060	-	-	45,736	9,978,796
Guidance, counseling, and evaluation services	5,218,138	-	-	263,679	5,481,817
Social work services	311,703	-	-	-	311,703
Health services	1,816,096	-	-	-	1,816,096
Student transportation	9,837,327	-	-	511,323	10,348,650
Food services	-	-	-	8,335,277	8,335,277
Extracurricular activities	4,374,590	-	-	-	4,374,590
General administration	4,417,563	-	-	-	4,417,563
Facilities maintenance and operations	19,082,105	-	337,101	43,378	19,462,584
Security and monitoring services	1,654,171	-	-	19,614	1,673,785
Data processing services	4,062,381	-	881,360	100,871	5,044,612
Community services	195,608	-	-	96,610	292,218
Payments related to shared services arrangements	300,988	-	-	-	300,988
Other intergovernmental charges	709,013	-	-	-	709,013
Debt service:					
Principal on long-term debt	-	17,755,000	-	-	17,755,000
Interest on long-term debt	-	17,629,077	-	-	17,629,077
Bond issuance costs and fees	5,925	276,465	-	-	282,390
Facilities acquisition and construction	-	-	123,816,880	315,310	124,132,190
Total expenditures	163,368,180	35,660,542	125,372,136	18,222,819	342,623,677
Excess (deficiency) of revenues over (under) expenditures	(1,220,035)	584,771	(123,804,003)	(690,908)	(125,130,175)
OTHER FINANCING SOURCES (USES):					
Payment to refunded bond escrow agent	-	(28,242,670)	-	-	(28,242,670)
Issuance of refunding bonds	-	25,460,000	-	-	25,460,000
Premium on sale of bonds	-	3,062,193	-	-	3,062,193
Total other financing sources, net	-	279,523	-	-	279,523
Net change in fund balances	(1,220,035)	864,294	(123,804,003)	(690,908)	(124,850,652)
Fund balances - beginning	50,806,184	1,142,137	156,592,307	8,773,947	217,314,575
Fund balances - ending	\$ 49,586,149	2,006,431	32,788,304	8,083,039	92,463,923

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2018

Net change in fund balances-total governmental funds	\$ (124,850,652)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	120,161,795
Depreciation expense	(11,859,332)
Disposal of capital assets	(3,689)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(239,834)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(28,522,193)
Repayment of bond principal	17,755,000
Payment to refunded bond escrow agent	28,242,670
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	(217,803)
Amortization of deferred charges on bond refundings	(1,545,068)
Amortization of bond premiums	4,484,429
Change in compensated absences	331,511
Pension contributions made during the measurement year	3,268,487
Change in pension contributions made after the measurement date	391,911
Proportionate share of collective pension expense	(927,480)
Adjustment for ending deferred inflows and outflows related to net pension liability	(4,457,642)
OPEB contributions made during the measurement year	704,101
Change in OPEB contributions made after the measurement date	285,963
Proportionate share of collective OPEB expense	43,964,321
Adjustment for ending deferred inflows and outflows related to net OPEB liability	(24,401,210)
The internal service fund is used by management to charge the costs of insurance and employee day care to individual funds. The net revenue of the internal service fund is reported with governmental activities.	123,496
Change in net position of governmental activities	\$ 22,688,781

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	\$ 72,014,762	73,207,389	74,035,585	828,196
State program revenues	82,798,033	86,440,935	85,622,265	(818,670)
Federal program revenues	1,738,000	1,738,000	2,490,295	752,295
Total revenues	156,550,795	161,386,324	162,148,145	761,821
EXPENDITURES:				
Current:				
Instruction	92,112,054	95,761,288	93,947,909	1,813,379
Instructional resources and media services	2,314,230	2,333,365	2,183,098	150,267
Curriculum and staff development	2,562,946	2,130,007	2,002,820	127,187
Instructional leadership	3,376,905	3,505,560	3,315,685	189,875
School leadership	9,748,795	10,157,208	9,933,060	224,148
Guidance, counseling, and evaluation services	5,174,856	5,394,010	5,218,138	175,872
Social work services	406,306	420,465	311,703	108,762
Health services	1,905,904	1,968,619	1,816,096	152,523
Student transportation	9,916,768	10,117,902	9,837,327	280,575
Extracurricular activities	4,353,107	4,688,845	4,374,590	314,255
General administration	4,714,725	4,729,116	4,417,563	311,553
Facilities maintenance and operations	16,145,156	19,764,971	19,082,105	682,866
Security and monitoring services	1,711,798	1,783,249	1,654,171	129,078
Data processing services	4,003,855	4,467,028	4,062,381	404,647
Community services	315,395	320,904	195,608	125,296
Payments related to shared service arrangements	482,909	482,909	300,988	181,921
Other intergovernmental charges	710,391	720,391	709,013	11,378
Debt service	11,736	11,736	5,925	5,811
Total expenditures	159,967,836	168,757,573	163,368,180	5,389,393
Deficiency of revenues under expenditures	(3,417,041)	(7,371,249)	(1,220,035)	6,151,214
Net change in fund balance	(3,417,041)	(7,371,249)	(1,220,035)	6,151,214
Fund balance - beginning	50,806,184	50,806,184	50,806,184	-
Fund balance - ending	\$ 47,389,143	43,434,935	49,586,149	6,151,214

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

August 31, 2018

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 550,740	\$ 531,206	\$ 1,081,946
Temporary investments	-	3,789	3,789
Other receivable	-	476	476
Inventory	-	16,394	16,394
Due from other funds	205,298	6,458	211,756
Noncurrent assets:			
Furniture and equipment	-	76,178	76,178
Depreciation on furniture and equipment	-	(47,300)	(47,300)
Total assets	<u>756,038</u>	<u>587,201</u>	<u>1,343,239</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension contributions after measurement date	33,913	5,764	39,677
Deferred outflows related to pension liability	110,488	18,778	129,266
OPEB contributions after measurement date	9,252	1,592	10,844
Deferred outflows related to OPEB liability	86	14	100
Total deferred outflows of resources	<u>153,739</u>	<u>26,148</u>	<u>179,887</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	366	4,187	4,553
Accrued wages payable	47,977	16,550	64,527
Due to other funds	-	3,789	3,789
Noncurrent liabilities:			
Net pension liability	295,015	50,141	345,156
Net OPEB liability	548,690	94,398	643,088
Total liabilities	<u>892,048</u>	<u>169,065</u>	<u>1,061,113</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pension liability	45,119	7,668	52,787
Deferred inflows related to OPEB liability	229,518	39,487	269,005
Total deferred inflows of resources	<u>274,637</u>	<u>47,155</u>	<u>321,792</u>
NET POSITION:			
Invested in capital assets	-	28,878	28,878
Unrestricted	(256,908)	368,251	111,343
Total net position	<u>\$ (256,908)</u>	<u>\$ 397,129</u>	<u>\$ 140,221</u>

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended August 31, 2018

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
Operating revenues:			
Local and intermediate sources	\$ 1,425,023	\$ 672,034	\$ 2,097,057
State program revenues	67	12	79
Total operating revenues	1,425,090	672,046	2,097,136
Operating expenses:			
Payroll costs	1,233,324	176,910	1,410,234
Professional and contract services	19,457	184,895	204,352
Supplies and materials	29,632	173,993	203,625
Other operating costs	3,604	12,752	16,356
Total operating expenses	1,286,017	548,550	1,834,567
Operating income	139,073	123,496	262,569
Change in net position	139,073	123,496	262,569
Total net position - beginning, as restated	(395,981)	273,633	(122,348)
Total net position - ending	<u><u>\$ (256,908)</u></u>	<u><u>\$ 397,129</u></u>	<u><u>\$ 140,221</u></u>

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Year Ended August 31, 2018

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ -	672,273	672,273
Receipts from customers	1,785,754	-	1,785,754
Payments to suppliers	(48,723)	(354,162)	(402,885)
Payments to employees	(1,231,162)	(173,249)	(1,404,411)
Other payments	(144,765)	(18,245)	(163,010)
Net cash provided by operating activities	<u>361,104</u>	<u>126,617</u>	<u>487,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES-			
Purchases of investments	-	(96)	(96)
Net increase in cash and cash equivalents	361,104	126,521	487,625
Cash and cash equivalents - beginning of the year	<u>189,636</u>	<u>404,685</u>	<u>594,321</u>
Cash and cash equivalents - end of the year	<u><u>\$ 550,740</u></u>	<u><u>531,206</u></u>	<u><u>1,081,946</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 139,073	123,496	262,569
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	8,346	8,346
Change in assets and liabilities:			
Decrease in other receivable	-	197	197
Decrease in inventory	-	10,530	10,530
Decrease in due from other funds	360,731	53	360,784
Increase (decrease) in accounts payable	366	(5,804)	(5,438)
Increase in accrued wages payable	2,162	3,661	5,823
Increase in due to other funds	-	3,789	3,789
Changes related to net pension liability	52,023	15,596	67,619
Changes related to net OPEB liability	(193,251)	(33,247)	(226,498)
Net cash provided by operating activities	<u><u>\$ 361,104</u></u>	<u><u>126,617</u></u>	<u><u>487,721</u></u>

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

August 31, 2018

	Private Purpose Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 13,371	\$ 1,791,661
Other receivables	-	56,917
Total assets	<u>\$ 13,371</u>	<u>\$ 1,848,578</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 7,484
Accrued wages payable	-	7,368
Due to other funds	-	49,044
Due to student groups	-	1,784,682
Total liabilities	<u>\$ -</u>	<u>\$ 1,848,578</u>
NET POSITION-		
Held in trust for private purposes	<u>\$ 13,371</u>	

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

August 31, 2018

	Private Purpose Trust
ADDITIONS-	
Local and intermediate sources	\$ 94,503
Total additions	94,503
DEDUCTIONS:	
Professional and contracted services	40,355
Supplies and materials	5,490
Other operating costs	36,141
Total deductions	81,986
Change in net position	12,517
Net position - beginning of year	854
Net position - end of the year	\$ 13,371

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

**NOTES TO THE
BASIC FINANCIAL SECTION**

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to the Hays Consolidated Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the Board is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The 2017 School Building Bonds Fund, a major capital projects fund, includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

The District has no major Enterprise funds.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Capital Projects Funds include the proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Enterprise Funds are proprietary funds and are used to account for District activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District's nonmajor Enterprise Funds consist of the Campus Childcare Funds, the School Based Health Clinic, and the Community Education Program.

Internal Service Funds are proprietary funds and are used to account for the District's workers compensation insurance and the print shop.

The Private Purpose Trust Fund is a fiduciary trust fund and is used to account for the principal and income that benefit individuals in the form of scholarships and a training seminar for music instruction.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District. The District's Agency Fund consists of the Student Activity Fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are interfund charges for workers compensation insurance and the print shop. Operating expenses include administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20 and is adopted by the Board at a public meeting after ten days' public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The debt service function in the Debt Service Fund exceeded budgeted amounts by \$297,851 for the year ended August 31, 2018.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. At August 31, 2018, there was \$474,438 in encumbrances that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - Temporary investments throughout the year consisted of investments in external local government investment pools and local government securities. Local government securities are recognized at fair value and the external local government pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

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

Inventories - Inventories in the District's Print Shop Internal Service Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 20 to 39 years, vehicles - 10 years, and furniture and equipment - 5 to 15 years.

Accumulated Sick Leave Liability - The State of Texas (the “State”) has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. It is the District’s policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Such benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Insurance - As of September 1, 2004, the District is no longer self-insured for its workers’ compensation insurance. All outstanding claims prior to the switch are handled by the District and are accounted for in the Workers’ Compensation Internal Service Fund.

The District also provides health care benefits to its employees under a health care insurance plan. The insurance is provided by a licensed insurer.

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 - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

Fund Balance/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications. The District Wide Child Care enterprise fund had a deficit net position of \$266,260 at August 31, 2018 due to the allocation of the net pension and OPEB liabilities to the fund. This deficit will be eliminated through future revenues of the fund.

Statement of Cash Flows - For purposes of the statement of cash flows for proprietary fund types, the District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8, Note 12, and Note 13 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2021.

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2018, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$5,832,374 and the bank balance was \$8,053,600.

The District's deposits with financial institutions at August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of depository bank: Wells Fargo Bank, N.A.
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$14,027,087
- Largest cash, savings and time deposit combined account balance amounted to \$10,808,863 and occurred during the month of November 2017.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool	\$ 9,051,030	1	AAAm
TexasTERM	74,905,751	52	AAAm
Lone Star	18,389,509	1	AAA
Local government securities, recorded at Level 2	12,020,000	424	A-
Total	<u>\$ 114,366,290</u>		

The District had investments in three external local government investment pools at August 31, 2018: Texas Local Governmental Investment Pool ("TexPool"), Texas TERM Local Investment Pool ("TexasTERM"), and Lone Star Investment Pool ("Lone Star"). Although TexPool, TexasTERM Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

TexasTERM is organized in conformity with the Public Funds Investment Act. TexasTERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasDAILY is a portfolio of TexasTERM and provides daily access to funds. TexasTERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of TexasTERM. The advisory board is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the shares. TexasTERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of TexasTERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Local government securities are valued using Level 2 inputs using the present value of expected future cash flow pricing technique. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - At August 31, 2018, investments were included in external local government investment pools and local government securities in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2018, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At August 31, 2018, all of the District's investments were in external local government investment pools and local government securities and no individual local government security exceeded five percent of the District's total investments.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity limits. Maturities of any other individual investment owned by the District should not exceed three years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. The local government securities had a weighted average maturity of 424 days which is in compliance with the District's investment policy. At August 31, 2018, the District was not exposed to significant interest rate risk.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Hays Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2017, upon which the October 2017 levy was based, was \$6,825,171,269. The District levied taxes based on a combined tax rate of \$1.5377 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2017-2018 fiscal year.

In 2005, the Texas Legislature passed House Bill 1. House Bill 1 changed the way school districts receive revenue from both state and local sources. Districts that had reached the tax rate cap of \$1.50 per \$100 of assessed value for maintenance and operations were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District has exercised that option for the fiscal year 2018 tax levy.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District has entered into interlocal agreements with local governments in which the District is to be reimbursed for certain costs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of August 31, 2018.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 682,105	209,855	-	891,960
Federal and state grants	-	-	2,401,853	2,401,853
Other	31,026	-	-	31,026
Total	<u>\$ 713,131</u>	<u>209,855</u>	<u>2,401,853</u>	<u>3,324,839</u>

5. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.”

The composition of interfund balances as of August 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 2,401,057
General	Internal Service	3,789
General	Fiduciary	49,044
General	2017 School Building Bonds	557,399
Debt Service	General	204,192
2017 School Building Bonds	Nonmajor Governmental	345,625
Nonmajor Governmental	General	178,433
Nonmajor Governmental	Nonmajor Governmental	45,776
Nonmajor Governmental	2017 School Building Bonds	8,492
Enterprise	General	205,298
Internal Service	General	828
Internal Service	Nonmajor Governmental	5,630
Total		<u>\$ 4,005,563</u>

6. UNEARNED REVENUE

At August 31, 2018, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ 1,746,832	345,033	198,298	2,290,163
Prepaid food service accounts	-	-	221,236	221,236
	<u>\$ 1,746,832</u>	<u>345,033</u>	<u>419,534</u>	<u>2,511,399</u>

7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,865,767	1,200,000	-	19,065,767
Construction in progress	<u>17,453,290</u>	<u>116,998,971</u>	<u>(29,038,559)</u>	<u>105,413,702</u>
Total capital assets not being depreciated	<u>35,319,057</u>	<u>118,198,971</u>	<u>(29,038,559)</u>	<u>124,479,469</u>
Capital assets, being depreciated:				
Buildings and improvements	379,734,205	29,038,559	-	408,772,764
Furniture and equipment	<u>35,075,096</u>	<u>1,962,824</u>	<u>(1,414,045)</u>	<u>35,623,875</u>
Total capital assets being depreciated	<u>414,809,301</u>	<u>31,001,383</u>	<u>(1,414,045)</u>	<u>444,396,639</u>
Less accumulated depreciation for:				
Buildings and improvements	(133,179,862)	(9,911,191)	-	(143,091,053)
Furniture and equipment	<u>(22,805,664)</u>	<u>(1,956,486)</u>	<u>1,410,355</u>	<u>(23,351,795)</u>
Total accumulated depreciation	<u>(155,985,526)</u>	<u>(11,867,677)</u>	<u>1,410,355</u>	<u>(166,442,848)</u>
Total capital assets, being depreciated, net	<u>258,823,775</u>	<u>19,133,706</u>	<u>(3,690)</u>	<u>277,953,791</u>
Governmental activities capital assets, net	<u>\$ 294,142,832</u>	<u>137,332,677</u>	<u>(29,042,249)</u>	<u>402,433,260</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 8,122,836
Instructional resources and media services	242,634
Curriculum and staff development	43,009
Instructional leadership	925
School leadership	623,453
Guidance, counseling, and evaluation services	241,270
Health services	136,716
Student transportation	690,275
Food services	226,356
Extracurricular activities	277,655
General administration	29,652
Facilities maintenance and operations	791,248
Security and monitoring services	41,952
Data processing services	399,696
Total depreciation expense - governmental activities	<u>\$ 11,867,677</u>

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	<u>\$ 17,111,080</u>	<u>1,787,670</u>	<u>(1,545,068)</u>	<u>17,353,682</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 435,245,000	25,460,000	(44,210,000)	416,495,000
Premium on bonds	51,742,078	3,062,193	(4,484,429)	50,319,842
Total	<u>\$ 486,987,078</u>	<u>28,522,193</u>	<u>(48,694,429)</u>	<u>466,814,842</u>

Bonded debt consists of the following at August 31, 2018:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-18	Due Within One Year
				2.99 -		
2004	12-1-04	\$ 45,865,000	2026	4.68%	\$ 270,000	\$ -
				4.00 -		
2007	1-1-07	46,300,000	2026	5.00%	2,410,000	-
2011						
Refunding	10-28-11	8,230,000	2022	4.00%	8,230,000	1,900,000
2012				3.50 -		
Refunding	3-29-12	8,310,000	2026	3.75%	8,310,000	-
2012A				2.37 -		
Refunding	11-15-12	91,070,000	2026	5.00%	70,490,000	7,420,000
				2.00 -		
2013	5-16-13	54,475,000	2030	5.00%	47,775,000	800,000
				2.00 -		
2014	8-27-14	51,655,000	2039	5.00%	35,405,000	-
2015						
Refunding	12-8-15	8,505,000	2032	4.00%	8,505,000	-
2016				4.00 -		
Refunding	6-22-16	55,465,000	2037	5.00%	55,465,000	-
				2.00 -		
2017	8-9-17	160,340,000	2042	5.00%	154,770,000	2,610,000
2017				2.00 -		
Refunding	12-28-17	<u>25,460,000</u>	2038	5.00%	<u>24,865,000</u>	<u>1,905,000</u>
Total		<u>\$ 555,675,000</u>			<u>\$ 416,495,000</u>	<u>\$ 14,635,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for 2018 is \$0.4977.

On December 28, 2017, the District issued \$25,460,000 Series 2017 Unlimited Tax Refunding Bonds to advance refund \$26,455,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$28,246,757 (after payment of \$275,436 in underwriting fees, insurance, and other issuance costs) were used for the following: \$28,242,670 was deposited with an escrow agent to provide the debt service payment on the portion of the bonds advance refunded and \$4,087 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$25,460,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,787,670. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$3,980,167 and resulted in economic gain of \$3,040,806.

The annual principal installments for each of the outstanding issues vary each year. As of August 31, 2018, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2019	\$ 14,635,000	17,675,993	32,310,993
2020	15,235,000	17,080,368	32,315,368
2021	15,965,000	16,349,968	32,314,968
2022	16,735,000	15,580,443	32,315,443
2023	17,645,000	14,771,793	32,416,793
2024 - 2028	98,940,000	63,818,304	162,758,304
2029 - 2033	82,020,000	42,653,769	124,673,769
2034 - 2038	100,980,000	23,344,275	124,324,275
2039 - 2042	54,340,000	4,259,951	58,599,951
Total	<u>\$ 416,495,000</u>	<u>215,534,864</u>	<u>632,029,864</u>

The District defeased outstanding general obligation bonds through the Series 2017 Refunding Bonds, by placing the proceeds of the new bonds and additional payments from the District in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At August 31, 2018, outstanding bonds of \$7,735,000 are considered defeased.

As of August 31, 2018, \$75 million of general obligation bonds authorized by voters of the District had not been issued. See Note 20 for additional information on the Series 2018A and 2018B bonds issued by the District subsequent to August 31, 2018.

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 16.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2018, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	2017 School Building Bonds Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 70,453,154	33,684,998	-	-	104,138,152
Food service	-	-	-	3,350,262	3,350,262
Investment income	717,833	249,182	1,568,133	134,192	2,669,340
Penalties, interest, and other tax related income	337,676	154,532	-	-	492,208
Co-curricular student activities	372,999	-	-	-	372,999
Other	2,153,923	345,108	-	85,431	2,584,462
Total	<u>\$ 74,035,585</u>	<u>34,433,820</u>	<u>1,568,133</u>	<u>3,569,885</u>	<u>113,607,423</u>

12. DEFINED BENEFIT PENSION PLANS

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

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, in which 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 cost-of-living-adjustments ("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 83rd Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature GAA established the employer contribution rates for fiscal years 2016 and 2017.

	2017	2018
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2018 District Contributions		\$ 3,652,161
FY 2018 Member Contributions		\$ 9,291,978
FY 2018 NECE On-behalf Contributions		\$ 6,303,057

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

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

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

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

- When employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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	3.50% to 9.50%
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, 2015 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 8.0%. 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 TRS' target asset allocation as of August 31, 2017 are summarized below:

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

* 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.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 53,559,004	\$ 31,770,629	\$ 13,628,271

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

At August 31, 2018, the District reported a liability of \$31,770,629 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	\$ 31,770,629
State's proportionate share that is associated with the District	<u>58,074,567</u>
Total	<u>\$ 89,845,196</u>

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 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0994% which was an increase of 0.0092% 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 \$5,444,504 and revenue of \$4,429,697 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 464,819	\$ 1,713,348
Changes in actuarial assumptions	1,447,203	828,490
Difference between projected and actual investment earnings	-	2,315,374
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9,986,613	1,766
Contributions paid to TRS subsequent to the measurement date	3,652,161	-
Total	<u>\$ 15,550,796</u>	<u>\$ 4,858,978</u>

The \$3,652,161 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. 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 Amount
Year ended August 31:	
2019	\$ 1,217,308
2020	3,245,310
2021	1,061,479
2022	441,222
2023	750,729
Thereafter	323,609

13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

Detailed information about 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.

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 September 1, 2016 - December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

**or surviving spouse*

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 0.65% 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.

	2017	2018
Contribution Rates:		
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%
 FY 2018 District Contributions		\$ 994,811
FY 2018 Member Contributions		\$ 784,331
FY 2018 NECE On-behalf Contributions		\$ 1,446,276

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 and \$182.6 million in fiscal year 2018.

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	

Additional Actuarial Methods and Assumptions:

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

There was a significant plan change adopted in the 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 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. 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.

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio 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%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Sensitivity Analysis

Discount Rate - 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 2017 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	\$ 69,633,341	\$ 58,998,894	\$ 50,451,196

Healthcare Cost Trend Rates - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that was used in measuring the 2017 Net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
District's proportionate share of the net OPEB liability	\$ 49,122,473	\$ 58,998,894	\$ 71,958,002

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

At August 31, 2018, the District reported a liability of \$58,998,894 for its proportionate share of TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 58,998,894
State's proportionate share that is associated with the District	<u>90,560,410</u>
Total	<u>\$149,559,304</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 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.1357% 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:

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

- 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.
- 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.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(19,777,615) and revenue of \$30,303,921 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,231,647
Changes in actuarial assumptions	-	23,447,702
Difference between projected and actual investment earnings	8,962	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	272	-
Contributions paid to TRS subsequent to the measurement date	994,811	-
Total	<u>\$ 1,004,045</u>	<u>\$ 24,679,349</u>

The \$994,811 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB Expense Amount
Year ended August 31:	
2019	\$ (3,255,250)
2020	(3,255,250)
2021	(3,255,250)
2022	(3,255,250)
2023	(3,257,491)
Thereafter	(8,391,624)

14. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay for any amount above the District contribution. All premiums were paid to TRS acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

15. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2018, reimbursements of \$356,630 were received by TRS and allocated to the District.

16. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

17. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The District pays employees, who have been employed in the District for a minimum of five years, for the number of unused local days equal to the number of unused State days accumulated, up to sixty days, upon resignation. The District also pays employees in positions that require twelve months of service for vacation days accumulated, up to thirty days, upon resignation. A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance, August 31, 2017	\$ 782,327	\$ 1,543,400
Additions - new entrants and salary increments	1,301,016	275,463
Deductions - payments to participants	<u>(1,400,752)</u>	<u>(507,238)</u>
Balance, August 31, 2018	<u>\$ 682,591</u>	<u>\$ 1,311,625</u>

The current portion of the accumulated sick leave and vacation leave liability was \$208,942 at August 31, 2018.

18. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance for the year ended August 31, 2018, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

In September 2017, the District entered into a joint access and use agreement with the YMCA of Austin ("YMCA") whereas the District is entitled to use of a natatorium for thirty years in return for a \$5 million contribution to be used by the YMCA towards construction of said natatorium. Construction is estimated to begin in early 2019. The District has assigned fund balance for the total amount of the construction contribution at August 31, 2018.

At August 31, 2018, the District is also committed under construction contracts with a remaining balance of \$18,555,650.

19. PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statement No. 75 in the current fiscal year, the District must record its proportionate share of the net OPEB liability related to its contributions to the TRS cost-sharing OPEB plan at the beginning of the measurement period ending August 31, 2017. In addition, the District must record a deferred outflow of resources for its contributions to TRS-Care from the beginning of the measurement period through August 31, 2017. The effect of this change in accounting principle is as follows:

Net position, Nonmajor Internal Service Funds - August 31, 2017	\$ 439,159
Net OPEB liability - August 31, 2016	(166,655)
District contributions - September 1, 2016 - August 31, 2017	<u>1,129</u>
Net position, Nonmajor Internal Service Funds - August 31, 2017, as restated	<u>\$ 273,633</u>
Net position, Nonmajor Enterprise Funds - August 31, 2017	\$ 566,140
Net OPEB liability - August 31, 2016	(968,684)
District contributions - September 1, 2016 - August 31, 2017	<u>6,563</u>
Net position, Nonmajor Enterprise Funds - August 31, 2017, as restated	<u>\$ (395,981)</u>
Net position - governmental activities - August 31, 2017	\$ 22,047,734
Net OPEB liability - August 31, 2016	(103,024,228)
District contributions - September 1, 2016 - August 31, 2017	698,004
Restatement of Nonmajor Internal Service Funds net position	<u>(165,526)</u>
Net position - governmental activities - August 31, 2017, as restated	<u>\$ (80,444,016)</u>

20. SUBSEQUENT EVENTS

In September 2018, the District issued \$42,020,000 in Unlimited Tax School Building Bonds, Series 2018A and \$29,925,000 in Variable Rate Unlimited Tax School Building Bonds, Series 2018B.

The District's fiscal year-end will change to June 30th for the District's 2018-2019 fiscal year.

**REQUIRED
SUPPLEMENTARY INFORMATION**

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
August 31, 2018**

	2017*	2016*	2015*	2014*
District's proportion of the net pension liability	0.0994%	0.0902%	0.0878%	0.0510%
District's proportionate share of the net pension liability	\$ 31,770,629	\$ 34,098,555	\$ 31,049,988	\$ 13,613,723
State's proportionate share of the net pension liability associated with the District	58,074,567	65,644,031	60,887,151	52,171,690
Total	<u>\$ 89,845,196</u>	<u>\$ 99,742,586</u>	<u>\$ 91,937,139</u>	<u>\$ 65,785,413</u>
District's covered-employee payroll (for Measurement Year)	\$ 113,979,417	\$ 102,945,706	\$ 95,029,809	\$ 90,650,174
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.87%	33.12%	32.67%	15.02%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered employee payroll	75.93%	92.75%	91.94%	72.90%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2014.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2014.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - Pensions
Teacher Retirement System of Texas
Last 10 Fiscal Years

	2018*	2017*	2016*	2015*
Contractually required contributions	\$ 3,652,161	\$ 3,255,042	\$ 2,867,002	\$ 2,561,538
Contributions in relation to the contractual required contributions	<u>(3,652,161)</u>	<u>(3,255,042)</u>	<u>(2,867,002)</u>	<u>(2,561,538)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 120,101,227	\$ 113,979,417	\$ 102,945,706	\$ 95,029,809
Contributions as a percentage of covered payroll	3.04%	2.86%	2.78%	2.70%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2015.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2015.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
August 31, 2018**

	<u>2017*</u>
District's proportion of the net OPEB liability	0.1357%
District's proportionate share of the net OPEB liability	\$ 58,998,894
State's proportionate share of the net OPEB liability associated with the District	<u>90,560,410</u>
Total	<u><u>\$ 149,559,304</u></u>
 District's covered-employee payroll (for Measurement Year)	 \$ 113,979,417
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	 39.45%
Plan fiduciary net position as a percentage of the total OPEB liability	 0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	 132.55%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2014.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - OPEB
Teacher Retirement System of Texas
Last 10 Fiscal Years *

	2018	2017	2016	2015
Contractually required contributions	\$ 994,811	\$ 705,696	\$ 626,960	\$ 577,134
Contributions in relation to the contractual required contributions	(994,811)	(705,696)	(626,960)	(577,134)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 120,101,227	\$ 102,945,706	\$ 95,029,809	\$ 95,029,809
Contributions as a percentage of covered payroll	0.83%	0.69%	0.66%	0.61%

* Schedule should provide ten years of Plan information, but data was unavailable prior to 2015.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2018

1. CHANGE IN ASSUMPTIONS

Pensions

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

OPEB

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- 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.
- 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.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Title I Grants to Local Educational Agencies - Provides opportunities for children served to acquire knowledge and skills to meet the challenging State performance standards developed for all children.

Special Education Grants to States - Operate educational programs for children with disabilities.

Special Education Preschool Grants - Support programs for preschool children with disabilities.

National School Breakfast and Lunch Program - Support programs using federal reimbursement revenues from the United States Department of Agriculture (USDA)

Career and Technical Education - Basic Grants to States - Provide career and technology education to develop new and/or improved marketable skills for paid and unpaid employment.

Supporting Effective Instruction State Grants - Provide programs for improvement for school principals and recruiting teachers.

English Language Acquisition Grants - Improve the education of children with limited English proficiency, by assisting the children to learn English.

Grants for State Assessments and Related Activities - This fund classification is to be used to account, on a project basis, for funds allocated to local educational agencies to enable them to address the unique needs of limited English proficient students during the summer months.

Student Support and Academic Enrichment Program - To improve student's academic achievement by providing all students with access to a well-rounded education, improve school conditions for student learning, and improve the use of technology in order to improve the academic achievement and digital literacy for all students.

National Institute of Justice Research, Evaluation, and Development Project Grants - To foster the development of new knowledge and tools that can be applied to reduce crime and advance justice.

Visually Impaired - This fund classification is to be used to account for State Supplemental Visually Impaired funds. This fund is to be used by single school districts, on a project basis, to account for any of these funds received from the ESC or district fiscal agent of a shared services arrangement.

Regional Day School for the Deaf - This fund classification is to be used to account, on a project basis, for funds allocated for staff and activities of the Regional Day School Program for the Deaf (RDSPD). These funds are not to be used to pay salaries of teachers with a teaching assignment other than deaf students in the RDSPD. State deaf funds should not be used to pay the salary of teachers of American Sign Language as a foreign language at the junior high or high school level, as this is a course for regular education credit.

Non-Ed. Community Based Support - This fund classification is used to account for funds used for community based support.

Advanced Placement Initiative - This fund classification is to be used to account, on a project basis, for funds awarded to school districts under the Texas Advanced Placement Award Incentive Program, Chapter 28, Subchapter C, TEC.

Instructional Materials Allotment - This fund is used to account for the purchase of instructional materials, technological equipment, and technology-related services purchased through the Texas Education Agency online requisition system.

Other State Special Revenue Funds - This fund classification is used to account for various state special revenue funds. Included are funds for math stipends and prekindergarten programs.

Hays County JJAEP - Juvenile Justice Alternative Education Program is a disciplinary program for students in Hays County.

Education Foundation - Teacher grants provided by the Hays CISD Foundation.

Local Special Revenue Funds (489) - Grants awarded by outside foundations, corporations or other entities for a specific purpose.

Locally Defined Special Revenue Funds (498,499) - Provides additional resources for middle school students to meet high standards for college and career - readiness by enhancing teaching and learning across all content areas and providing integrated tiered intervention for struggling students.

2006 Bond Construction Fund - Capital projects funded by the 2006 bond.

2008 Bond Construction Fund - Capital projects funded by the 2008 bond.

2014 School Building Bonds - Capital projects funded by the 2014 bond.

2004 Bond Construction Fund - Capital projects funded by the 2004 bond.

Capital Projects - Local - This fund is used to account for projects funded by an operating transfer from the General Fund.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds August 31, 2018

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 344,679	102,702	447,381
Temporary investments	2,407,617	6,017,837	8,425,454
Receivables:			
Due from other governments	2,401,853	-	2,401,853
Due from other funds	178,433	54,268	232,701
Other receivables	141,010	-	141,010
Prepaid items	500	-	500
Total assets	<u>\$ 5,474,092</u>	<u>6,174,807</u>	<u>11,648,899</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 330,219	15,733	345,952
Accrued wages payable	359,586	-	359,586
Due to other funds	2,049,188	391,600	2,440,788
Unearned revenue	419,534	-	419,534
Total liabilities	<u>3,158,527</u>	<u>407,333</u>	<u>3,565,860</u>
Fund balances:			
Non-spendable	500	-	500
Restricted	2,315,065	5,716,389	8,031,454
Assigned	-	51,085	51,085
Total fund balances	<u>2,315,565</u>	<u>5,767,474</u>	<u>8,083,039</u>
Total liabilities and fund balances	<u>\$ 5,474,092</u>	<u>6,174,807</u>	<u>11,648,899</u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended August 31, 2018

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Local and intermediate sources	\$ 3,474,432	95,453	3,569,885
State program revenues	2,605,951	-	2,605,951
Federal program revenues	11,356,075	-	11,356,075
Total revenues	<u>17,436,458</u>	<u>95,453</u>	<u>17,531,911</u>
EXPENDITURES:			
Instruction	7,121,017	607,128	7,728,145
Instructional resources and media services	58	-	58
Curriculum and staff development	758,986	-	758,986
Instructional leadership	3,832	-	3,832
School leadership	45,736	-	45,736
Guidance, counseling, and evaluation services	263,679	-	263,679
Student transportation	-	511,323	511,323
Food services	8,335,277	-	8,335,277
Facilities maintenance and operations	37,668	5,710	43,378
Security and monitoring services	19,614	-	19,614
Data processing services	-	100,871	100,871
Community services	96,610	-	96,610
Facilities acquisition and construction	<u>-</u>	<u>315,310</u>	<u>315,310</u>
Total expenditures	<u>16,682,477</u>	<u>1,540,342</u>	<u>18,222,819</u>
Net change in fund balances	753,981	(1,444,889)	(690,908)
Fund balances - beginning	<u>1,561,584</u>	<u>7,212,363</u>	<u>8,773,947</u>
Fund balances - ending	<u><u>\$ 2,315,565</u></u>	<u><u>5,767,474</u></u>	<u><u>8,083,039</u></u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2018

	211	224	225	240	244	255	263	288	289	289	385
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	National Institute of Justice Research, Evaluation, and Development Project Grants	Visually Impaired
Assets:											
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	1,877	-	-
Temporary investments	-	-	-	2,407,617	-	-	-	-	-	-	-
Receivables:											
Due from other governments	705,448	724,302	25,236	127,678	36,957	165,251	61,555	-	1,472	-	-
Due from other funds	-	-	-	178,145	-	-	-	-	-	-	-
Other receivables	-	-	-	139,652	-	-	-	-	-	-	-
Prepaid items	-	-	-	500	-	-	-	-	-	-	-
Total assets	<u>\$ 705,448</u>	<u>724,302</u>	<u>25,236</u>	<u>2,853,592</u>	<u>36,957</u>	<u>165,251</u>	<u>61,555</u>	<u>-</u>	<u>3,349</u>	<u>-</u>	<u>-</u>
Liabilities and Fund balances:											
Liabilities:											
Accounts payable	\$ 1,959	332	-	176,970	-	7,905	-	-	-	-	-
Accrued wages payable	39,640	98,166	1,278	134,191	-	8,450	1,472	-	-	-	-
Due to other funds	663,849	625,804	23,958	5,630	36,957	148,896	60,083	-	3,349	-	-
Unearned revenue	-	-	-	221,236	-	-	-	-	-	-	-
Total liabilities	<u>705,448</u>	<u>724,302</u>	<u>25,236</u>	<u>538,027</u>	<u>36,957</u>	<u>165,251</u>	<u>61,555</u>	<u>-</u>	<u>3,349</u>	<u>-</u>	<u>-</u>
Fund balances:											
Non-spendable	-	-	-	500	-	-	-	-	-	-	-
Restricted	-	-	-	2,315,065	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,315,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 705,448</u>	<u>724,302</u>	<u>25,236</u>	<u>2,853,592</u>	<u>36,957</u>	<u>165,251</u>	<u>61,555</u>	<u>-</u>	<u>3,349</u>	<u>-</u>	<u>-</u>

(continued)

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2018

	386	392	397	410	429	458	481	489	498	499	
	Regional Day School for the Deaf	Non-Ed. Community Based Support	Advanced Placement Initiative	Instructional Materials Allotment	Other State Grants	Hays County JJAEP	Education Foundation	San Marcos Civic Foundation Grant	Fuel Up to Play Grant	Local Child Nutrition Grants	Special Revenue Funds
Assets:											
Cash and cash equivalents	\$ -	4,518	36,920	163,004	38,176	22,397	35,235	2,816	18,560	21,176	344,679
Temporary investments	-	-	-	-	-	-	-	-	-	-	2,407,617
Receivables:											
Due from other governments	537,660	-	-	-	16,294	-	-	-	-	-	2,401,853
Due from other funds	-	-	-	-	-	288	-	-	-	-	178,433
Other receivables	-	-	-	-	-	-	-	-	1,358	-	141,010
Prepaid items	-	-	-	-	-	-	-	-	-	-	500
Total assets	<u>\$ 537,660</u>	<u>4,518</u>	<u>36,920</u>	<u>163,004</u>	<u>54,470</u>	<u>22,685</u>	<u>35,235</u>	<u>2,816</u>	<u>19,918</u>	<u>21,176</u>	<u>5,474,092</u>
Liabilities and Fund balances:											
Liabilities:											
Accounts payable	\$ 1,136	-	-	140,477	-	-	-	-	-	1,440	330,219
Accrued wages payable	55,862	-	-	-	19,462	1,065	-	-	-	-	359,586
Due to other funds	480,662	-	-	-	-	-	-	-	-	-	2,049,188
Unearned revenue	-	4,518	36,920	22,527	35,008	21,620	35,235	2,816	19,918	19,736	419,534
Total liabilities	<u>537,660</u>	<u>4,518</u>	<u>36,920</u>	<u>163,004</u>	<u>54,470</u>	<u>22,685</u>	<u>35,235</u>	<u>2,816</u>	<u>19,918</u>	<u>21,176</u>	<u>3,158,527</u>
Fund balances:											
Non-spendable	-	-	-	-	-	-	-	-	-	-	500
Restricted	-	-	-	-	-	-	-	-	-	-	2,315,065
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,315,565</u>
Total liabilities and fund balances	<u>\$ 537,660</u>	<u>4,518</u>	<u>36,920</u>	<u>163,004</u>	<u>54,470</u>	<u>22,685</u>	<u>35,235</u>	<u>2,816</u>	<u>19,918</u>	<u>21,176</u>	<u>5,474,092</u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2018

	211	224	225	240	244	255	263	288	289	289	385
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	National Institute of Justice Research, Evaluation, and Development Project Grants	Visually Impaired
Revenues:											
Local and intermediate sources	\$ -	-	-	3,389,002	-	-	-	-	-	-	-
State program revenues	-	-	-	45,640	-	-	-	-	-	-	9,657
Federal program revenues	2,135,509	2,734,294	55,402	5,654,616	107,165	250,546	326,835	22,556	49,538	19,614	-
Total revenues	2,135,509	2,734,294	55,402	9,089,258	107,165	250,546	326,835	22,556	49,538	19,614	9,657
Expenditures:											
Instruction	1,565,958	2,522,998	55,402	-	50,785	49,423	298,884	22,556	49,538	-	6,757
Instructional resources and media services	-	-	-	-	-	-	-	-	-	-	-
Curriculum and staff development	457,984	360	-	-	56,380	191,123	17,600	-	-	-	200
Instructional leadership	-	1,786	-	-	-	-	-	-	-	-	-
School leadership	3,314	32,422	-	-	-	10,000	-	-	-	-	-
Guidance, counseling and evaluation services	-	176,273	-	-	-	-	-	-	-	-	2,700
Food services	-	-	-	8,335,277	-	-	-	-	-	-	-
Facilities maintenance and operations	21,994	455	-	-	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-	-	-	19,614	-
Community services	86,259	-	-	-	-	-	10,351	-	-	-	-
Total expenditures	2,135,509	2,734,294	55,402	8,335,277	107,165	250,546	326,835	22,556	49,538	19,614	9,657
Net change in fund balances	-	-	-	753,981	-	-	-	-	-	-	-
Fund balance - beginning	-	-	-	1,561,584	-	-	-	-	-	-	-
Fund balance - ending	\$ -	-	-	2,315,565	-	-	-	-	-	-	-

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2018

	386	392	397	410	429	458	481	489	498	499	
	Regional Day School for the Deaf	Non-Ed. Community Based Support	Advanced Placement Initiative	Instructional Materials Allotment	Other State Grants	Hays County JJAEP	Education Foundation	San Marcos Civic Foundation Grant	Fuel Up to Play Grant	Local Child Nutrition Grants	Special Revenue Funds
Revenues:											
Local and intermediate sources	\$ -	-	-	-	-	7,199	57,629	5,383	-	15,219	3,474,432
State program revenues	1,592,892	-	15,530	921,085	21,147	-	-	-	-	-	2,605,951
Federal program revenues	-	-	-	-	-	-	-	-	-	-	11,356,075
Total revenues	1,592,892	-	15,530	921,085	21,147	7,199	57,629	5,383	-	15,219	17,436,458
Expenditures:											
Instruction	1,500,220	-	-	921,085	16,294	7,199	53,918	-	-	-	7,121,017
Instructional resources and media services	-	-	-	-	58	-	-	-	-	-	58
Curriculum and staff development	5,920	-	15,530	-	4,795	-	3,711	5,383	-	-	758,986
Instructional leadership	2,046	-	-	-	-	-	-	-	-	-	3,832
School leadership	-	-	-	-	-	-	-	-	-	-	45,736
Guidance, counseling and evaluation services	84,706	-	-	-	-	-	-	-	-	-	263,679
Food services	-	-	-	-	-	-	-	-	-	-	8,335,277
Facilities maintenance and operations	-	-	-	-	-	-	-	-	-	15,219	37,668
Security and monitoring services	-	-	-	-	-	-	-	-	-	-	19,614
Community services	-	-	-	-	-	-	-	-	-	-	96,610
Total expenditures	1,592,892	-	15,530	921,085	21,147	7,199	57,629	5,383	-	15,219	16,682,477
Net change in fund balances	-	-	-	-	-	-	-	-	-	-	753,981
Fund balance - beginning	-	-	-	-	-	-	-	-	-	-	1,561,584
Fund balance - ending	\$ -	-	-	-	-	-	-	-	-	-	2,315,565

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Capital Projects Funds August 31, 2018

	606	608	614	634	699	Total Nonmajor Capital Projects Funds
	2006 Bond Construction	2008 Bond Construction	2014 School Building Bonds	2004 Bond Construction	Local	
Assets:						
Cash and cash equivalents	\$ -	-	37,688	-	65,014	102,702
Temporary investments	111,809	1,251,812	4,468,193	154,176	31,847	6,017,837
Receivables-						
Due from other funds	-	8,492	-	45,776	-	54,268
Total assets	<u>111,809</u>	<u>1,260,304</u>	<u>4,505,881</u>	<u>199,952</u>	<u>96,861</u>	<u>6,174,807</u>
Liabilities and Fund balances:						
Liabilities:						
Accounts payable	-	14,933	800	-	-	15,733
Due to other funds	-	-	345,824	-	45,776	391,600
Total liabilities	<u>-</u>	<u>14,933</u>	<u>346,624</u>	<u>-</u>	<u>45,776</u>	<u>407,333</u>
Fund balances-						
Restricted for authorized construction	<u>111,809</u>	<u>1,245,371</u>	<u>4,159,257</u>	<u>199,952</u>	<u>51,085</u>	<u>5,767,474</u>
Total fund balances	<u>111,809</u>	<u>1,245,371</u>	<u>4,159,257</u>	<u>199,952</u>	<u>51,085</u>	<u>5,767,474</u>
Total liabilities and fund balances	<u>\$ 111,809</u>	<u>1,260,304</u>	<u>4,505,881</u>	<u>199,952</u>	<u>96,861</u>	<u>6,174,807</u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended August 31, 2018

	606	608	614	634	699	Total Nonmajor Capital Projects Funds
	2006 Bond Construction	2008 Bond Construction	2014 School Building Bonds	2004 Bond Construction	Local	
Revenues-						
Local and intermediate sources	\$ 1,488	18,569	72,127	2,223	1,046	95,453
Total revenues	1,488	18,569	72,127	2,223	1,046	95,453
Expenditures:						
Instruction	-	-	607,128	-	-	607,128
Student transportation	-	-	511,323	-	-	511,323
Facilities maintenance and operations	-	-	-	-	5,710	5,710
Data processing services	-	-	100,871	-	-	100,871
Facilities acquisition and construction	790	238,187	74,933	1,400	-	315,310
Total expenditures	790	238,187	1,294,255	1,400	5,710	1,540,342
Net change in fund balances	698	(219,618)	(1,222,128)	823	(4,664)	(1,444,889)
Fund balances - beginning	111,111	1,464,989	5,381,385	199,129	55,749	7,212,363
Fund balances - ending	\$ 111,809	1,245,371	4,159,257	199,952	51,085	5,767,474

INTERNAL SERVICE FUNDS

Print Shop - Printing services to other organizational units of the school district, other school districts or governmental units.

Self-Insurance - Self-insurance claims for workers' compensation.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**Combining Statement of Net Position****Nonmajor Internal Service Funds****August 31, 2018**

	752	753	Total
	Print Shop	Insurance	Internal Services Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 531,206	\$ -	\$ 531,206
Temporary investments	-	3,789	3,789
Other receivable	476	-	476
Inventory	16,394	-	16,394
Due from other funds	6,458	-	6,458
Noncurrent assets:			
Furniture and equipment	76,178	-	76,178
Depreciation on furniture and equipment	(47,300)	-	(47,300)
Total assets	<u>583,412</u>	<u>3,789</u>	<u>587,201</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension contributions after measurement date	5,764	-	5,764
Deferred outflows related to pension liability	18,778	-	18,778
OPEB contributions after measurement date	1,592	-	1,592
Deferred outflows related to OPEB liability	14	-	14
Total deferred outflows of resources	<u>26,148</u>	<u>-</u>	<u>26,148</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	4,187	-	4,187
Accrued wages payable	16,550	-	16,550
Due to other funds	-	3,789	3,789
Noncurrent liabilities:			
Net pension liability	50,141	-	50,141
Net OPEB liability	94,398	-	94,398
Total liabilities	<u>165,276</u>	<u>3,789</u>	<u>169,065</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pension liability	7,668	-	7,668
Deferred inflows related to OPEB liability	39,487	-	39,487
Total deferred inflows of resources	<u>47,155</u>	<u>-</u>	<u>47,155</u>
NET POSITION:			
Invested in capital assets	28,878	-	28,878
Unrestricted	368,251	-	368,251
Total net position	<u>\$ 397,129</u>	<u>\$ -</u>	<u>\$ 397,129</u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Internal Service Funds
Year Ended August 31, 2018

	752	753	
	Print Shop	Insurance	Totals
Operating revenues:			
Local and intermediate sources	\$ 671,980	\$ 54	\$ 672,034
State program revenues	12	-	12
Total operating revenues	<u>671,992</u>	<u>54</u>	<u>672,046</u>
Operating expenses:			
Payroll costs	176,910	-	176,910
Professional and contracted services	184,895	-	184,895
Supplies and materials	173,993	-	173,993
Other operating costs	<u>8,963</u>	<u>3,789</u>	<u>12,752</u>
Total operating expenses	<u>544,761</u>	<u>3,789</u>	<u>548,550</u>
Operating income (loss)	<u>127,231</u>	<u>(3,735)</u>	<u>123,496</u>
Change in net position	127,231	(3,735)	123,496
Total net position - beginning, as restated	<u>269,898</u>	<u>3,735</u>	<u>273,633</u>
Total net position - ending	<u><u>\$ 397,129</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 397,129</u></u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Combining Statement of Cash Flows

Nonmajor Internal Service Funds

Year Ended August 31, 2018

	752	753	
	<u>Print Shop</u>	<u>Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 672,177	96	672,273
Payments to suppliers	(354,162)	-	(354,162)
Payments to employees	(173,249)	-	(173,249)
Other payments	(18,245)	-	(18,245)
	<u>126,521</u>	<u>96</u>	<u>126,617</u>
Net cash provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES-			
Purchases of investments	-	(96)	(96)
	<u>126,521</u>	<u>-</u>	<u>126,521</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents - beginning of the year	404,685	-	404,685
Cash and cash equivalents -end of the year	<u>\$ 531,206</u>	<u>-</u>	<u>531,206</u>
 RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 127,231	(3,735)	123,496
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	8,346	-	8,346
Change in assets and liabilities:			
Decrease in other receivable	197	-	197
Decrease in inventory	10,530	-	10,530
Decrease in due from other funds	11	42	53
Decrease in accounts payable	(5,804)	-	(5,804)
Increase in accrued wages payable	3,661	-	3,661
Increase in due to other funds	-	3,789	3,789
Changes related to net pension liability	15,596	-	15,596
Changes related to net OPEB liability	(33,247)	-	(33,247)
	<u>126,521</u>	<u>96</u>	<u>126,617</u>
Net cash provided by operating activities			

NONMAJOR ENTERPRISE FUNDS

School Based Health Clinic - Health care clinic for students of the District.

District Wide Child Care - Provide childcare services for children of school district employees at various District campuses.

Community Education - Provides a range of quality, affordable educational opportunities to fulfill personal and practical aspirations for community members.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
August 31, 2018

	719	727	748	
	<u>School Based Health Clinic</u>	<u>District Wide Child Care</u>	<u>Community Education</u>	<u>Totals</u>
ASSETS-				
Current assets:				
Cash and cash equivalents	\$ 7,295	\$ 541,268	\$ 2,177	\$ 550,740
Due from other funds	246	205,052	-	205,298
Total assets	<u>7,541</u>	<u>746,320</u>	<u>2,177</u>	<u>756,038</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension contributions after measurement date	-	33,913	-	33,913
Deferred outflows related to pension liability	-	110,488	-	110,488
OPEB contributions after measurement date	-	9,252	-	9,252
Deferred outflows related to OPEB liability	-	86	-	86
Total deferred outflows of resources	<u>-</u>	<u>153,739</u>	<u>-</u>	<u>153,739</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	366	-	-	366
Accrued wages payable	-	47,977	-	47,977
Noncurrent liabilities:				
Net pension liability	-	295,015	-	295,015
Net OPEB liability	-	548,690	-	548,690
Total liabilities	<u>366</u>	<u>891,682</u>	<u>-</u>	<u>892,048</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred inflows related to pension liability	-	45,119	-	45,119
Deferred inflows related to OPEB liability	-	229,518	-	229,518
Total deferred outflows of resources	<u>-</u>	<u>274,637</u>	<u>-</u>	<u>274,637</u>
NET POSITION-				
Unrestricted	<u>7,175</u>	<u>(266,260)</u>	<u>2,177</u>	<u>(256,908)</u>
Total net position	<u>\$ 7,175</u>	<u>\$ (266,260)</u>	<u>\$ 2,177</u>	<u>\$ (256,908)</u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended August 31, 2018

	719	727	748	
	<u>School Based Health Clinic</u>	<u>District Wide Child Care</u>	<u>Community Education</u>	<u>Totals</u>
Operating revenues:				
Local and intermediate sources	\$ 29,483	\$ 1,395,540	\$ -	\$ 1,425,023
State program revenues	<u>-</u>	<u>67</u>	<u>-</u>	<u>67</u>
Total operating revenues	<u>29,483</u>	<u>1,395,607</u>	<u>-</u>	<u>1,425,090</u>
Operating expenses:				
Payroll costs	34,144	1,199,180	-	1,233,324
Professional and contracted services	1,410	18,047	-	19,457
Supplies and materials	-	29,632	-	29,632
Other operating costs	<u>-</u>	<u>3,604</u>	<u>-</u>	<u>3,604</u>
Total operating expenses	35,554	1,250,463	-	1,286,017
Operating income (loss)	<u>(6,071)</u>	<u>145,144</u>	<u>-</u>	<u>139,073</u>
Change in net position	(6,071)	145,144	-	139,073
Total net position - beginning, as restated	<u>13,246</u>	<u>(411,404)</u>	<u>2,177</u>	<u>(395,981)</u>
Total net position - ending	<u><u>\$ 7,175</u></u>	<u><u>\$ (266,260)</u></u>	<u><u>\$ 2,177</u></u>	<u><u>\$ (256,908)</u></u>

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended August 31, 2018

	719	727	748	
	School Based Health Clinic	District Wide Child Care	Community Education	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 29,483	1,756,271	-	1,785,754
Payments to suppliers	(1,044)	(47,679)	-	(48,723)
Payments to employees	(34,144)	(1,197,018)	-	(1,231,162)
Other payments	-	(144,765)	-	(144,765)
Net cash provided by (used in) operating activities	(5,705)	366,809	-	361,104
Net increase (decrease) in cash and cash equivalents	(5,705)	366,809	-	361,104
Cash and cash equivalents -beginning of the year	13,000	174,459	2,177	189,636
Cash and cash equivalents -end of the year	\$ 7,295	541,268	2,177	550,740
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (6,071)	145,144	-	139,073
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Decrease in due from other funds	-	360,731	-	360,731
Increase in accounts payable	366	-	-	366
Increase in accrued wages payable	-	2,162	-	2,162
Changes related to net pension liability	-	52,023	-	52,023
Changes related to net OPEB liability	-	(193,251)	-	(193,251)
Net cash provided by (used in) operating activities	\$ (5,705)	366,809	-	361,104

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	\$ 3,233,789	3,339,784	3,389,002	49,218
State program revenues	45,000	45,000	45,640	640
Federal program revenues	5,691,024	5,585,028	5,654,616	69,588
Total revenues	8,969,813	8,969,812	9,089,258	119,446
EXPENDITURES-				
Current-				
Food services	8,898,942	8,919,901	8,335,277	584,624
Total expenditures	8,898,942	8,919,901	8,335,277	584,624
Excess of revenues over expenditures	70,871	49,911	753,981	704,070
Fund balance - beginning	1,561,584	1,561,584	1,561,584	-
Fund balance - ending	\$ 1,632,455	1,611,495	2,315,565	704,070

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Local and intermediate sources	\$ 33,629,397	33,894,125	34,433,820	539,695
State program revenues	1,391,000	1,468,566	1,811,493	342,927
Total revenues	35,020,397	35,362,691	36,245,313	882,622
EXPENDITURES-				
Debt service:				
Principal on long-term debt	17,160,000	17,755,000	17,755,000	-
Interest on long-term debt	17,860,397	17,607,691	17,629,077	(21,386)
Bond issuance costs and fees	-	-	276,465	(276,465)
Total expenditures	35,020,397	35,362,691	35,660,542	(297,851)
Excess of revenues over expenditures	-	-	584,771	584,771
OTHER FINANCING SOURCES (USES):				
Payment to refunded bond escrow agent	-	-	(28,242,670)	(28,242,670)
Issuance of refunding bonds	-	-	25,460,000	25,460,000
Premium on sale of bonds	-	-	3,062,193	3,062,193
Total other financing sources, net	-	-	279,523	279,523
Net change in fund balance	-	-	864,294	864,294
Fund balance - beginning	1,142,137	1,142,137	1,142,137	-
Fund balance - ending	\$ 1,142,137	1,142,137	2,006,431	864,294

OTHER SCHEDULES

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2018

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2018
	Maintenance	Debt Service							
2009 and prior	Various	Various	\$ -	\$ 627,173	-	3,973	1,233	(90,657)	531,310
2010	1.0400	0.4213	2,911,022,745	54,040	-	671	272	(2)	53,095
2011	1.0400	0.4213	3,401,651,203	54,389	-	1,226	497	-	52,666
2012	1.0400	0.4213	3,620,543,198	73,173	-	2,895	1,173	(5,598)	63,507
2013	1.0400	0.4213	3,662,838,637	106,229	-	18,921	7,665	(4,761)	74,882
2014	1.0400	0.4213	3,977,355,300	110,248	-	13,933	5,644	(4,763)	85,908
2015	1.0400	0.4977	4,196,546,345	160,321	-	22,564	10,798	(10,121)	116,838
2016	1.0400	0.4977	4,560,295,636	276,244	-	15,937	7,627	(92,892)	159,788
2017	1.0400	0.4977	5,987,582,233	869,519	-	286,072	136,902	(180,424)	266,121
2018	1.0400	0.4977	6,825,171,269	-	103,765,765	70,058,288	33,526,933	978,863	1,159,407
Totals				\$ 2,331,336	103,765,765	70,424,480	33,698,744	589,645	2,563,522

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit L-1 - Required Responses to Selected School First Indicators As of August 31, 2018

Date Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 31,770,629
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 58,998,894

STATISTICAL SECTION

STATISTICAL SECTION

This part of the District statistical comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information. The statistical section includes 19 schedules. These schedules fall within the following categories:

<u>Contents</u>	<u>Page</u>
Financial Trend Data These schedules contain trend information on how the District's financial performance and well-being have changed over time.	80
Revenue Capacity Data These schedules contain information on the District's most significant local revenue source, the property tax.	87
Debt Capacity Data These schedules present information to help assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	92
Demographic and Economic Data These schedules offer demographic and economic indicators to help understand the environment within which the District's financial activities take place.	96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.	98

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

SCHEDULE 1

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ (25,448,406)	(23,127,605)	(21,042,851)	(26,435,336)	(19,935,628)	(19,508,868)	(22,175,722)	(23,499,187)	(8,409,938)	(8,523,207)
Restricted	573,209	1,202,998	5,465,331	5,233,663	4,326,228	2,722,912	3,128,450	3,258,348	2,772,186	4,147,547
Unrestricted	38,907,787	30,415,110	27,076,884	35,228,600	31,433,341	34,876,127	30,362,863	38,552,594	27,685,486	(53,379,575)
	14,032,590	8,490,503	11,499,364	14,026,927	15,823,941	18,090,171	11,315,591	18,311,755	22,047,734	(57,755,235)
Business type activities										
Net investment in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	184,160	212,915	236,293	398,973	538,550	747,846	686,040	658,490	566,140	(256,908)
	184,160	212,915	236,293	398,973	538,550	747,846	686,040	658,490	566,140	(256,908)
Primary Government										
Net investment in capital assets	10,685,595	3,222,453	(21,042,851)	(26,435,336)	(19,935,628)	(19,508,868)	(22,175,722)	(23,499,187)	(8,409,938)	(8,523,207)
Restricted	573,209	1,202,998	5,465,331	5,233,663	4,326,228	2,722,912	3,128,450	3,258,348	2,772,186	4,147,547
Unrestricted	2,957,946	4,277,967	27,313,177	35,627,573	31,971,891	35,623,973	31,048,903	39,211,084	28,251,626	(53,636,483)
	14,216,750	8,703,418	11,735,657	14,425,900	16,362,491	18,838,017	12,001,631	18,970,245	22,613,874	(58,012,143)
Total primary government net position	\$ 14,216,750	8,703,418	11,735,657	14,425,900	16,362,491	18,838,017	12,001,631	18,970,245	22,613,874	(58,012,143)

Source of Information: Hays Consolidated Independent School District

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

SCHEDULE 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Instruction	\$ 70,698,911	80,618,607	78,585,619	77,074,761	78,775,589	85,352,568	92,184,631	104,811,892	108,247,784	114,814,051
Instructional resources and media services	2,405,631	2,566,676	2,302,667	2,156,431	2,138,611	2,193,184	2,182,374	2,291,674	2,340,974	2,883,062
Curriculum and staff development	1,480,294	1,489,355	1,438,232	1,379,454	1,583,342	1,721,020	2,411,741	3,325,715	3,663,644	2,868,662
Instructional leadership	1,206,655	1,608,192	1,792,866	1,790,933	1,875,678	1,919,744	2,462,739	3,106,845	3,311,840	3,498,890
School leadership	5,881,895	6,918,077	7,043,969	7,225,406	7,387,447	7,437,559	7,885,113	9,451,371	10,058,400	11,133,136
Guidance, counseling, and evaluation services	3,591,055	4,091,883	4,354,786	4,114,542	4,271,372	4,386,199	4,468,675	5,305,875	5,044,509	6,025,876
Social work services	276,329	294,564	271,138	147,551	150,432	146,646	168,984	242,288	535,162	329,784
Health services	1,472,429	1,616,042	1,621,964	1,706,732	1,781,732	1,750,795	1,830,198	1,880,450	1,929,862	2,053,262
Student transportation	7,774,751	9,044,934	8,567,071	9,487,052	9,791,739	9,457,529	9,153,845	9,912,603	10,475,450	10,928,526
Food services	5,489,368	6,187,199	6,638,266	7,571,737	7,435,752	7,690,558	8,009,110	9,167,980	8,548,077	8,543,174
Extracurricular activities	2,884,748	3,003,572	2,850,112	2,873,827	2,942,643	3,107,728	3,492,631	4,514,217	4,383,613	4,788,104
General administration	2,796,386	2,951,010	3,000,312	3,192,563	2,975,715	3,196,789	3,531,789	4,046,355	4,835,276	4,485,798
Facilities maintenance and operations	12,488,161	14,223,697	14,304,982	14,210,868	16,032,872	14,933,251	14,653,482	14,668,826	18,160,410	20,170,693
Security and monitoring services	939,220	1,061,627	1,041,113	1,055,392	1,070,168	1,183,355	1,161,956	1,225,486	1,501,888	1,721,178
Data processing services	2,231,685	2,626,280	2,531,665	2,379,850	2,715,920	2,627,362	3,760,478	4,661,911	4,832,224	5,387,084
Community services	421,358	357,718	224,209	268,038	224,473	251,532	283,275	385,802	342,092	301,028
Interest on long-term debt	16,943,725	16,317,433	15,951,849	15,253,570	13,774,776	12,266,520	14,049,166	11,746,371	12,260,504	14,907,519
Bond issuance costs and fees	10,184	6,560	4,200	3,450	4,200	356,508	11,154	614,954	1,120,642	282,390
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	5,504,580
Payments related to										
shared services arrangements	166,125	134,505	141,513	17,947	84,358	68,503	238,923	268,872	388,879	300,988
Other intergovernmental charges	514,226	534,306	543,641	564,597	554,831	544,826	607,143	619,561	674,577	709,013
Total governmental activities expense	139,673,136	155,652,237	153,210,174	152,474,701	155,571,650	160,592,176	172,547,407	192,249,048	202,655,807	221,636,798
Business-type activities:										
Childcare - District-wide	1,003,147	1,178,032	1,098,581	1,098,581	1,167,387	1,093,532	1,158,911	1,373,936	1,370,324	1,250,463
Other Enterprise Funds	26,325	22,511	52,460	52,460	58,832	45,599	20,312	44,852	84,983	35,554
Total business-type activities expense	1,029,472	1,200,543	1,151,041	1,151,041	1,226,219	1,139,131	1,179,223	1,418,788	1,455,307	1,286,017
Total primary government expenses	140,702,608	156,852,780	154,361,215	153,625,742	156,797,869	161,731,307	173,726,630	193,667,836	204,111,114	222,922,815

(continued)

Source of Information: Hays Consolidated Independent School District

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

SCHEDULE 2 (CONTINUED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental activities:										
Charges for services										
Instruction	\$ 806,242	777,298	519,260	602,354	536,549	434,144	471,626	466,365	555,058	1,165,042
Health services	-	-	-	-	-	-	-	-	-	-
Food services	2,354,933	2,276,444	2,588,377	2,603,301	2,753,560	2,796,458	2,848,084	2,986,824	2,978,148	3,350,262
Extracurricular activities	274,927	255,103	287,851	390,615	314,247	302,485	326,483	294,487	349,947	372,999
General administration	-	-	-	-	-	-	-	-	-	-
Facilities maintenance and operations	199,898	174,706	165,371	245,288	331,618	286,678	395,230	365,658	383,259	496,326
Community services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	15,048,930	28,105,630	29,192,386	27,401,927	25,215,204	25,326,379	27,125,007	29,252,411	29,436,444	51,630,194
Total primary government program revenues	18,684,930	31,589,181	32,753,245	31,243,485	29,151,178	29,146,144	31,166,430	33,365,745	33,702,856	57,014,823
Business-type activities:										
Childcare	1,044,857	1,201,179	1,225,762	1,258,656	1,299,247	1,295,167	1,242,848	1,345,536	1,332,703	1,395,607
School-based Health Clinic	26,345	28,119	35,049	55,065	66,549	53,260	11,094	45,702	30,254	29,483
Total business-type activities revenues	1,071,202	1,229,298	1,260,811	1,313,721	1,365,796	1,348,427	1,253,942	1,391,238	1,362,957	1,425,090
Total primary government revenues	19,756,132	32,818,479	34,014,056	32,557,206	30,516,974	30,494,571	32,420,372	34,756,983	35,065,813	58,439,913

Source of Information: Hays Consolidated Independent School District

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

SCHEDULE 3

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (120,988,206)	(124,063,056)	(120,456,929)	(121,231,216)	(126,420,472)	(131,446,032)	(141,380,977)	(158,883,303)	(168,768,951)	(164,621,975)
Business-type activities	41,730	28,755	23,378	162,680	139,577	209,296	74,719	(27,550)	(92,350)	139,073
Total primary government net expense	(120,946,476)	(124,034,301)	(120,433,551)	(121,068,536)	(126,280,895)	(131,236,736)	(141,306,258)	(158,910,853)	(168,861,301)	(164,482,902)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	35,917,979	37,843,873	38,578,301	39,819,191	42,438,140	44,123,473	48,011,760	54,407,063	62,826,641	70,597,077
Property taxes, levied for debt service	14,566,881	15,326,185	15,653,990	16,162,668	16,975,648	17,865,332	22,993,340	26,096,066	30,061,633	33,793,448
State aid-formula grants	68,430,655	64,997,636	68,905,361	67,630,168	68,734,114	73,523,774	78,696,858	84,932,606	78,950,276	79,327,796
Investment earnings	1,408,635	187,460	109,408	100,693	104,920	69,273	146,896	387,648	657,291	2,669,340
Miscellaneous	662,157	165,815	-	46,059	120,132	186,303	45,423	56,084	9,089	923,095
Special item	-	-	-	-	-	-	-	-	-	-
Total government activities	120,986,307	118,520,969	123,247,060	123,758,779	128,372,954	135,768,155	149,894,277	165,879,467	172,504,930	187,310,756
Change in Net Position										
Governmental activities	(1,899)	(5,542,087)	2,790,131	2,527,563	1,952,482	4,322,123	8,513,300	6,996,164	3,735,979	22,688,781
Business-type activities	41,730	28,755	23,378	162,680	139,577	209,296	74,719	(27,550)	(92,350)	139,073
Total primary government	\$ 39,831	(5,513,332)	2,813,509	2,690,243	2,092,059	4,531,419	8,588,019	6,968,614	3,643,629	22,827,854

Source of Information: Hays Consolidated Independent School District

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

SCHEDULE 4

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Restricted - capital acquisition	-	-	-	-	-	-	-	-	-	-
Unreserved, designated	1,029,801	1,238,808	-	-	-	-	-	-	-	-
Unreserved, designated	21,068,679	23,945,354	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,275	60,927	25,430	63,306	32,862	1,300
Committed	-	-	930,000	1,320,000	1,290,000	2,280,000	5,375,000	4,931,000	8,725,000	3,509,200
Assigned	-	-	1,588,920	3,205,862	2,046,610	655,581	372,518	3,450,273	4,162,549	11,461,783
Unassigned	-	-	29,001,609	29,564,350	32,740,164	37,146,051	40,552,771	44,488,749	37,885,773	34,613,866
Total general fund	22,098,480	25,184,162	31,520,529	34,090,212	36,078,049	40,142,559	46,325,719	52,933,328	50,806,184	49,586,149
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue funds	573,209	1,202,998	-	-	-	-	-	-	-	-
Capital projects funds	53,417,992	17,555,175	-	-	-	-	-	-	-	-
Debt service funds	6,577,117	3,746,700	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	913	-	-	841	512	500
Committed	-	-	-	-	-	-	-	-	-	-
Restricted:										
Debt service funds	-	-	3,870,366	3,913,075	1,652,119	1,340,834	1,633,963	1,444,389	1,142,137	2,006,431
Authorized construction	-	-	13,337,163	5,520,043	3,178,321	59,566,975	40,047,724	10,245,619	163,748,921	38,504,693
Grant funds	-	-	1,731,455	1,439,117	1,171,884	1,219,161	1,283,148	1,264,422	1,540,113	2,315,065
Assigned:										
Construction	-	-	676,310	677,114	487,575	476,993	452,876	284,000	55,749	51,085
Purchases on order	-	-	-	-	-	-	39,562	26,413	20,959	-
Total all other governmental funds	60,568,318	22,504,873	19,615,294	11,549,349	6,490,812	62,603,963	43,457,273	13,265,684	166,508,391	42,877,774
Total Governmental Funds	\$ 82,666,798	47,689,035	51,135,823	45,639,561	42,568,861	102,746,522	89,782,992	66,199,012	217,314,575	92,463,923

Note: 2011 was the first year of implementation of GASB 54. The 2011 column includes the new fund balance categories.

Source of Information: Hays Consolidated Independent School District

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

SCHEDULE 5

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Local and intermediate sources	\$ 56,517,773	56,972,291	58,188,589	60,272,037	63,425,781	66,325,038	75,258,464	84,863,053	98,435,018	113,607,423
State programs revenues	74,656,232	77,814,959	82,526,610	80,431,090	81,519,242	86,061,519	92,966,538	99,367,340	93,784,115	90,039,709
Federal programs revenues	8,816,719	15,123,867	15,453,320	14,427,706	11,812,792	12,542,845	11,045,109	13,111,617	13,541,311	13,846,370
Total Revenues	139,990,724	149,911,117	156,168,519	155,130,833	156,757,815	164,929,402	179,270,111	197,342,010	205,760,444	217,493,502
Expenditures by Function:										
Instruction	64,163,970	73,832,563	72,075,839	70,574,682	72,715,271	78,831,772	86,600,733	91,009,858	97,332,263	101,676,054
Instructional resources and media services	2,231,125	2,372,092	2,106,736	1,960,469	1,941,958	1,996,531	1,996,950	2,023,272	2,079,957	2,519,951
Curriculum and staff development	1,453,841	1,446,346	1,395,223	1,336,445	1,540,333	1,678,011	2,379,021	3,184,042	3,582,413	2,761,806
Instructional leadership	1,205,730	1,607,267	1,791,941	1,790,008	1,874,753	1,918,819	2,485,211	2,949,233	3,241,944	3,319,517
School leadership	5,414,333	6,402,817	6,524,056	6,705,384	6,865,771	6,915,883	7,418,698	8,512,099	9,292,350	9,978,796
Guidance, counseling, and evaluation services	3,402,453	3,887,257	4,147,729	3,907,427	4,063,716	4,178,543	4,297,038	4,838,321	4,686,444	5,481,817
Social work services	276,329	294,564	271,138	147,551	150,432	146,646	169,560	233,512	351,607	311,703
Health services	1,387,725	1,521,761	1,527,148	1,611,904	1,665,737	1,634,800	1,725,070	1,687,372	1,752,367	1,816,096
Student transportation	8,436,839	8,756,288	7,199,099	8,107,454	9,105,596	8,621,617	9,177,755	10,056,405	10,362,395	10,348,650
Food services	5,490,931	6,175,266	6,620,780	7,552,630	7,648,444	7,955,063	7,923,593	8,467,554	8,177,530	8,335,277
Extracurricular activities	2,783,128	2,868,053	2,723,082	2,813,710	2,854,163	2,973,678	3,469,851	3,710,759	4,066,622	4,374,590
General administration	2,785,878	2,924,289	2,933,490	3,028,963	2,944,382	3,167,448	3,531,979	3,928,900	4,792,565	4,417,563
Facilities maintenance and operations	12,783,620	13,475,420	13,493,434	13,068,866	13,482,765	14,065,597	13,943,176	15,148,240	18,397,915	19,462,584
Security and monitoring services	898,504	1,016,818	995,739	1,012,142	1,022,530	1,135,717	1,118,623	1,171,521	1,453,104	1,673,785
Data processing services	1,981,694	2,331,190	2,309,567	2,153,900	2,495,538	2,329,813	3,753,419	4,669,491	4,446,394	5,044,612
Community services	421,358	357,718	224,209	268,038	224,473	251,532	282,388	309,814	336,296	292,218
Debt service - principal on long-term debt	9,310,496	9,290,337	9,812,519	11,721,051	13,001,945	12,209,061	14,350,000	18,370,000	21,615,000	17,755,000
Debt service - interest on long-term debt	15,295,233	14,740,425	14,332,942	13,900,236	12,942,377	12,146,515	14,378,185	12,459,775	13,227,640	17,629,077
Debt service - bond issuance costs and fees	10,184	6,560	4,200	249,914	1,005,750	356,508	11,154	614,954	1,214,650	282,390
Facilities acquisition and construction	33,031,823	30,965,450	1,785,471	8,202,465	2,556,071	1,083,747	12,375,171	25,832,053	19,373,683	124,132,190
Payments related to										
shared services arrangements	166,125	134,505	141,513	17,947	84,358	68,503	238,923	268,872	388,879	300,988
Other intergovernmental charges	514,226	534,306	543,641	564,597	554,831	544,826	607,143	619,561	674,577	709,013
Total Expenditures by Function	\$ 173,445,545	184,941,292	152,959,496	160,695,783	160,741,194	164,210,630	192,233,641	220,065,608	230,846,595	342,623,677
Debt service as a % of noncapital expenditures	17.85%	15.71%	15.97%	16.76%	16.38%	15.00%	16.15%	14.99%	16.10%	15.91%

(continued)

Fiscal year-end is August 31.

This table includes all governmental fund types of the Hays Consolidated Independent School District.

Revenue classifications are in accordance with those prescribed by the Texas Education Agency.

Source of Information: Hays Consolidated Independent School District

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

SCHEDULE 5 (CONTINUED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other financing Sources (Uses):										
General long-term debt issued	\$ -	-	-	-	-	51,655,000	-	-	160,340,000	-
Refunding bonds issued	-	-	-	16,540,000	145,545,000	-	-	63,970,000	-	25,460,000
Sale of assets	58,334	52,412	19,035	8,141	-	-	-	44,300	-	-
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Premium/discount on issuance of bond	-	-	-	2,387,320	20,324,013	7,803,889	-	12,944,809	15,861,714	3,062,193
Special items	-	-	-	-	-	-	-	-	-	-
Transfers in	467,788	533,907	3,033,907	3,000,000	-	-	-	-	-	-
Transfers out	(502,326)	(533,907)	(3,033,907)	(3,000,000)	(164,800,866)	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	(18,866,773)	-	-	-	77,819,491	-	(28,242,670)
Total Other Financing Sources (Uses)	23,796	52,412	19,035	68,688	1,068,147	59,458,889	-	154,778,600	176,201,714	279,523
Net change in fund balances	<u>\$ (33,431,025)</u>	<u>(34,977,763)</u>	<u>3,228,058</u>	<u>(5,496,262)</u>	<u>(2,915,232)</u>	<u>60,177,661</u>	<u>(12,963,530)</u>	<u>132,055,002</u>	<u>151,115,563</u>	<u>(124,850,652)</u>

Fiscal year-end is August 31.

This table includes all governmental fund types of the Hays Consolidated Independent School District.

Revenue classifications are in accordance with those prescribed by the Texas Education Agency.

Source of Information: Hays Consolidated Independent School District

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
TOTAL ASSESSED AND NET TAXABLE VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

SCHEDULE 6

Fiscal Year	Total Assessed Value	Total Exemptions and Freeze	Net Taxable Value	Maintenance and Operations Rate	Interest and Sinking Rate	Total Direct Rate
2009	3,449,289,743	192,197,561	3,257,092,182	1.0400	0.4213	1.4613
2010	3,630,154,901	218,673,286	3,411,481,615	1.0400	0.4213	1.4613
2011	3,689,035,058	236,348,172	3,452,686,886	1.0400	0.4213	1.4613
2012	3,885,200,709	322,181,051	3,563,019,658	1.0400	0.4213	1.4613
2013	4,046,887,205	338,534,872	3,708,352,333	1.0400	0.4213	1.4613
2014	4,237,471,976	326,694,271	3,910,777,705	1.0400	0.4213	1.4613
2015	4,651,060,372	427,366,719	4,223,693,653	1.0400	0.4977	1.5377
2016	5,452,362,010	687,101,485	4,765,260,525	1.0400	0.4977	1.5377
2017	6,405,607,894	887,581,185	5,518,026,709	1.0400	0.4977	1.5377
2018	6,825,171,269	674,899,797	6,150,271,472	1.0400	0.4977	1.5377

Notes:

Assessed Valuation for 2018 represents 7% personal property and 93% real/other property, before exemptions.

The major components of real property for 2018 are \$2,039,562,848 of land and \$5,508,406,273 of improvements before any exemptions.

A maintenance and operations tax rate may be set above \$1.04 through a tax ratification election.

Source of Information: Hays Central Appraisal District, Caldwell Central Appraisal District, and Travis Central Appraisal District.

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES * - DIRECT AND MAJOR OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

SCHEDULE 7

Fiscal Year	Hays Cons. Independent School District M/O	Hays Cons. Independent School District I & S	Hays Cons. Independent School District Total	City of Buda	City of Kyle	City of Hays	City of Mountain City	City of Niederwald
2009	1.0400	0.4213	1.46130	0.22500	0.42400	0.10610	0.11000	0.29760
2010	1.0400	0.4213	1.46130	0.25760	0.41540	0.11600	0.11000	0.30000
2011	1.0400	0.4213	1.46130	0.26660	0.48450	0.11640	0.11000	0.29540
2012	1.0400	0.4213	1.46130	0.27130	0.52440	0.11640	0.11000	0.28750
2013	1.0400	0.4213	1.46130	0.29790	0.54830	0.11640	0.11900	0.28800
2014	1.0400	0.4977	1.53770	0.29780	0.53830	0.11640	0.12300	0.28800
2015	1.0400	0.4977	1.53770	0.29780	0.53830	0.11640	0.12300	0.28800
2016	1.0400	0.4977	1.53770	0.37040	0.57480	0.14000	0.12300	0.27880
2017	1.0400	0.4977	1.53770	0.36730	0.54160	0.14000	0.12300	0.26210
2018	1.0400	0.4977	1.53770	0.37100	0.54160	0.14000	0.12300	0.21660

* - Per \$100 of assessed valuation.

A maintenance and operations tax rate may be set above \$1.04 through tax ratification election.

N/A = not available

Source of Information: Hays County Tax Office, Caldwell County Tax Office and Travis County Tax Office

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES * - DIRECT AND MAJOR OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

SCHEDULE 7 (CONTINUED)

City of San Marcos	City of Uhland	Caldwell County	Hays County	Travis County	Austin Community College	Greenhawe WICD #2	North Hays County MUD #1	South Buda WICD #1	Sunfield MUD #1
0.53020	0.17000	0.69080	0.41810	0.42150	N/A	0.85060	0.90000	0.90000	0.90000
0.53020	0.17000	0.69090	0.42480	0.46580	N/A	0.85000	0.90000	0.90000	0.90000
0.53020	0.17000	0.69090	0.42510	0.48550	0.09480	0.85000	0.90000	0.90000	0.90000
0.53020	0.17000	0.69070	0.42520	0.50010	0.09510	0.85000	0.90000	0.90000	0.90000
0.53020	0.20950	0.69060	0.42520	0.49460	0.09490	0.85000	0.90000	0.90000	0.90000
0.53020	0.20600	0.69050	0.42520	0.45630	0.09420	0.85000	0.90000	0.90000	0.90000
0.53020	0.20600	0.69050	0.42520	0.45630	0.09420	0.85000	0.90000	0.90000	0.90000
0.53020	0.19490	0.77520	0.41620	0.38380	0.10200	0.60000	0.90000	0.90000	0.90000
0.61390	0.18000	0.77530	0.40120	0.36900	0.10080	0.45000	0.90000	0.90000	0.90000
0.61390	0.17510	0.77530	0.43370	0.35420	0.10480	0.35000	0.88000	0.90000	0.90000

(continued)

* - Per \$100 of assessed valuation.

A maintenance and operations tax rate may be set above \$1.04 through tax ratification election.

N/A = not available

Source of Information: Hays County Tax Office, Caldwell County Tax Office and Travis County Tax Office

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEAR 2018**

SCHEDULE 8

# Principal Taxpayers	Type of Property	2018	
		Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation
1 Texas Lehigh Cement Co.	Industrial	\$ 81,408,753	1.19%
2 CFAN Co.	Industrial	56,900,317	0.83%
3 Settlement Bres LLC	Commercial	32,891,527	0.48%
4 DDR DB Kyle LP	Commercial	30,055,078	0.44%
5 MFT - Silverado II LLC	Commercial	28,700,483	0.42%
6 BRE DDR BR Kyle TX LLC	Commercial	27,716,043	0.41%
7 Goodrich Corp-Aerostructures	Industrial	26,810,481	0.39%
8 Pedernales Electric Coop Inc.	Utility	26,457,576	0.39%
9 US Foods	Commercial	25,988,064	0.38%
10 AM Kyle TX LLC	Commercial	24,783,472	0.36%
Total		<u>\$ 361,711,794</u>	<u>7.57%</u>
Total Net Taxable Value		<u><u>\$ 6,825,171,269</u></u>	<u><u>100.00%</u></u>

Notes:

The principal property taxpayers from ten (10) years prior is not available.

Source of Information: Hays Central Appraisal District

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

SCHEDULE 9

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Levy Year Tax Collections</u>	<u>Percent of Levy Collected in Levy Year</u>	<u>Tax Collections in Subsequent Years</u>	<u>Total Tax Collections to Date 2018</u>	<u>Total Collections to Date as Percent of Levy</u>
2009	50,263,283	50,088,765	99.65%	121,421	50,210,186	99.89%
2010	52,413,824	51,791,041	98.81%	569,688	52,360,729	99.90%
2011	53,525,061	53,234,940	99.46%	237,455	53,472,395	99.90%
2012	55,410,919	54,716,313	98.75%	631,099	55,347,412	99.89%
2013	58,121,093	57,274,483	98.54%	771,728	58,046,211	99.87%
2014	61,318,121	60,434,565	98.56%	797,648	61,232,213	99.86%
2015	70,123,666	69,288,233	98.81%	718,595	70,006,828	99.83%
2016	79,501,082	78,333,091	98.53%	1,008,203	79,341,294	99.80%
2017	92,071,052	91,429,152	99.30%	375,779	91,804,931	99.71%
2018	103,765,765	103,011,683	99.27%	-	102,606,358	98.88%

Source of Information: Hays Consolidated Independent School District; Hays County Tax Office

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

SCHEDULE 10

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Estimated Population	Per Capita
	Bonds Payable	Loans Payable	Capital Leases				
2009	340,451,123	125,000	1,582,069	342,158,192	13.38%	67,327 *	5,081
2010	333,094,798	-	1,286,732	334,381,530	12.62%	69,756 *	4,793
2011	325,118,146	-	984,213	326,102,359	12.22%	67,497 **	4,831
2012	314,961,832	-	668,162	315,629,994	10.55%	72,770 *	4,337
2013	303,318,757	-	341,217	303,659,974	10.09%	73,173 *	4,150
2014	366,355,034	-	-	366,355,034	10.31%	83,703 *	4,377
2015	350,475,081	-	-	350,475,081	9.73%	86,084 *	4,071
2016	335,009,740	-	-	335,009,740	8.63%	89,844 *	3,729
2017	486,987,078	-	-	486,987,078	12.16%	91,816 *	5,304
2018	466,814,842	-	-	466,814,842	7.18%	106,193 *	4,396

Source of Information: Hays Consolidated Independent School District and
Municipal Advisory Council of Texas

* Estimated Population from Municipal Advisory Council of Texas

** 2010 Census Data

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUATION
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

SCHEDULE 11

Fiscal Year	Taxable Assessed Value	Assessment Ratio	Gross Bonded Debt Outstanding at Year-end	Reserve for Retirement of Bonded Debt
2009	3,257,092,182	100%	340,451,123	6,577,117
2010	3,411,481,615	100%	333,094,798	3,746,700
2011	3,452,686,886	100%	325,118,146	3,870,366
2012	3,563,019,658	100%	314,961,832	3,913,075
2013	3,708,352,333	100%	303,318,757	1,652,119
2014	3,910,777,705	100%	366,355,034	1,340,834
2015	4,223,693,653	100%	350,475,081	1,633,963
2016	4,765,260,525	100%	335,009,740	1,444,389
2017	6,186,616,983	100%	486,987,078	1,142,137
2018	6,825,171,269	100%	466,814,842	2,006,431

Source of Information: Hays Central Appraisal District and District Debt Schedules

* Estimated Population from Municipal Advisory Council of Texas

** 2010 Census Data

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUATION
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

SCHEDULE 11 (CONTINUED)

Net Bonded Debt Outstanding at Year-end	Ratio Net Bonded Debt to Taxable Assessed Valuation	Estimated Population	Net Bonded Debt per Capita	Taxable Assessed Valuation per Capita
333,874,006	10.25%	67,327 *	4,959	48,377
329,348,098	9.65%	69,756 *	4,721	48,906
321,247,780	9.30%	67,497 **	4,759	51,153
311,048,757	8.73%	72,770 *	4,274	48,963
301,666,638	8.13%	73,173 *	4,123	50,679
365,014,200	9.33%	83,703 *	4,361	46,722
348,841,118	8.26%	86,084 *	4,052	49,065
333,565,351	7.00%	89,844 *	3,713	53,039
485,844,941	7.85%	91,816 *	5,292	67,381
464,808,411	6.81%	106,193 *	4,377	64,271

Source of Information: Hays Central Appraisal District and District Debt Schedules

* Estimated Population from Municipal Advisory Council of Texas

** 2010 Census Data

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT
FISCAL YEAR 2018**

SCHEDULE 12

Taxing Body	Gross Dollar Amount	Percent Overlapping	Dollar Overlap
Austin Community College District	\$ 291,035,000	3.18%	\$ 9,254,913
Buda, City of	61,248,092	100.00%	61,248,092
Caldwell County	11,455,000	1.50%	171,825
Greenhawe WCID #2	9,365,000	100.00%	9,365,000
Hays County	421,739,496	36.99%	156,001,440
Kyle, City of	81,294,200	100.00%	81,294,200
Mountain City, City of	-	100.00%	-
North Hays Co MUD #1	31,251,000	100.00%	31,251,000
San Marcos, City of	110,606,241	6.20%	6,857,587
South Buda WCID #1	26,304,998	100.00%	26,304,998
Sunfield MUD #1	22,120,000	99.89%	22,095,668
Sunfield MUD #3	5,085,000	100.00%	5,085,000
Travis County	705,136,179	0.01%	70,514
Travis County Healthcare District	9,380,000	0.01%	938
		Subtotal, overlapping debt	\$ <u>409,001,174</u>
		Hays Consolidated Independent School District direct debt	\$ <u>466,814,842</u>
		Total direct and overlapping debt	\$ <u>875,816,016</u>

Overlapping governments are those that coincide at least in part, with geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Hays Consolidated Independent School District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into the account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Municipal Advisory Council of Texas

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 13

Fiscal Year	Population	Personal Income	Per Capita Mean Wage	Unemployment Rate
2009	67,327 *	2,557,685,403	37,989	4.30%
2010	69,756 *	2,725,785,456	39,076	6.60%
2011	67,497 **	2,667,616,434	39,522	7.10%
2012	72,770 *	2,992,520,710	41,123	6.70%
2013	73,173 *	2,997,166,080	40,960	5.70%
2014	83,703 *	3,553,945,677	42,459	3.90%
2015	86,084 *	3,600,291,132	41,823	3.30%
2016	89,844 *	3,883,327,212	43,223	3.30%
2017	91,816 *	4,003,636,680	43,605	3.40%
2018	106,193 *	6,505,489,373	61,261	3.20%

Notes:

Personal income is the product of district population and mean wage.

Mean wage is for Rural Capital counties as defined by Texas Workforce Commission and includes Hays County.

Unemployment rate is for Hays County.

Source: Municipal Advisory Council of Texas and Texas Workforce Commission

* Estimated Population from Municipal Advisory Council of Texas

** 2010 Census Data

+ ESRI Demographics

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MAJOR EMPLOYERS
CURRENT YEAR

SCHEDULE 14

Employer	2018	
	Estimated Range of Employees	Percentage of Total
Hays CISD	2,760	39%
ALSCO	200	3%
Cabela's	150	2%
Capital Excavation	325	5%
Centex Materials	125	2%
CFAN	650	10%
H E B Foods	410	6%
Kyle Correctional Center	150	2%
Legend Oaks Healthcare & Rehabilitation	115	2%
Lowe's Home Improvement	105	2%
Marek Brothers	250	4%
Pro Build	250	4%
Seton Medical Center Hays	600	9%
Texas-Lehigh Cement Co.	150	2%
US Foods	275	4%
Wal-Mart Super Center	300	4%
		100%

Notes:

Employers represent zip codes 78610 and 78640.

Principal employer information from ten (10) years prior is not available.

Source: Greater San Marcos Partnership Economic Development, Buda Economic Development Corp., and Kyle Economic Development

**HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY TYPE**

SCHEDULE 15

<u>Fiscal Year</u>	<u>Teachers</u>	<u>Professional Support</u>	<u>Campus Administration</u>	<u>Central Administration</u>	<u>Educational Aides</u>	<u>Auxiliary Staff</u>	<u>Total FTEs</u>
2009	938.7	196.3	53.9	32.5	128.0	609.8	1,959.2
2010	991.8	195.5	49.8	43.0	128.0	687.0	2,095.1
2011	1,043.0	214.6	53.6	36.0	136.1	728.4	2,211.7
2012	1,005.9	177.1	65.2	34.5	133.5	721.5	2,137.7
2013	1,035.2	183.0	65.4	37.0	136.1	726.8	2,183.5
2014	1,070.3	208.0	53.3	22.8	140.8	734.9	2,230.1
2015	1,075.1	221.6	54.3	23.7	146.4	708.3	2,229.4
2016	1,119.2	241.0	55.7	24.3	159.3	716.3	2,315.8
2017	1,198.4	256.8	64.1	25.0	182.4	737.1	2,463.8
2018	1,228.7	260.5	66.0	24.9	197.7	724.2	2,502.0

Source: Texas Academic Performance Report (TAPR) Report published by the Texas Education Agency

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

TEACHER DATA

SCHEDULE 16

	Fiscal Year				
	2009	2010	2011	2012	2013
Total Number of Teachers	938.7	991.8	1,043.0	1,005.9	1,035.2
Teachers by Highest Degree Held					
No Degree	3.2	4.5	3.0	3.0	3.0
Bachelors	730.6	751.5	783.4	734.7	742.6
Masters	196.9	226.8	247.6	260.2	282.6
Doctorate	8.0	9.0	9.0	8.0	7.0
Teachers by Years of Experience					
Beginning Teachers	85.2	75.3	74.7	28.4	62.3
1-5 Years Experience	382.4	407.5	423.0	363.1	310.8
6-10 Years Experiences	182.6	197.5	217.8	261.1	279.1
11-20 Years Experience	179.4	200.6	216.7	233.3	260.4
Over 20 Years Experience	109.1	110.9	110.8	120.1	122.7
Average Salary by Years Experience					
Beginning Teachers	38,775	39,447	39,876	39,194	39,194
1-5 Years Experience	39,859	40,747	40,706	41,796	41,848
6-10 Years Experiences	40,805	41,696	41,877	43,687	43,706
11-20 Years Experience	46,469	47,433	47,477	48,443	48,483
Over 20 Years Experience	53,784	54,769	54,876	56,153	56,283
Overall Average Years with District	4.6	5.0	5.3	6.0	6.3
Overall Average Years Experience	8.7	8.9	9.1	10.0	10.2
Overall Average Teacher Salary	42,827	43,758	43,803	45,469	45,612
Turnover Rate for Teachers	17.1%	10.7%	10.6%	12.5%	13.2%

(continued)

Source: Texas Academic Performance Report (TAPR) Report published by the Texas Education Agency

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

TEACHER DATA

SCHEDULE 16 (CONTINUED)

	Fiscal Year				
	2014	2015	2016	2017	2018
Total Number of Teachers	1,070.3	1,075.1	1,119.2	1,198.4	1,228.7
Teachers by Highest Degree Held					
No Degree	3.0	5.8	5.0	5.0	7.0
Bachelors	763.8	770.2	802.7	857.4	874.7
Masters	295.4	292.0	303.5	325.9	339.0
Doctorate	8.0	7.0	8.0	10.1	8.0
Teachers by Years of Experience					
Beginning Teachers	82.5	69.5	59.0	49.9	80.1
1-5 Years Experience	298.4	303.8	318.7	364.6	360.3
6-10 Years Experiences	295.8	287.8	307.8	306.4	290.7
11-20 Years Experience	268.8	296.2	314.0	355.7	357.4
Over 20 Years Experience	124.7	117.7	119.7	121.9	140.2
Average Salary by Years Experience					
Beginning Teachers	41,763	39,366	43,404	44,914	46,165
1-5 Years Experience	42,693	43,962	45,813	46,865	48,040
6-10 Years Experiences	44,981	46,435	48,159	49,359	50,390
11-20 Years Experience	49,214	49,944	51,868	52,924	53,623
Over 20 Years Experience	56,630	55,617	57,715	58,869	59,555
Overall Average Years with District	6.0	5.9	5.7	5.7	5.7
Overall Average Years Experience	10.0	9.9	10.0	10.1	10.2
Overall Average Teacher Salary	46,515	47,249	49,302	50,440	51,412
Turnover Rate for Teachers	16.1%	17.2%	16.1%	15.0%	17.4%

Source: Texas Academic Performance Report (TAPR) Report published by the Texas Education Agency

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXPENDITURES, ENROLLMENT AND PER PUPIL COST

SCHEDULE 17

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Governmental Funds Expenditures	Cost per Pupil	Teaching Staff	Pupil-Teacher Ratio	Students Receiving Free/Reduced Lunch
2009	13,881	99,614,892	7,176	160,695,783	11,577	939	14.8	44.4%
2010	14,649	106,863,884	7,295	184,941,193	12,625	992	14.8	48.8%
2011	15,325	106,116,992	6,924	152,959,496	9,981	1,043	14.7	48.9%
2012	15,932	111,218,763	6,981	160,695,783	10,086	1,006	15.8	49.3%
2013	16,568	116,698,577	7,044	160,741,194	9,702	1,035	16.0	46.1%
2014	17,255	123,125,959	7,136	164,210,630	9,517	1,070	16.1	50.7%
2015	17,948	129,076,875	7,192	192,233,641	10,711	1,075	16.7	49.7%
2016	18,654	143,493,087	7,692	220,065,608	11,797	1,119	16.7	49.2%
2017	19,215	156,056,254	8,122	224,846,595	11,702	1,198	16.0	47.6%
2018	19,866	163,368,180	8,224	342,623,677	17,247	1,229	16.1	47.5%

Operating expenditures include only the General Fund

Source: Hays Consolidated Independent School District and Texas Education Agency (TAPR) Report

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
TOTAL EXPENSES OF GOVERNMENTAL ACTIVITIES,
ENROLLMENT AND PER PUPIL COST
LAST TEN YEARS

SCHEDULE 18

Fiscal Year	Enrollment	Government-Wide Expenses	Cost Per Pupil
2009	13,881	139,673,136	10,062
2010	14,649	155,652,237	10,625
2011	15,325	153,210,174	9,997
2012	15,932	152,474,701	9,570
2013	16,568	155,571,650	9,390
2014	17,255	160,592,176	9,307
2015	17,948	172,060,511	9,587
2016	18,654	192,249,048	10,306
2017	19,215	202,471,807	10,537
2018	19,866	221,636,798	11,157

Source: Hays Consolidated Independent School District and Texas Education Agency

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
CURRENT YEAR

SCHEDULE 19

	<u>Year Built</u>	<u>Grades Served</u>	<u>Building Capacity</u>	<u>Enrollment</u>	<u>Percent of Capacity Used</u>
HIGH SCHOOLS					
Hays High School	1967	9-12	2,250	2,907	129.2%
Lehman High School	2004	9-12	2,250	2,568	114.1%
Live Oak Academy	1973	9-12	175	198	113.1%
MIDDLE SCHOOLS					
Barton Middle School	1993	6-8	900	683	75.9%
Chapa Middle School	2006	6-8	765	806	105.4%
Dahlstrom Middle School	1985	6-8	855	803	93.9%
McCormick Middle School	2016	6-8	900	742	82.4%
Simon Middle School	2009	6-8	765	757	99.0%
Wallace Middle School	1987	6-8	765	801	104.7%
ELEMENTARY SCHOOLS					
Blanco Vista Elementary School	2008	K-5	800	815	101.9%
Buda Elementary School	1928	EE-5	702	581	82.8%
Camino Real Elementary School	2008	K-5	800	799	99.9%
Carpenter Hill Elementary School	2010	K-5	800	679	84.9%
Elm Grove Elementary School	2000	K-5	720	897	124.6%
Fuentes Elementary School	2000	EE-5	720	607	84.3%
Green Elementary School	1985	PK-5	714	757	106.0%
Hemphill Elementary School	2000	EE-5	720	828	115.0%
Kyle Elementary School	1950	EE-5	770	712	92.5%
Negley Elementary School	2006	EE-5	780	769	98.6%
Pfluger Elementary School	2010	K-5	800	698	87.3%
Science Hall Elementary School	2006	K-5	720	756	105.0%
Tobias Elementary School	2003	K-5	720	703	97.6%
OTHER PROGRAMS					
Impact Center (DAEP)	1998	6-12	50	N/A	

Notes:

Enrollment as of October 27, 2017.

Building capacity does not include portable buildings.

Source of Information: Hays Consolidated Independent School District

FEDERAL AWARDS SECTION



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

The Board of Trustees of
Hays Consolidated Independent School District:

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, the business-type activities, each major fund, and the aggregate remaining fund information of Hays Consolidated 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, and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 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 on 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.

Maxwell Locke + Ritter LLP

Austin, Texas
January 22, 2019



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

The Board of Trustees of
Hays Consolidated Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Hays Consolidated Independent School District's (the "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 auditors' 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.

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinion on Each Major Federal Program

In our opinion, the 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 the 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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
January 22, 2019

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	18610101105906	\$ 2,228,334
<u>Special Education Cluster:</u>			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	186600011059066000	2,734,294
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	186610011059066000	55,402
Total for Special Education Cluster			2,789,696
Career and Technical Education - Basic Grants to States	84.048A	18420006105906	112,038
English Language Acquisition State Grants	84.365A	18671001005906	332,715
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501105906	260,444
Grants for State Assessments and Related Activities	84.369A	S369A160045	22,556
Student Support and Academic Enrichment Program	84.424A	18680101105906	50,551
Total Passed Through Texas Education Agency			5,796,334
TOTAL DEPARTMENT OF EDUCATION			5,796,334
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Child Nutrition Cluster:</u>			
<u>Passed Through Texas Education Agency:</u>			
School Breakfast Program	10.553	71401801	1,106,172
National School Lunch Program	10.555	71301801	4,050,324
Total Passed Through Texas Education Agency			5,156,496
<u>Passed Through the Texas Department of Human Services:</u>			
Non-cash assistance - Food Distribution Program	10.555	201818N109946	698,120
Total CFDA Number 10.555			1,804,292
Total Child Nutrition Cluster			5,854,616
TOTAL DEPARTMENT OF AGRICULTURE			5,854,616
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<u>Passed Through Texas State University-</u>			
National Institute of Justice Research, Evaluation, and Development Grants	16.560	2016-CK-BX-0003	19,614
TOTAL DEPARTMENT OF JUSTICE			19,614
<u>U.S. DEPARTMENT OF DEFENSE</u>			
<u>Direct Funding-</u>			
NJROTC & MJROTC	12.xxx	N3357617MJRTC	11,541
TOTAL DEPARTMENT OF DEFENSE			11,541
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Texas Health and Human Services Commission-</u>			
Medical Assistance Program	93.778	529-07-0157-00055	8,112
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			8,112
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,690,217

The accompanying notes are an integral part of this schedule.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hays Consolidated Independent School District (the "District") under programs of the federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

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

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major federal programs:

Child Nutrition Cluster

Unmodified

Title I Grants to Local Educational Agencies

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program
10.553	School Breakfast Program
10.555	Noncash Food Distribution Program
84.010A	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2018 and 2017.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended August 31, 2018 and 2017.