

CHAPEL HILL
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED

AUGUST 31, 2019

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditors' Report	2-3
	Management Discussion and Analysis	4-12
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	13
B-1	Statement of Activities	14-15
	Governmental Fund Financial Statements	
C-1	Balance Sheet	16
C-2	Reconciliation for C-1	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4	Reconciliation for C-3	19
C-5	Budgetary Comparison Schedule - General Fund	20
	Proprietary Fund Financial Statements	
D-1	Statement of Net Position	21
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	22
D-3	Statement of Cash Flows	23
	Fiduciary Fund Financial Statements	
E-1	Statement of Fiduciary Net Position	24
	Notes to the Financial Statements	25-53
	<u>Required Supplemental Information</u>	
G-2	Schedule of District's Proportionate Share of the Net Pension Liability (TRS)	54-55
G-3	Schedule of District Contributions to TRS	56-57
G-4	Schedule of District's Proportionate Share of the Net OPEB Liability (TRS)	58
G-5	Schedule of District Contributions to the TRS OPEB Plan	59
	Notes to Required Supplemental Information	60-61
	<u>Combining Schedules</u>	
	Non-major Governmental Funds:	
F-1	Combining Balance Sheet	62-64
F-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65-67
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	68-69
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	70
J-5	Budgetary Comparison Schedule - Debt Service Fund	71
	<u>Reports on Internal Control, Compliance, and Federal Awards</u>	
	Independent Auditor's Report on Internal Control over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72
	Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	73-74
	Schedule of Findings and Questioned Costs	75
	Schedule of Status of Prior Findings	76
	Corrective Action Plan	77
K-1	Schedule of Expenditures of Federal Awards	78
	Notes to Schedule of Expenditures of Federal Awards	79

CERTIFICATE OF BOARD

Chapel Hill Independent School District
Name of School District

Titus
County

225-906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved _____disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the ____ day of January, 2020.

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)



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chapel Hill Independent School District
Mount Pleasant, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, and the respective changes in financial position, and where applicable, statement of 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TRS and net OPEB liability and contributions to OPEB on pages 4 through 12 and pages 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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 non-major fund financial statements 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
December 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Chapel Hill Independent School District we offer readers of the Chapel Hill Independent School District's financial statements this narrative overview and analysis of the financial activities of the Chapel Hill Independent School District for the year ended August 31, 2019. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$5.1 million at August 31, 2019. During the year, the District's total revenues exceeded expenses by \$1 million. Total expenses of the District were \$11.3 million for the year. Revenues were \$12.2 million. A negative on-behalf revenue and on-behalf expense of \$1.53 million and a decrease of \$910 thousand to expense was recorded in adjusting the net OPEB liability as required by GASB 75 for TRS Care on the August 31, 2018 audit. Tax revenue and state aid increased in the current year.

Under accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$1.1 million which is an increase of \$214 thousand over the prior year.

Under accounting standards as per GASB 75, the District's portion of the net OPEB liability for TRS Care has been recorded in the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$4.55 million which is a decrease of \$10 thousand from the prior year.

The District reported fund balance in the general fund of \$4.14 million at August 31, 2019, which is an increase of approximately \$406 thousand. Revenues in the general fund were up \$586 thousand or 5.6% from the prior year. Property taxes increased \$125 thousand as tax values increased about 7%. Insurance recovery for hail damage increased \$153 thousand. State aid increased \$138 thousand. Expenditures in the general fund were up \$459 thousand, or 4%. Approximately \$813 thousand of fixed assets were added this year which was about \$155 thousand more than the prior year. More was spent on repairs because of hail damage. Payroll for security was up about \$50 thousand.

Approximately 98% of the taxes levied for 2018-19 were collected by fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

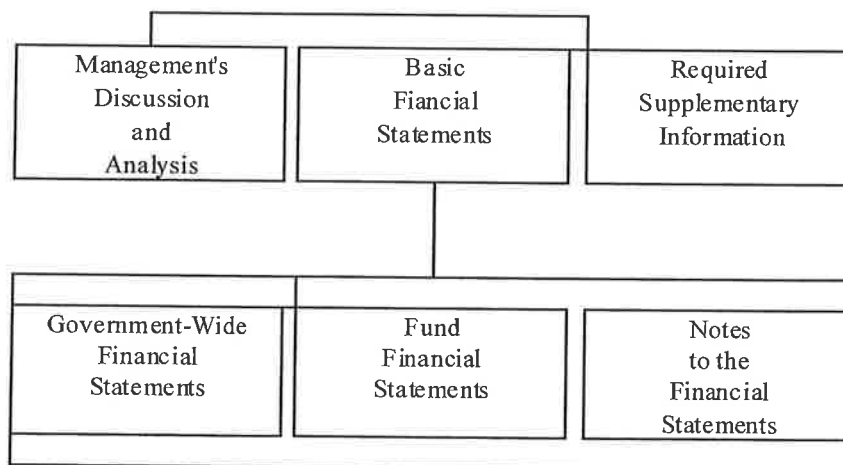
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as an after school care program.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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



Summary ⇌ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	*Statement of changes in fiduciary net position
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net Assets-the difference between the District's assets and liabilities-is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to "customers" to help cover the costs of services provided.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the District's other programs and activities-such as the District's Self Insurance Fund for worker's compensation. The District has no Internal Service funds.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$5.1 million at August 31, 2019.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	4,728	4,374	42	40	4,770	4,414
Capital and non-current assets	11,226	10,960	-	-	11,226	10,960
TOTAL ASSETS	15,954	15,334	42	40	15,996	15,374
Deferred outflow related to TRS pension	1,390	702	-	-	1,390	702
Deferred outflow related to TRS OPEB	281	44	-	-	281	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,671	746	-	-	1,671	702
Long-term liabilities	10,438	10,026	-	-	10,438	10,026
Other liabilities	490	410	-	-	490	410
TOTAL LIABILITIES	10,928	10,436	-	-	10,928	10,436
Unavailable revenue-property taxes	15	18	-	-	15	18
Deferred inflow related to TRS pension	172	217	-	-	172	217
Deferred inflow related to TRS OPEB	1,450	1,358	-	-	1,450	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,637	1,593	-	-	1,637	1,593
Net position						
Net investment in capital assets	6,536	5,601	-	-	6,536	5,601
Restricted	49	192	-	-	49	192
Unrestricted	(1,525)	(1,742)	42	40	(1,483)	(1,702)
TOTAL NET POSITION	5,060	4,051	42	40	5,102	4,091

Net investment in capital assets reflects the book value of the District's capital assets in excess of the debt which financed those assets. Including the District's net pension liability and the OPEB liability net of the related deferred outflows/inflows decreased net position by \$1.1 million and \$4.5 million respectively.

The \$49 thousand is restricted as follows:

Restricted for food service	-
Restricted for debt service	49
	<u>49</u>

Net assets of the District's governmental activities increased from \$4.05 million to \$5.06 million, or \$1 million. The increase was the result of four main factors. First, the District's revenues exceeded expenditures by \$263 thousand. Second, the District spent \$812 thousand on capital outlay and paid principal on long-term debt of \$688 thousand. Thirdly, the District recorded depreciation of \$546 thousand. Also, the net pension liability net of deferred outflows/inflows increased \$214 thousand.

Changes in net position.

The District's total revenues were \$12.3 million. 12% of this comes from taxes, 68% was from state aid formula grants, and 12% was from operating grants and contributions.

The total cost of all programs was \$11.3 million. Approximately 74% of this was for instructional and student services.

Net position increased by \$991 thousand from the excess of revenues over expenses.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<u>Program Revenues</u>						
Charges for Services	346	363	22	21	368	384
Operating Grants and Contributions	1,515	(559)	-	-	1,515	(559)
<u>General Revenues</u>						
Property Taxes	1,526	1,421	-	-	1,526	1,421
State aid - formula	8,318	8,264	-	-	8,318	8,264
Investment earnings	98	59	-	-	98	59
Other	469	188	-	-	469	188
Total Revenues	<u>12,272</u>	<u>9,736</u>	<u>22</u>	<u>21</u>	<u>12,294</u>	<u>9,757</u>
Expenses						
Instruction and instructional related	7,096	4,672	-	-	7,096	4,672
Instructional leadership/school administration	666	338	-	-	666	338
Guidance, social work, health, transportation	655	465	-	-	655	465
Food services	500	372	-	-	500	372
Extracurricular activities	393	317	-	-	393	317
General Administration	683	446	-	-	683	446
Plant maintenance and security	975	780	-	-	975	780
Data Processing	159	221	-	-	159	221
Community services	-	-	20	16	20	16
Debt service	156	169	-	-	156	169
Facilities acquisition and construction	-	-	-	-	-	-
Pmts to fiscal agent/member districts - shared service	-	-	-	-	-	-
Total Expenses	<u>11,283</u>	<u>7,780</u>	<u>20</u>	<u>16</u>	<u>11,303</u>	<u>7,796</u>
Increase (Decrease) in Net Position	989	1,956	2	5	991	1,961
Beginning Net Position	4,051	7,789	40	35	4,091	7,824
Prior Period Adjustment	20	(5,694)	-	-	20	(5,694)
Ending Net Position	<u>5,060</u>	<u>4,051</u>	<u>42</u>	<u>40</u>	<u>5,102</u>	<u>4,091</u>

The prior period adjustment on the prior year is made to record the net effect of accounting for GASB 75 for the net OPEB liability on the beginning net position. The current year prior period adjustment is to void some old outstanding checks from prior years.

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. This negative amount is \$1.53 million. Additionally, the District's portion of the direct plan expenses used by TRS to calculate the ending net OPEB liability resulted in a decrease of \$910 thousand to expenses. This explains the decrease in total expense on Table A-2.

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11.3 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$1.5 million.
- Some of the cost was paid by those who directly benefited from the programs (\$346 thousand), or by state aid (\$8.3 million), or by operating grants and contributions of \$1.5 million.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	7,096	4,672	5,871	5,021
School administration	666	338	608	438
Plant Maintenance & Operations	975	780	810	879
Debt Service-Interest & Fiscal Charges	156	169	156	221

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$4.2 million reflecting a net increase of \$283 thousand. The general fund increased by \$426 thousand. Reasons for this increase are discussed above. The general fund balance is \$4.14 million at August 31, 2019. The debt service fund reflects a net decrease of \$142 thousand with an ending fund balance of \$49 thousand mainly due to the tax ratification election whereby the debt service tax rate has been shifted to the maintenance and operating tax rate and because state aid was down \$80 thousand. The food service fund reflects a transfer of \$23 thousand from the General fund.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Expenditures were less than budgeted amounts by \$660 thousand or 5%. Actual revenues were more than budgeted by \$61 thousand. Actually, the fund balance increased by \$406 thousand. A \$92 thousand decrease to fund balance was budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets Including Blended Component Unit
(in thousands of dollars)

	Governmental Activities	
	2019	2018
Land	200	200
Buildings and improvements	15,920	15,920
Furniture and equipment	2,038	2,022
Construction in progress	670	-
Totals at historical cost	18,828	18,142
Total accumulated depreciation	(7,602)	(7,182)
Net capital assets	11,226	10,960

Various renovation projects were underway at year end but not quite complete.

Long-Term Debt

Table A-5
District's Long-Term Debt Including Blended Component Unit
(in thousands of dollars)

	Governmental	
	2019	2018
Bonds payable	4,071	4,650
Notes payable	638	746
Premium/Discount on Bonds	(19)	(38)
Total bonds and notes payable	4,690	5,358

Principal payments of \$688 thousand were made this year. \$365 thousand was paid by the Public Facility Corporation, a blended component unit of the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019–2020 budget and tax rate. The primary factor considered in budget formulation was changes in the state law and the state funding mechanisms requiring compression of the Maintenance and Operating Rate, but generating significant additional revenue even at the lower rate. Other factors discussed were a stable and consistent student count / revenue, in the face of increasing facility / educational needs and steadily increasing costs. Property values are steadily increasing slightly over the past few years and enrollment is also slightly increasing over the same timeframe. We are hopeful that any future changes to the current funding system in subsequent legislative sessions will benefit, not harm, our district, especially in specialized funding areas that have been added, including: dyslexia, K-3 literacy, and Career / College / Military Readiness (CCMR).

Requirements of personnel salary increases (as required by the new state law), facilities maintenance and technology rotation costs were the main expense items considered in budget formulation for fiscal year 2019-2020. In general, total personnel costs were increased by about 13% to be in compliance with minimum pay requirements under the new state law. Facilities maintenance and project / building development were increasingly funded to provide for a rotation plan of repair / replacement for roofing, HVAC, and transportation / fleet. Project development funds to provide for an annual coverage of \$150,000 per year were added to the budget and long-term debt service retirement was increased from \$200,000 to \$300,000 per year. The District is now on track to meet long-term facilities maintenance needs as well as have complete debt retirement within the next four years.

All of these factors were taken into account when adopting the General Fund budget for 2019-2020. Amounts available for appropriation in the General Fund budget were \$11,948,134 million, an increase of approximately 18.2% over the 2018-19 original budget of \$10,112,387 million. The District adopted a total tax rate which remained overall the same as the previous year at \$1.1459 per \$100 assessed value. The rate previously consisted of \$1.1459 per \$100 of value for Maintenance and Operating and \$0.0000 per \$100 of valuation for Interest and Sinking. The newly adopted rate (in accordance with required state law for compression of the M&O rate) is \$1.0527 per \$100 of valuation for Maintenance and Operation and \$0.0932 per \$100 of valuation for Interest & Sinking.

The movement of the tax rate from M&O to I&S will qualifying the District to receive about \$180,000 per year in Instructional Facilities Allotment (IFA) from the state for debt servicing along with additional tax proceeds. Again, the District has a goal of full debt retirement within four years for the potential to reissue debt at that time to meet current and future facilities needs without a change to the tax rate. We continue to monitor our local economy, the State of Texas School Finance outlook and aggressively explore alternative revenue sources/partnerships.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Chapel Hill Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government		
	1	2	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ (218,734)	\$ 42,383	\$ (176,351)
1120 Current Investments	3,890,446	-	3,890,446
1220 Property Taxes - Delinquent	66,893	-	66,893
1230 Allowance for Uncollectible Taxes	(26,820)	-	(26,820)
1240 Due from Other Governments	915,866	-	915,866
1290 Other Receivables, Net	100,342	-	100,342
Capital Assets:			
1510 Land	200,278	-	200,278
1520 Buildings, Net	9,566,040	-	9,566,040
1530 Furniture and Equipment, Net	789,235	-	789,235
1580 Construction in Progress	670,207	-	670,207
1000 Total Assets	15,953,753	42,383	15,996,136
DEFERRED OUTFLOWS OF RESOURCES			
1705 Deferred Outflow Related to TRS Pension	1,389,719	-	1,389,719
1706 Deferred Outflow Related to TRS OPEB	281,483	-	281,483
1700 Total Deferred Outflows of Resources	1,671,202	-	1,671,202
LIABILITIES			
2160 Accrued Wages Payable	461,794	-	461,794
2180 Due to Other Governments	17,071	-	17,071
2200 Accrued Expenses	9,807	-	9,807
2300 Unearned Revenue	1,219	-	1,219
Noncurrent Liabilities:			
2501 Due Within One Year	669,000	-	669,000
2502 Due in More Than One Year	4,020,572	-	4,020,572
2540 Net Pension Liability (District's Share)	2,366,904	-	2,366,904
2545 Net OPEB Liability (District's Share)	3,381,747	-	3,381,747
2000 Total Liabilities	10,928,114	-	10,928,114
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	14,523	-	14,523
2605 Deferred Inflow Related to TRS Pension	172,416	-	172,416
2606 Deferred Inflow Related to TRS OPEB	1,450,430	-	1,450,430
2600 Total Deferred Inflows of Resources	1,637,369	-	1,637,369
NET POSITION			
3200 Net Investment in Capital Assets	6,536,188	-	6,536,188
3850 Restricted for Debt Service	48,917	-	48,917
3900 Unrestricted	(1,525,633)	42,383	(1,483,250)
3000 Total Net Position	\$ 5,059,472	\$ 42,383	\$ 5,101,855

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,565,585)	\$ -	\$ (5,565,585)
(244,697)	-	(244,697)
(60,478)	-	(60,478)
(85,724)	-	(85,724)
(522,743)	-	(522,743)
(188,705)	-	(188,705)
(86,707)	-	(86,707)
(344,189)	-	(344,189)
(49,139)	-	(49,139)
(367,490)	-	(367,490)
(638,424)	-	(638,424)
(810,302)	-	(810,302)
(142,660)	-	(142,660)
(159,044)	-	(159,044)
(155,972)	-	(155,972)
(9,421,859)	-	(9,421,859)
-	2,517	2,517
-	2,517	2,517
(9,421,859)	2,517	(9,419,342)
1,525,612	-	1,525,612
8,317,804	-	8,317,804
97,449	-	97,449
469,391	-	469,391
10,410,256	-	10,410,256
988,397	2,517	990,914
4,051,018	39,866	4,090,884
20,057	-	20,057
\$ 5,059,472	\$ 42,383	\$ 5,101,855

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ (97,963)	\$ (120,778)	\$ (218,741)
1120 Investments - Current	3,842,597	47,849	3,890,446
1220 Property Taxes - Delinquent	66,010	883	66,893
1230 Allowance for Uncollectible Taxes	(26,404)	(416)	(26,820)
1240 Due from Other Governments	761,426	154,440	915,866
1290 Other Receivables	100,342	-	100,342
1000 Total Assets	<u>\$ 4,646,008</u>	<u>\$ 81,978</u>	<u>\$ 4,727,986</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ 448,634	\$ 13,160	\$ 461,794
2180 Due to Other Governments	-	17,071	17,071
2200 Accrued Expenditures	8,656	1,151	9,807
2300 Unearned Revenue	-	1,219	1,219
2000 Total Liabilities	<u>457,290</u>	<u>32,601</u>	<u>489,891</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	39,606	467	40,073
2600 Total Deferred Inflows of Resources	<u>39,606</u>	<u>467</u>	<u>40,073</u>
FUND BALANCES			
Restricted Fund Balance:			
3470 Capital Acquisition and Contractual Obligation	284,383	-	284,383
3480 Retirement of Long-Term Debt	-	48,910	48,910
Committed Fund Balance:			
3540 Self Insurance	2,111	-	2,111
3545 Other Committed Fund Balance	960,736	-	960,736
3600 Unassigned Fund Balance	2,901,882	-	2,901,882
3000 Total Fund Balances	<u>4,149,112</u>	<u>48,910</u>	<u>4,198,022</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,646,008</u>	<u>\$ 81,978</u>	<u>\$ 4,727,986</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,198,022
1 The District has a blended component unit. The beginning fund balance is not included in the governmental funds. The net effect is to increase net position.	345,620
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$14,593,215 and the accumulated depreciation was (\$5,689,008). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.	5,255,586
3 Current year capital outlays and debt principal are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to decrease net position.	1,135,170
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$701,990, a Deferred Resource Inflow in the amount of \$217,209, and a net pension liability in the amount of \$1,420,236. The impact of this on Net Position is \$(935,455). Changes in the plan reported by TRS for this measurement period resulted in a decrease in net position in the amount of \$(214,146). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(1,149,601).	(1,149,601)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to the OPEB liability was a Deferred Resource Outflow in the amount of \$44,446, a Deferred Resource Inflow in the amount of \$1,358,346 and a net OPEB liability in the amount of \$3,247,284. The impact of this on Net Position is \$(4,561,184). Changes in the OPEB reported by TRS for this measurement period resulted in an increase in net position in the amount of \$(10,490). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(4,550,694).	(4,550,694)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(546,379)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	371,748
19 Net Position of Governmental Activities	\$ 5,059,472

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,252,532	\$ 169,854	\$ 2,422,386
5800 State Program Revenues	8,578,626	173,610	8,752,236
5900 Federal Program Revenues	141,534	645,700	787,234
5020 Total Revenues	10,972,692	989,164	11,961,856
EXPENDITURES:			
Current:			
0011 Instruction	5,682,504	401,315	6,083,819
0012 Instructional Resources and Media Services	236,136	-	236,136
0013 Curriculum and Instructional Staff Development	62,384	-	62,384
0021 Instructional Leadership	87,630	-	87,630
0023 School Leadership	536,095	-	536,095
0031 Guidance, Counseling and Evaluation Services	192,521	-	192,521
0033 Health Services	88,613	-	88,613
0034 Student (Pupil) Transportation	418,959	-	418,959
0035 Food Services	-	460,660	460,660
0036 Extracurricular Activities	331,337	-	331,337
0041 General Administration	626,265	-	626,265
0051 Facilities Maintenance and Operations	1,896,186	-	1,896,186
0052 Security and Monitoring Services	142,081	-	142,081
0053 Data Processing Services	159,044	-	159,044
Debt Service:			
0071 Principal on Long-Term Debt	69,000	215,000	284,000
0072 Interest on Long-Term Debt	15,291	77,502	92,793
6030 Total Expenditures	10,544,046	1,154,477	11,698,523
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	428,646	(165,313)	263,333
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	22,676	22,676
8911 Transfers Out (Use)	(22,676)	-	(22,676)
7080 Total Other Financing Sources (Uses)	(22,676)	22,676	-
1200 Net Change in Fund Balances	405,970	(142,637)	263,333
0100 Fund Balance - September 1 (Beginning)	3,723,085	191,547	3,914,632
1300 Increase (Decrease) in Fund Balance	20,057	-	20,057
3000 Fund Balance - August 31 (Ending)	\$ 4,149,112	\$ 48,910	\$ 4,198,022

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 263,333
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase net position.	1,135,170
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(546,379)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	339,929
Current year changes due to GASB 68 resulted in a net effect on the change in the ending net position as a decrease in the amount of \$(214,146)	(214,146)
Current year changes due to GASB 75 resulted in a net effect on the change in the ending net position as an increase in the amount of \$10,490.	10,490
Change in Net Position of Governmental Activities	\$ 988,397

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,714,000	\$ 2,115,883	\$ 2,252,532	\$ 136,649
5800 State Program Revenues	8,283,021	8,665,951	8,578,626	(87,325)
5900 Federal Program Revenues	115,365	130,000	141,534	11,534
5020 Total Revenues	10,112,386	10,911,835	10,972,692	60,857
EXPENDITURES:				
Current:				
0011 Instruction	5,795,751	5,763,347	5,682,504	80,843
0012 Instructional Resources and Media Services	245,159	261,521	236,136	25,385
0013 Curriculum and Instructional Staff Development	59,453	62,730	62,384	346
0021 Instructional Leadership	104,870	95,756	87,630	8,126
0023 School Leadership	482,486	536,203	536,095	108
0031 Guidance, Counseling and Evaluation Services	193,231	192,927	192,521	406
0033 Health Services	85,415	89,493	88,613	880
0034 Student (Pupil) Transportation	385,336	419,837	418,959	878
0036 Extracurricular Activities	327,716	333,124	331,337	1,787
0041 General Administration	611,467	635,364	626,265	9,099
0051 Facilities Maintenance and Operations	781,562	2,180,529	1,896,186	284,343
0052 Security and Monitoring Services	152,995	153,208	142,081	11,127
0053 Data Processing Services	158,000	160,725	159,044	1,681
Debt Service:				
0071 Principal on Long-Term Debt	434,000	69,000	69,000	-
0072 Interest on Long-Term Debt	92,946	50,571	15,291	35,280
0073 Bond Issuance Cost and Fees	202,000	-	-	-
6030 Total Expenditures	10,112,387	11,004,335	10,544,046	460,289
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(92,500)	428,646	521,146
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(22,676)	(22,676)
1200 Net Change in Fund Balances	(1)	(92,500)	405,970	498,470
0100 Fund Balance - September 1 (Beginning)	3,723,085	3,723,085	3,723,085	-
1300 Increase (Decrease) in Fund Balance	-	-	20,057	20,057
3000 Fund Balance - August 31 (Ending)	\$ 3,723,084	\$ 3,630,585	\$ 4,149,112	\$ 518,527

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

**PROPRIETARY FUND FINANCIAL
STATEMENTS**

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2019

EXHIBIT D-1

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 42,383
Total Assets	42,383
NET POSITION	
Unrestricted Net Position	42,383
Total Net Position	\$ 42,383

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 21,477
State Program Revenues	725
Total Operating Revenues	<u>22,202</u>
OPERATING EXPENSES:	
Payroll Costs	18,005
Supplies and Materials	1,680
Total Operating Expenses	<u>19,685</u>
Operating Income	2,517
Total Net Position - September 1 (Beginning)	<u>39,866</u>
Total Net Position - August 31 (Ending)	<u>\$ 42,383</u>

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 22,202
Cash Payments to Employees for Services	(18,005)
Cash Payments for Suppliers	(1,680)
Net Cash Provided by Operating Activities	<u>2,517</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>-</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	<u>-</u>
Net Increase in Cash and Cash Equivalents	2,517
Cash and Cash Equivalents at Beginning of Year	<u>39,866</u>
Cash and Cash Equivalents at End of Year	<u>\$ 42,383</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 2,517
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 2,517</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 53,738
Investments - Current	132,314
Other Receivables	2,294
Total Assets	<u>\$ 188,346</u>
LIABILITIES	
Due to Student Groups	\$ 188,346
Total Liabilities	<u>\$ 188,346</u>

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There is a Public Facility Corporation that is a blended component unit. The PFC was created to obtain financing to construct a new building.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the CHAPEL HILL INDEPENDENT SCHOOL DISTRICT and its component unit's non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** -- The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Enterprise Funds** -- The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's non-major Enterprise Fund is an after school program.

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

4. Investments are carried at fair value.
5. Some cash and investments are restricted for future debt payments.
6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.
9. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. The District implemented GASB Statement No. 75 Accounting and Financial Reporting for Other Post-Employment Benefits for the year ended August 31, 2018. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting, and related to TRS OPEB related to TRS Care. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS, and related to TRS Care. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

10. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Chapel Hill ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Chapel Hill ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent.

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, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Beginning of the Year</u>	<u>Change in Net Position</u>
Land	172,192	-	172,192	
Buildings	12,398,601	(4,479,426)	7,919,175	
Furniture & Equipment	2,022,422	(1,218,582)	803,840	
Change in Net Position	14,593,215	(5,698,008)	8,895,207	<u>8,895,207</u>
<u>Long-term liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			2,730,000	
Note Payable			745,533	
Premium/Discount			164,088	
Change in Net Position				<u>3,639,621</u>
Net Adjustment to Net Position				<u><u>5,255,586</u></u>

Another element of the reconciliation is the Public Facility Corporation, a blended component unit. Balances at the beginning of the year were:

Cash	7
Land	28,086
Buildings and equipment	3,705,831
Accumulated depreciation	(1,484,623)
Refunding bonds payable	(1,921,000)
Unamortized premium on refunding bonds	<u>202,319</u>
Net adjustments to net assets	530,620
Remove equipment not depreciated less than \$5,000 per item	<u>(185,000)</u>
	<u><u>345,620</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current year Capital Outlay</u>			
Construction in Progress	670,207	670,207	670,207
Buildings & Improvements	-	-	-
Furniture & Equipment	142,430	142,430	142,430
Total Capital Outlay	812,637	812,637	812,637
Book value of asset disposition	-	-	-
<u>Debt Principal Payments & Refundings</u>			
Bond Principal	215,000	215,000	215,000
Loan Principal	107,533	107,533	107,533
Total Principal Payments	322,533	322,533	322,533
Total Adjustment to Net Position		1,135,170	1,135,170

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	46,148	(46,148)	-
Uncollected taxes (assumed collectible) from Current Year Levy	10,874	10,874	10,874
Uncollected Taxes (assumed collectible) from Prior Year Levy	14,677	-	14,677
Effect of prior year tax entries	29,006	29,006	-
Amortization/ Accretion on Premiums/ Discounts	18,803	(18,803)	(18,803)
Recorded net income (loss) from Public Facility Corporation before depreciation and amortization	-	-	-
Principal paid or deferred on PFC debt included above	365,000	365,000	365,000
Total		339,929	371,748

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2019
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	-
Nonappropriated Budget Funds	-
	<hr/>
All Special Revenue Funds	-
	<hr/>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

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

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing foreign currency investments.

As of August 31, 2019, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$ (122,620)	100%	\$ (122,620)	-	-	N/A
Money Markets and FDIC Insured Accounts	-	0.0%	-	-	-	N/A
Total Cash and Cash Equivalents	\$ (122,620)	100%	\$ (122,620)	-	-	

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

- Depository: Guaranty Bank & Trust
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$4,586,491.
- The highest combined balances of cash, savings, and time deposit accounts amounted to \$4,625,813 and occurred during the month of October, 2018.
- Total amount of FDIC coverage at the time of the highest combined balance was \$251,028.

Investments

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

Additional policies and contractual provisions governing investments for CHAPEL HILL INDEPENDENT SCHOOL DISTRICT are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2018, the district's investments in commercial paper were rated, AAAf/SI+ and AAAM by Standard & Poor's.

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

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

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

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT had the following investments subject to the fair value measurement.

Investment by Fair Value Level	Fair Value Measurements Using Quoted Prices in				Credit Rating
	Balance at August 31, 2019	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities:					
U.S. Treasury Securities	1,889,088	1,889,088	-	-	AAAm
Repurchase Agreement	1,496,467	1,496,467	-	-	AAAm
Commercial Paper	637,205	-	637,205	-	AAAm
Total Debt Securities	4,022,760	3,385,555	637,205	-	
Total	4,022,760	3,385,555	637,205	-	

The above securities have a maturity of less than one year. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. CHAPEL HILL INDEPENDENT SCHOOL DISTRICT has no investments measured at the Net Asset Value (NAV) per Share. The fair value of the commercial paper at August 31, 2019 was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. This is acquired through the investment pool mix.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. DEBT SERVICE TAX RATE

On August 27, 2016 the voters of Chapel Hill ISD overwhelmingly approved a Tax Ratification Election (TRE) proposed by the Board of Trustees. By the 'Ordinance to Set Tax Rate', the Board pre-determined to release the \$0.1059 of Interest & Sinking Rate provided voter approval to add the equivalent rate to the Maintenance and Operating Rate. With the passage of the TRE, the overall rate was set at \$1.1459 with all on the M&O. Due to state funding formulas, this shift in tax rate generates approximately \$400,000 of additional M&O revenue per year in Foundation State Program (FSP) payments. Additionally, the Interest & Sinking Fund fund balance and potential outstanding collections for past taxes will continue to provide the local share of debt servicing through fiscal year ending 2020. Prior excess collections credits, on balance for the District with the State, will maintain the State share of debt service through Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) funding through the same time frame of FYE 2020. In addition to this extension of debt service revenue, the District is pursuing a plan of reserving at least \$200,000 per year toward debt service for after the end of the state share in FYE 2020. Using this strategy, the M&O rate swap under the TRE should provide sufficient revenue and reserves for all current debt-serve. Although unforeseeable, the Board of Trustees may increase the I&S rate as needed to meet prior approved debt service without additional voter approval.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	66,010	761,426	-	100,342	927,778
Nonmajor Governmental Funds	883	154,440	-	-	155,323
Total-Governmental Activities	66,893	915,866	-	100,342	1,083,101
Amount not scheduled for collection during the subsequent year	26,820	-	-	-	26,820

Payables at August 31, 2019, were as follows:

	Accounts	Loans, Leases, and Bonds Payable- Current Year	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	-	-	457,290	-	-	-	457,290
Nonmajor Governmental Funds	-	-	14,311	-	17,071	-	31,382
Total-Governmental Activities	-	-	471,601	-	17,071	-	488,672
Amount not scheduled for collection during the subsequent year	-	-	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District and the Public Facility Corporation for the year ended August 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
District:				
Land	172,192	-	-	172,192
Buildings and Improvements	12,398,601	-	-	12,398,601
Furniture and Equipment	2,022,422	142,430	(126,394)	2,038,458
Construction in Progress	-	670,207	-	670,207
Public Facility Corporation:				
Land	28,086	-	-	28,086
Buildings and Improvements	3,520,831	-	-	3,520,831
Totals at Historic Cost	<u>18,142,132</u>	<u>812,637</u>	<u>(126,394)</u>	<u>18,828,375</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,479,426)	(318,927)	-	(4,798,353)
Furniture and Equipment	(1,218,582)	(157,035)	126,394	(1,249,223)
Public Facility Corporation:				
Buildings and Improvements	<u>(1,484,622)</u>	<u>(70,417)</u>	<u>-</u>	<u>(1,555,039)</u>
Total Accumulated Depreciation	<u>(7,182,630)</u>	<u>(546,379)</u>	<u>126,394</u>	<u>(7,602,615)</u>
Governmental Activities Capital Assets, Net	<u>10,959,502</u>	<u>266,258</u>	<u>-</u>	<u>11,225,760</u>

Depreciation expense was charged to governmental functions as follows:

Instructional Resources & Media Services	16,770
Instruction	328,264
Student (Pupil) Transportation	110,009
Food Services	19,096
Curricular/Extracurricular Activities	51,123
General Administration	21,117
Total Depreciation Expense	<u>546,379</u>

G. BONDS PAYABLE AND LONG-TERM NOTES PAYABLE

On September 14, 1995, Chapel Hill ISD (the "District") entered into a lease/purchase contract between the District and the Chapel Hill Independent School District Public Facility Corporation (the "PFC"). The PFC is a mirror of the District's Board of Trustees, and it was created to finance and own the new high school and related facilities and to lease the facilities to the District under the Lease/Purchase Agreement. The PFC issued Lease Revenue Bonds for \$4,130,000 under a trust indenture between the PFC and Bank of America which are secured by the revenues of the PFC under the Lease/Purchase with the District. The PFC purchased land from the District at its appraised value from the proceeds of the financing. Beginning August 1, 1996, and throughout the 20 year term of the Lease/Purchase, the District will make semi-annual lease payments to the PFC equal to the interest and principal of the Bonds. Upon making all payments under the Lease/Purchase Agreement or paying the Purchase Option Price equal to the amount of debt still outstanding, title to the land and the Project will be transferred to the District for payment of the \$1.00 Purchase Option Price. Construction was completed by August 31, 1997. The 1995 Lease Revenue Bonds were refunded with Series 1999 Lease Revenue Refunding bonds. In May, 2012 the 1999 Lease Revenue Refunding bonds were refunded with the Series 2012 Lease Revenue Refunding bonds. The refunding bonds are secured by revenues of the PFC under the Lease/Purchase with the District. The PFC is treated as a blended component unit for the government wide financial statements. The principal balance of the refunded debt is \$2,045,000 at August 31, 2017. The refunding was undertaken to reduce total debt service payments over 11 years by approximately \$979 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$106 thousand.

Proceeds from the sale of Maintenance Tax Notes, Series 2011 dated February 24, 2011 were received in February, 2011. Pursuant to section 45.108, the proceeds were used for the purpose of paying maintenance expenses of the District, including making various renovations to existing District facilities, purchasing certain personal property, and paying the costs of issuance on the notes. Principal and interest repayments are due February each year, and bear an interest rate of 1.37%.

The Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2011 dated November 9, 2011 were received during December, 2011 pursuant to Texas Government Code, Chapter 1207. Proceeds from the \$2,110,000 bonds were used to advance refund a portion of the District's outstanding bonds for debt service savings and to pay the costs of issuing the Bonds. Interest will range from 1.00% to 3.500%. Interest and principal are being repaid annually beginning in fiscal year 2012 and will continue until maturity in fiscal 2029. The refunding was undertaken to reduce total debt service payments over 20 years by approximately \$345 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$45 thousand. The principal balance of the refunded debt is \$1,395,000.

The Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2016 dated April 1, 2016 were received during April, 2016 pursuant to Texas Government Code, Chapter 1207. Proceeds from the \$1,400,000 bonds were used to advance refund a portion of the District's outstanding bonds for debt service savings and to pay the costs of issuing the Bonds. Interest will range from 2.00% to 4.00%. Interest and principal are being repaid annually beginning in fiscal year 2017 and will continue until maturity in fiscal 2029. The refunding was undertaken to reduce total debt service payments over 13 years by approximately \$210 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$187 thousand. The principal balance of the refunded debt is \$1,160,000.

A summary of changes in general long-term debt for the year ended August 31, 2019 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/2019</u>
Maintenance Tax Notes, Series 2011	1.37%	1,084,000	15,276	707,000	-	(69,000)	638,000
Unlimited Tax Refunding Bonds, Series 2011	1.00% to 3.50%	2,110,000	43,997	1,515,000	-	(120,000)	1,395,000
Public Facility Corporation Lease Revenue Refunding Bonds, Series 2012	2.31%	3,311,000	44,375	1,921,000	-	(365,000)	1,556,000
Unlimited Tax Refunding Bonds, Series 2016	2.00%- 4.00%	1,400,000	32,475	1,215,000	-	(95,000)	1,120,000
		<u>7,905,000</u>	<u>136,123</u>	<u>5,358,000</u>	<u>-</u>	<u>(649,000)</u>	<u>4,709,000</u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	669,000	115,232	784,232
2021	689,000	99,493	788,493
2022	709,000	83,006	792,006
2023	732,000	65,648	797,648
2024	342,000	47,545	389,545
2025-2029	1,568,000	99,268	1,667,268
	<u>4,709,000</u>	<u>510,192</u>	<u>5,219,192</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

Loan proceeds were received in April, 2018 for the purpose of purchasing a vehicle pursuant to Section 45.108, Texas Education Code, as amended. Interest of 4.25% and principle are due in one payment on March, 2019.

<u>Date of Issue/ Maturity</u>	<u>Purpose and Lawful Authority</u>	<u>Fund Payable From</u>	<u>Loan Amount</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/2019</u>
4/18-3/19	45.108	General Fund	38,533	1,080	38,533	-	(38,533)	-
			<u>38,533</u>	<u>1,080</u>	<u>38,533</u>	<u>-</u>	<u>(38,533)</u>	<u>-</u>

H. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
District:					
General Obligation Bonds	2,730,000	-	215,000	2,515,000	220,000
Vehicle Note	38,533	-	38,533	-	-
Maintenance Tax Note	707,000	-	69,000	638,000	74,000
Premiums/Discounts on Bonds	164,088	-	14,918	149,170	-
Public Facility Corporation:					
General Obligation Bonds	1,921,000	-	365,000	1,556,000	375,000
Premiums/Discounts on Bonds	(202,319)	33,721	-	(168,598)	-
Total Governmental Activities	<u>5,358,302</u>	<u>33,721</u>	<u>702,451</u>	<u>4,689,572</u>	<u>669,000</u>

The District has no unused lines of credit. No assets have been pledged as collateral for debt.

I. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <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. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	(154,568,901,833)
Net Pension Liability	<u>\$ 55,042,426,960</u>
Net Position as percentage of Total Pension Liability	73.74%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) 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, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity	6.8%	6.8%
TRS		
Employers	6.8%	6.8%
District's 2019 Employer Contributions		\$ 208,318
District's 2019 Member Contributions		\$ 461,869
District's 2019 NECE On-Behalf Contributions		\$ 417,629

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate 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 source or a privately sponsored source.

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

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

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

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 6.907%. 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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.95%	0.8%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.0%	0.0%
Hedge Funds (Stable Value)	4%	3.09%	0.12%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.18%
Inflation Expectations			2.30%
Alpha			-0.79%
Total	100%		7.25%

* 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$3,572,226	\$2,366,904	\$1,391,125

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,366,904 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to CHAPEL HILL INDEPENDENT SCHOOL DISTRICT. The amount recognized by CHAPEL HILL INDEPENDENT SCHOOL 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 CHAPEL HILL INDEPENDENT SCHOOL DISTRICT were as follows:

District's proportionate share of the collective net pension liability	\$ 2,366,904
State' proportionate share that is associated with the District	5,297,926
Total	<u>\$ 7,664,830</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .000043001448% which was a decrease of 3% from its proportion measured as of August 31, 2017.

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.

A change was made in the measurement date of the total pension liability for the current fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures.

At August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL 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 actuarial experience	\$ 14,753	\$ 58,074
Changes in actuarial assumptions	853,383	26,668
Difference between projected and actual investment earnings	-	44,911
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	313,265	42,763
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	208,318	-
Total	\$ 1,389,719	\$ 172,416

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:

Year ended August 31:	Pension Expense Amount
2020	\$ 279,415
2021	\$ 184,905
2022	\$ 156,098
2023	\$ 154,523
2024	\$ 145,377
Thereafter	\$ 88,668

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Required District Contributions	\$ 208,318	\$ 205,242	\$ 184,126
Actual District Contributions	208,318	205,242	184,126
Federal Contributions	86,067	17,868	17,450
State Contributions	417,629	413,708	401,108
Employee Contributions	461,869	451,107	439,721

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	
1.57%	

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 coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

TRS-Care Monthly Premium Rates
Effective January 1, 2018 - December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

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

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions	\$ 44,989	
District's 2019 FY Member Contributions	\$ 38,990	
Measurement Year NECE On-Behalf Contributions	\$ 70,338	

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.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Roll Forward—A change was made in the measurement date of the total OPEB liability (TOL) for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the
delivery of health care benefits are	included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% - 9.05%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior
to age 65 and	75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

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

***Includes inflation at 2.50%*

****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$4,025,441	\$ 3,381,747	\$ 2,872,543

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 2,808,596	\$ 3,381,747	\$ 4,136,599

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT reported a liability of \$3,381,747 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with CHAPEL HILL INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 3,381,747
State's proportionate share that is associated with the District	<u>5,101,843</u>
Total	<u>\$8,483,590</u>

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .000067728523% which was a decrease of 9% compared to the prior year.

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:

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

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

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

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

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

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

For the year ended August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT recognized OPEB expense of \$104,746 and revenue of \$115,236 for support provided by the State.

At August 31, 2019, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$179,457	\$ 53,369
Changes in actuarial assumptions	56,432	1,016,021
Net Difference between projected and actual investment earnings	591	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	14	381,040
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	44,989	-
Total	\$281,483	\$1,450,430

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (180,496)
2021	(180,496)
2022	(180,496)
2023	(180,608)
2024	(180,672)
Thereafter	(311,169)

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. CHAPEL HILL INDEPENDENT SCHOOL DISTRICT participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2016 and 1.25% for 2017 and 2018. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal problems, the federal programs are required to contribution 1.0 %.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2019, 2018, and 2017 the subsidy payments received by TRS-Care on-behalf of the District were \$86,067, \$17,868, and \$17,450 respectively. The information for the year ended August 31, 2017 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Active Employee Health Care Coverage

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

L. HEALTH CARE COVERAGE

During the year ended August 31, 2019 employees of the Chapel Hill Independent School District were covered by a health insurance plan with TRS ActiveCare. The District paid premiums of \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents.

Maintenance of Effort:	
Total Annual Premiums for health Care 2018-2019	347,504
Less Alternative Plans	-
2018-2019 Maintenance of Effort	<u>347,504</u>

M. SELF FUNDED WORKER'S COMPENSATION

During the year ended August 31, 2019, employees of the District were covered by the District's workers' compensation self-insurance plan as authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The costs associated with these self-insurance plans are reported as inter-fund transactions to the extent of amount actually determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General and Special Revenue Funds. The liabilities of these plans include incurred but not reported claims.

Changes in the balances of the claim liabilities during the past year for the worker's compensation plan are as follows:

	Year Ended August 31, 2019	Year Ended August 31, 2018
Unpaid claims, beginning of the year	2,486	3,400
Incurred claims (including IBNR'S)	(164)	(660)
Claim Payments	(211)	(254)
Unpaid claims, end of fiscal year	<u>2,111</u>	<u>2,486</u>

N. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
IDEA Part B, Discretionary	-	1,219	1,219
Other	-	-	-
TOTAL	<u>-</u>	<u>1,219</u>	<u>1,219</u>

O. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except Head Start which is received directly from the U.S. Department of Health and Human Services.

FUND	STATE ENTITLEMENTS	FEDERAL GRANTS	OTHER	TOTAL
General	725,107	36,319	-	761,426
Special Revenue	118,153	36,287	-	154,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>843,260</u>	<u>72,606</u>	<u>-</u>	<u>915,866</u>

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	1,530,891	989	1,531,880
Penalties, Interest and Other Tax-related Income	42,016	302	42,318
Investment Income	94,354	3,094	97,448
Food Sales	-	165,469	165,469
Tuition	232,144	-	232,144
Co-curricular	11,155	-	11,155
Insurance Recovery	296,849	-	296,849
Other	45,123	-	45,123
Total	2,252,532	169,854	2,422,386

Q. BLENDED COMPONENT UNIT

The Public Facility Corporation is a blended component unit.

The assets and liabilities for the PFC at August 31, 2019 are:

ASSETS:

Cash	7
Land	28,086
Buildings and equipment net of Accumulated depreciation	2,150,791
Premium net of accumulated amortization	168,598

LIABILITIES:

Refunding bonds payable	(1,556,000)
-------------------------	-------------

The income and expense for the year ended August 31, 2019 is:

INCOME:

Rent income	409,376
-------------	---------

EXPENSES:

Interest expense	44,376
Amortization of bond premium	33,721
Depreciation	70,417

R. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

S. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

T. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at August 31, 2019.

U. LITIGATION

The District has no pending litigation at August 31, 2019.

V. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through December 4, 2019, the financial statement issuance date.

W. PRIOR PERIOD ADJUSTMENT

Prior period adjustments are made to the beginning fund balance in the general fund and the net position on the government wide statements to void some old outstanding checks in the amount of \$20 thousand.

REQUIRED SUPPLEMENTAL INFORMATION

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
0.000044072%		0.000022875%	
\$	1,557,888	\$	611,024
3,678,602		3,161,724	
\$	5,236,490	\$	3,772,748
\$	5,608,784	\$	5,369,342
27.78%		16.19%	
78.43%		83.25%	

2016		2015	
\$	158,527	\$	162,378
	(158,527)		(162,378)
\$	-	\$	-
\$	5,608,784	\$	5,369,342
	2.83%		3.03%

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000067729%	0.000074674%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,381,747	\$ 3,427,284
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	5,101,843	4,578,957
Total	<u>\$ 8,483,590</u>	<u>\$ 8,006,241</u>
District's Covered Payroll	\$ 5,998,520	\$ 5,858,198
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.38%	58.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 44,989	\$ 43,936
Contribution in Relation to the Contractually Required Contribution	(44,989)	(43,936)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 5,998,520	\$ 5,858,198
Contributions as a Percentage of Covered Payroll	0.75%	0.75%

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

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION FOR THE YEAR ENDED AUGUST 31, 2019

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

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

Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

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

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

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

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

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

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

EXHIBIT F-1 (Cont'd)

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	Total Nonmajor Special Revenue Funds
\$ 1,219	\$ (17,054)	\$ (45)	\$ (1,783)	\$ (16,613)	\$ (5,112)	\$ (36,287)	\$ (121,839)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	17,054	45	1,783	16,613	5,112	36,287	154,440
<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,601</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,160
-	-	-	-	-	-	-	17,071
-	-	-	-	-	-	-	1,151
1,219	-	-	-	-	-	-	1,219
<u>1,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,601</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,601</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 1,061	\$ (120,778)
1120	Investments - Current	47,849	47,849
1220	Property Taxes - Delinquent	883	883
1230	Allowance for Uncollectible Taxes	(416)	(416)
1240	Due from Other Governments	-	154,440
1000	Total Assets	<u>\$ 49,377</u>	<u>\$ 81,978</u>
LIABILITIES			
2160	Accrued Wages Payable	\$ -	\$ 13,160
2180	Due to Other Governments	-	17,071
2200	Accrued Expenditures	-	1,151
2300	Unearned Revenue	-	1,219
2000	Total Liabilities	<u>-</u>	<u>32,601</u>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	467	467
2600	Total Deferred Inflows of Resources	<u>467</u>	<u>467</u>
FUND BALANCES			
Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	48,910	48,910
3000	Total Fund Balances	<u>48,910</u>	<u>48,910</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 49,377</u>	<u>\$ 81,978</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	Total Nonmajor Special Revenue Funds
\$ -	\$ 165,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,468
-	12,303	-	-	-	-	15,828	28,131
10,193	260,213	28,338	8,195	20,439	10,835	-	645,700
10,193	437,984	28,338	8,195	20,439	10,835	15,828	839,299
10,193	-	28,338	8,195	20,439	10,835	15,828	401,315
-	460,660	-	-	-	-	-	460,660
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,193	460,660	28,338	8,195	20,439	10,835	15,828	861,975
-	(22,676)	-	-	-	-	-	(22,676)
-	22,676	-	-	-	-	-	22,676
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 4,386	\$ 169,854
5800 State Program Revenues	145,479	173,610
5900 Federal Program Revenues	-	645,700
5020 Total Revenues	<u>149,865</u>	<u>989,164</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	401,315
0035 Food Services	-	460,660
Debt Service:		
0071 Principal on Long-Term Debt	215,000	215,000
0072 Interest on Long-Term Debt	77,502	77,502
6030 Total Expenditures	<u>292,502</u>	<u>1,154,477</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,637)	(165,313)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	22,676
1200 Net Change in Fund Balance	(142,637)	(142,637)
0100 Fund Balance - September 1 (Beginning)	<u>191,547</u>	<u>191,547</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 48,910</u>	<u>\$ 48,910</u>

REQUIRED T.E.A. SCHEDULES

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 9,088	\$ -	\$ 3,948	\$ -	\$ -	\$ 5,140
2,015	-	1,174	-	-	841
1,792	-	506	-	-	1,286
2,120	-	874	-	-	1,246
2,755	-	430	-	-	2,325
4,154	-	1,826	-	-	2,328
8,409	-	2,417	989	-	5,003
19,588	-	13,096	-	-	6,492
32,915	-	20,888	-	-	12,027
-	1,529,899	1,485,732	-	(13,962)	30,205
<u>\$ 82,836</u>	<u>\$ 1,529,899</u>	<u>\$ 1,530,891</u>	<u>\$ 989</u>	<u>\$ (13,962)</u>	<u>\$ 66,893</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 182,500	\$ 182,500	\$ 165,468	\$ (17,032)
5800 State Program Revenues	13,037	13,037	12,303	(734)
5900 Federal Program Revenues	244,000	244,000	260,213	16,213
5020 Total Revenues	439,537	439,537	437,984	(1,553)
EXPENDITURES:				
Current:				
0035 Food Services	439,537	439,537	460,660	(21,123)
6030 Total Expenditures	439,537	439,537	460,660	(21,123)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(22,676)	(22,676)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	22,676	22,676
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 73,473	\$ 73,472	\$ 4,386	\$ (69,086)
5800 State Program Revenues	220,000	220,000	145,479	(74,521)
5020 Total Revenues	293,473	293,472	149,865	(143,607)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	215,000	215,000	215,000	-
0072 Interest on Long-Term Debt	76,473	78,472	77,502	970
0073 Bond Issuance Cost and Fees	2,000	-	-	-
6030 Total Expenditures	293,473	293,472	292,502	970
1200 Net Change in Fund Balances	-	-	(142,637)	(142,637)
0100 Fund Balance - September 1 (Beginning)	191,547	191,547	191,547	-
3000 Fund Balance - August 31 (Ending)	\$ 191,547	\$ 191,547	\$ 48,910	\$ (142,637)

**REPORTS ON INTERNAL CONTROL,
COMPLIANCE, AND FEDERAL AWARDS**



CPAs & Advisors

Bob J. Arnold, CPA, PFS
Lanny G. Walker, CPA, PFS
Kris Arnold, CPA, PFS
Andrew Arnold, CPA
Melissa J. Godfrey, CPA

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

Board of Trustees
Chapel Hill Independent School District
Mount Pleasant, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chapel Hill Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 4, 2019

915 N. Jefferson Ave. • P.O. Box 1217 • Mt. Pleasant, TX 75456

P. 903.572.6606 • F. 903.572.3751 • firm@awacpa.com

Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants



CPAs & Advisors

Bob J. Arnold, CPA, PFS
Lanny G. Walker, CPA, PFS
Kris Arnold, CPA, PFS
Andrew Arnold, CPA
Melissa J. Godfrey, CPA

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

Board of Trustees
Chapel Hill Independent School District
Mount Pleasant, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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.

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, 2019.

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.

915 N. Jefferson Ave. • P.O. Box 1217 • Mt. Pleasant, TX 75456
P. 903.572.6606 • F. 903.572.3751 • firm@awacpa.com

Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

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

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

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 4, 2019

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Chapel Hill Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. unmodified opinion
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : NONE
- g. An identification of major programs: National School Lunch and Breakfast Program CFDA# 10.553 and 10.555
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

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

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

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

CORRECTIVE ACTION

N/A

The contact at the District is Marc Levesque at (903) 572-8096.

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Other Entities</u>			
Evaluation Capacity Grant	84.041	2285431908012	\$ 10,193
ESEA Title III Part A	84.365A	19671001225906	8,194
Total Passed Through Other Entities			18,387
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101225906	172,906
ESEA Title IV, Part B Rural & Low Income Prog.	84.358B	19696001225906	20,881
ESEA Title II Part A Teacher Principal Training	84.367A	19694501225906	28,338
IDEA Formula Part B	84.027A	19660001225906	141,911
IDEA Preschool Part B	84.173A	19661001225906	2,595
Total Special Education Cluster (IDEA)			144,506
Title III, Part A - English Language Acquisition	84.424A	19680101225906	11,298
Total Passed Through State Department of Education			377,929
TOTAL U.S. DEPARTMENT OF EDUCATION			396,316
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Agriculture</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	130,705
Total Passed Through Texas Dept of Agriculture			130,705
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			130,705
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	44,856
*National School Lunch Program - Cash Assistance	10.555	N/A	191,493
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	23,864
Total CFDA Number 10.555			215,357
Total Child Nutrition Cluster			260,213
Total Passed Through the State Department of Agriculture			260,213
TOTAL U.S. DEPARTMENT OF AGRICULTURE			260,213
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 787,234

*Clustered Programs

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

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

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

The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days after the end date of the period of performance as specified in the terms and conditions of the federal award under 2 CFR Section 200.343b (Uniform Guidance).

CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering CHAPEL HILL Independent School District fiscal year beginning September 1, 2013, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

The District has not elected to use the 10% de minimis indirect cost rate.