

*ANNUAL FINANCIAL REPORT*

of the

**HITCHCOCK  
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended  
August 31, 2020**

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
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***INTRODUCTORY SECTION***

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**CERTIFICATE OF BOARD**

Hitchcock  
Independent School District  
Name of School District

Galveston  
County

084-908  
Co. Dist. Number

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

\_\_\_\_\_  
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)

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***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Trustees of  
Hitchcock Independent School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District (the "District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2020, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefit liability, and schedules of District contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (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 nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information 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 nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on January 14, 2021 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 14, 2021

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Hitchcock Independent School District (the "District") for the year ending August 31, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The District's total combined net position at year end was \$1,716,108.
- For the fiscal year ended August 31, 2020, the District's general fund reported a total fund balance of \$4,813,613, of which \$91,397 is nonspendable for inventories and prepaid items and \$4,722,216 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$8,522,237.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

*Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

**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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity. These assets do not belong to the District, but the District is responsible to properly account for them.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

The District has the following 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 you 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 at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as the student activity fund. The District is responsible for ensuring that the assets reported in this fund is used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$1,716,108 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2020. In comparison to the prior year, total assets increased by \$1,768,616 as result of additional investments made during the year due to additional state aid received. Total liabilities decreased by a net \$2,528,834 primarily due to the decrease in the long-term liabilities and the net pension liability.

Grants and contributions not restricted increased largely due to House Bill 3 increasing state funding to school districts. The increase in expenses can primarily be attributed to the increases in instruction and food services. The District reported an increase of \$2,534,561 in net position from the prior year.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

**Table 1**

Description	Governmental Activities		Total Change
	2020	2019	2020-2019
Current assets	\$ 10,693,346	\$ 7,680,944	\$ 3,012,402
Capital assets	37,727,433	38,971,219	(1,243,786)
<b>Total Assets</b>	<b>48,420,779</b>	<b>46,652,163</b>	<b>1,768,616</b>
Deferred charge on refunding	1,205,294	1,291,385	(86,091)
Deferred outflows - pensions	3,620,585	4,298,657	(678,072)
Deferred outflows - OPEB	2,213,815	1,422,904	790,911
<b>Total Deferred Outflows of Resources</b>	<b>7,039,694</b>	<b>7,012,946</b>	<b>26,748</b>
Current liabilities	1,422,837	1,260,836	162,001
Long-term liabilities	47,335,965	50,026,800	(2,690,835)
<b>Total Liabilities</b>	<b>48,758,802</b>	<b>51,287,636</b>	<b>(2,528,834)</b>
Deferred inflows - pensions	1,167,455	408,504	758,951
Deferred inflows - OPEB	3,818,108	2,787,422	1,030,686
<b>Total Deferred Inflows of Resources</b>	<b>4,985,563</b>	<b>3,195,926</b>	<b>1,789,637</b>
<b>Net Position:</b>			
Net investment in capital assets	7,417,367	6,504,947	912,420
Restricted	3,708,176	3,420,835	287,341
Unrestricted	(9,409,435)	(10,744,235)	1,334,800
<b>Total Net Position</b>	<b>\$ 1,716,108</b>	<b>\$ (818,453)</b>	<b>\$ 2,534,561</b>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

**Table 2**  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2020</b>	<b>2019</b>	<b>2020-2019</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 91,411	\$ 70,567	\$ 20,844
Operating grants and contributions	9,896,912	8,509,666	1,387,246
General revenues:			
Property taxes	11,023,970	10,662,003	361,967
Grants and contributions not restricted	9,690,758	7,059,874	2,630,884
Investment earnings	105,078	96,228	8,850
Miscellaneous	359,591	28,386	331,205
<b>Total Revenues</b>	<b>31,167,720</b>	<b>26,426,724</b>	<b>4,740,996</b>
<b>Expenses</b>			
Instruction	14,133,329	12,666,953	1,466,376
Instructional resources and media services	211,370	155,004	56,366
Curriculum and staff development	461,081	483,773	(22,692)
Instructional leadership	423,304	509,997	(86,693)
School leadership	1,501,353	1,329,900	171,453
Guidance, counseling, and evaluation services	1,697,966	1,531,536	166,430
Social work services	132,448	123,081	9,367
Health services	423,089	312,487	110,602
Student (pupil) transportation	1,346,730	1,365,824	(19,094)
Food services	1,664,781	1,250,909	413,872
Co-curricular/extracurricular activities	809,618	804,237	5,381
General administration	1,048,815	1,140,078	(91,263)
Plant maintenance and operations	2,582,914	2,728,929	(146,015)
Security and monitoring	304,619	421,415	(116,796)
Data processing services	384,094	351,460	32,634
Community services	81,477	78,446	3,031
Interest on long-term debt	1,068,381	1,140,419	(72,038)
Payments related to shared services arrangements	235,560	261,987	(26,427)
Payments to juvenile justice programs	36,680	64,277	(27,597)
Other intergovernmental charges	85,550	71,326	14,224
<b>Total Expenses</b>	<b>28,633,159</b>	<b>26,792,038</b>	<b>1,841,121</b>
<b>Change in Net Position</b>	<b>2,534,561</b>	<b>(365,314)</b>	<b>2,899,875</b>
Beginning net position	(818,453)	(453,139)	(365,314)
<b>Ending Net Position</b>	<b>\$ 1,716,108</b>	<b>\$ (818,453)</b>	<b>\$ 2,534,561</b>

Total revenues were \$31,167,720, which is an increase of \$4,740,996 from the 2019 fiscal year. This net increase is mainly due to an increase in grants and contributions not restricted. Property tax revenue is the District's largest source of revenue, which totaled \$11,023,970 for the year. This represents an increase of \$361,967 compared to the previous year.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

Expenses for governmental activities totaled \$28,633,159, which was an increase of \$1,841,121. This net increase can largely be seen in instruction; food services; guidance, counseling, and evaluation services; and school leadership.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ended August 31, 2020, the District's governmental funds reported a combined fund balance of \$8,522,237. The combined fund balance increased \$2,805,228 from prior year. At the end of the fiscal year, the District's fund balance in the general fund increased by \$2,517,457 primarily due to an increase in the foundation revenues. The debt service fund balance decreased \$15,951 due to a transfer out to the general fund for an Internal Revenue Service subsidy. The special education cooperative fund had an increase in fund balance of \$21,596 due to revenues in excess of expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agencies and are amended throughout the year as required.

During the period ended August 31, 2020, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues exceeded budgeted revenues by \$1,229,331 mainly due to more federal and State revenues than expected. Actual expenditures exceeded budgeted expenditures by a net \$398,678 mainly due to higher expenditures than expected in instruction.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost (value if donated) or of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the year, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000, were not included in the capital assets inventory.

At year end, the District had a total of \$37,727,433 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This was a net decrease of \$1,243,786 compared with the prior year.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

At year end, the District had \$29,372,804 in general obligation bonds, notes, and other payables outstanding versus \$31,490,327 last year. There was a net decrease of \$2,117,523 related to the District's bond, notes, and other loan liabilities.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2020

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2020-2021 school year total \$23,477,153 and the District's Board adopted a maintenance and operations tax rate of \$0.9364 and an interest and sinking rate of \$0.20 for a combined rate of \$1.1364 per \$100 of property valuation.

**COVID-19**

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The District suspended in-classroom learning for the remainder of the school year. While changes to operations caused a significant hardship, the overall impact to the financial operations for the 2019-2020 school year as a percentage of the overall budget was nominal.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 7801 Neville Avenue, Hitchcock, Texas 77563.

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***BASIC FINANCIAL STATEMENTS***

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - EXHIBIT A-1**

August 31, 2020

<u>Data Control Codes</u>		1 <u>Governmental Activities</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 2,729,413
1120	Investments	5,290,463
1220	Property taxes - delinquent	1,032,185
1230	Allowance for uncollectible taxes	(231,575)
1240	Due from other governments	1,777,978
1290	Other receivables	3,055
1300	Inventories, at cost	41,803
1410	Prepaid items	50,024
		<u>10,693,346</u>
	Capital assets:	
1510	Land	1,674,919
1520	Buildings, net	35,039,002
1530	Furniture and equipment, net	223,555
1540	Vehicles, net	789,957
		<u>37,727,433</u>
1000	<b>Total Assets</b>	<u>48,420,779</u>
	<b><u>Deferred Outflows of Resources</u></b>	
1701	Deferred charge on refunding	1,205,294
1705	Deferred outflows - pensions	3,620,585
1706	Deferred outflows - OPEB	2,213,815
1700	<b>Total Deferred Outflows of Resources</b>	<u>7,039,694</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	303,583
2140	Interest payable	52,339
2150	Payroll deductions and withholdings	51,593
2160	Accrued wages payable	488,009
2180	Due to other governments	474,504
2200	Accrued expenditures	52,809
		<u>1,422,837</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	2,063,706
2502	Long-term liabilities due in more than one year	29,451,654
2540	Net pension liability	6,994,950
2545	Net OPEB liability	8,825,655
2000	<b>Total Liabilities</b>	<u>48,758,802</u>
	<b><u>Deferred Inflows of Resources</u></b>	
2605	Deferred inflows - pensions	1,167,455
2606	Deferred inflows - OPEB	3,818,108
2600	<b>Total Deferred Inflows of Resources</b>	<u>4,985,563</u>
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	7,417,367
	Restricted for:	
3820	Federal and state programs	709,697
3850	Debt service	2,998,479
3900	Unrestricted	(9,409,435)
3000	<b>Total Net Position</b>	<u>\$ 1,716,108</u>

See Notes to Financial Statements.

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# HITCHCOCK INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities</b>					
0011	Instruction	\$ 14,133,329	\$ -	\$ 5,486,050	\$ (8,647,279)
0012	Instructional resources and media services	211,370	-	11,165	(200,205)
0013	Curriculum/instructional staff development	461,081	-	172,443	(288,638)
0021	Instructional leadership	423,304	-	312,794	(110,510)
0023	School leadership	1,501,353	-	285,612	(1,215,741)
0031	Guidance, counseling, and evaluation services	1,697,966	-	1,278,972	(418,994)
0032	Social work services	132,448	-	128,304	(4,144)
0033	Health services	423,089	-	111,147	(311,942)
0034	Student (pupil) transportation	1,346,730	-	35,973	(1,310,757)
0035	Food services	1,664,781	91,411	1,510,438	(62,932)
0036	Extracurricular activities	809,618	-	34,039	(775,579)
0041	General administration	1,048,815	-	109,990	(938,825)
0051	Plant maintenance and operations	2,582,914	-	172,125	(2,410,789)
0052	Security and monitoring services	304,619	-	47,227	(257,392)
0053	Data processing services	384,094	-	44,808	(339,286)
0061	Community services	81,477	-	72,887	(8,590)
0072	Interest - long-term debt	1,068,381	-	82,938	(985,443)
0093	Payments to fiscal agent/member districts of SSA	235,560	-	-	(235,560)
0095	Payments to juvenile justice	36,680	-	-	(36,680)
0099	Other intergovernmental charges	85,550	-	-	(85,550)
	<b>Total Governmental Activities</b>	<u>\$ 28,633,159</u>	<u>\$ 91,411</u>	<u>\$ 9,896,912</u>	<u>(18,644,836)</u>
TP	<b>Total Primary Government</b>	<u>\$ 28,633,159</u>	<u>\$ 91,411</u>	<u>\$ 9,896,912</u>	<u>(18,644,836)</u>
<b>General Revenues</b>					
MT	Property taxes, levied for general purposes				7,753,313
DT	Property taxes, levied for debt service				3,270,657
GC	Grants and contributions not restricted				9,690,758
IE	Investment earnings				105,078
MI	Miscellaneous local and intermediate revenue				359,591
TR				<b>Total General Revenues</b>	<u>21,179,397</u>
CN				<b>Change in Net Position</b>	<u>2,534,561</u>
NB	Beginning net position				(818,453)
NE				<b>Ending Net Position</b>	<u>\$ 1,716,108</u>

See Notes to Financial Statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*BALANCE SHEET*  
**GOVERNMENTAL FUNDS - EXHIBIT C-1**  
**August 31, 2020**

Data Control Codes		10	50	Special Education Cooperative	Nonmajor Governmental Funds
		General	Debt Service		
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 1,787,615	\$ 568,764	\$ 174,510	\$ 198,524
1120	Investments	3,073,925	2,051,381	165,157	-
1220	Property taxes - delinquent	733,008	299,177	-	-
1230	Allowance for uncollectible taxes	(177,168)	(54,407)	-	-
1240	Due from other governments	32,537	-	937,893	807,548
1260	Due from other funds	935,070	378,334	-	342,642
1290	Other receivables	3,055	-	-	-
1300	Inventories, at cost	41,803	-	-	-
1410	Prepaid items	49,594	-	430	-
1000	<b>Total Assets</b>	<b>\$ 6,479,439</b>	<b>\$ 3,243,249</b>	<b>\$ 1,277,990</b>	<b>\$ 1,348,714</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 239,688	\$ -	\$ -	\$ 63,895
2150	Payroll deductions and withholdings	51,593	-	-	-
2160	Accrued wages payable	410,970	-	16,262	60,777
2170	Due to other funds	366,495	-	358,826	930,725
2180	Due to other governments	-	-	474,504	-
2200	Accrued expenditures	41,239	-	755	10,815
2000	<b>Total Liabilities</b>	<b>1,109,985</b>	<b>-</b>	<b>850,347</b>	<b>1,066,212</b>
<b><u>Deferred Inflows of Resources</u></b>					
2600	Unavailable revenue - property taxes	555,841	244,770	-	-
		<b>555,841</b>	<b>244,770</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>					
Nonspendable					
3410	Inventories	41,803	-	-	-
3430	Prepaid items	49,594	-	430	-
Restricted					
3450	Grant funds	-	-	427,213	282,484
3470	Capital projects	-	-	-	18
3480	Debt service	-	2,998,479	-	-
3600	Unassigned	4,722,216	-	-	-
3000	<b>Total Fund Balances</b>	<b>4,813,613</b>	<b>2,998,479</b>	<b>427,643</b>	<b>282,502</b>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,479,439</b>	<b>\$ 3,243,249</b>	<b>\$ 1,277,990</b>	<b>\$ 1,348,714</b>

See Notes to Financial Statements.

**98**  
**Total**  
**Governmental**  
**Funds**

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\$ 2,729,413  
5,290,463  
1,032,185  
(231,575)  
1,777,978  
1,656,046  
3,055  
41,803  
50,024  

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\$ 12,349,392

\$ 303,583  
51,593  
488,009  
1,656,046  
474,504  
52,809  

---

3,026,544

800,611  

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800,611

41,803  
50,024  
  
709,697  
18  
2,998,479  
4,722,216  

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8,522,237  
  
\$ 12,349,392

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET*  
*TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R*  
**August 31, 2020**

Total fund balances for governmental funds \$ 8,522,237

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

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

Capital assets - nondepreciable	1,674,919	
Capital assets - depreciable	36,052,514	
	36,052,514	37,727,433

Some liabilities, including bonds payable, are not reported as liabilities  
in the governmental funds.

Accrued interest	(52,339)	
Deferred outflows - pensions	3,620,585	
Deferred outflows - OPEB	2,213,815	
Deferred tax revenue	800,611	
Deferred charge on refunding	1,205,294	
Deferred inflows - pensions	(1,167,455)	
Deferred inflows - OPEB	(3,818,108)	
Noncurrent liabilities due in one year	(2,063,706)	
Noncurrent liabilities due in more than one year	(29,451,654)	
Net pension liability	(6,994,950)	
Net OPEB liability	(8,825,655)	
	(8,825,655)	(44,533,562)

<b>Net Position of Governmental Activities</b>	<b>\$ 1,716,108</b>
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See Notes to Financial Statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2**  
**For the Year Ended August 31, 2020**

Data Control Codes		10	50	Special	Nonmajor
		General	Debt Service	Education Cooperative	Governmental Funds
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 8,172,738	\$ 3,315,902	\$ 6,053	\$ 85,358
5800	State program revenues	10,678,901	82,938	759,000	1,652,171
5900	Federal program revenues	462,997	-	208,776	4,993,523
5020	<b>Total Revenues</b>	<u>19,314,636</u>	<u>3,398,840</u>	<u>973,829</u>	<u>6,731,052</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	8,603,857	-	373,641	3,251,093
0012	Instruction resources and media services	198,465	-	-	601
0013	Curriculum/instructional staff development	283,582	-	-	141,758
0021	Instructional leadership	106,919	-	289,697	1,298
0023	School leadership	1,195,958	-	-	165,551
0031	Guidance, counseling, and evaluation services	387,994	-	281,477	809,355
0032	Social work services	-	-	-	103,153
0033	Health services	307,024	-	-	81,299
0034	Student (pupil) transportation	993,769	-	-	759
0035	Food services	104,108	-	-	1,595,796
0036	Extracurricular activities	688,576	-	-	-
0041	General administration	922,220	-	5,501	46,471
0051	Plant maintenance and operations	2,219,354	-	1,917	126,444
0052	Security and monitoring services	254,740	-	-	31,129
0053	Data processing services	337,323	-	-	32,903
0061	Community services	5,033	-	-	61,316
<b>Debt service:</b>					
0071	Principal	256,433	1,861,090	-	-
0072	Interest and fiscal charges	53,035	1,069,900	-	-
0073	Bond issuance costs	-	4,800	-	-
<b>Intergovernmental:</b>					
0093	Payments to member districts of SSA	235,560	-	-	-
0095	Payments to juvenile justice programs	36,680	-	-	-
0099	Other intergovernmental charges	85,550	-	-	-
6030	<b>Total Expenditures</b>	<u>17,276,180</u>	<u>2,935,790</u>	<u>952,233</u>	<u>6,448,926</u>
1100	<b>Excess of Revenues</b>				
1100	<b>Over Expenditures</b>	<u>2,038,456</u>	<u>463,050</u>	<u>21,596</u>	<u>282,126</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfer in (out)	479,001	(479,001)	-	-
7080	<b>Total Other Financing Sources (Uses)</b>	<u>479,001</u>	<u>(479,001)</u>	<u>-</u>	<u>-</u>
1200	<b>Net Change in Fund Balances</b>	2,517,457	(15,951)	21,596	282,126
0100	Beginning fund balances	2,296,156	3,014,430	406,047	376
3000	<b>Ending Fund Balances</b>	<u>\$ 4,813,613</u>	<u>\$ 2,998,479</u>	<u>\$ 427,643</u>	<u>\$ 282,502</u>

See Notes to Financial Statements.

**98**  
**Total**  
**Governmental**  
**Funds**

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\$ 11,580,051  
13,173,010  
5,665,296  
30,418,357

12,228,591  
199,066  
425,340  
397,914  
1,361,509  
1,478,826  
103,153  
388,323  
994,528  
1,699,904  
688,576  
974,192  
2,347,715  
285,869  
370,226  
66,349

2,117,523  
1,122,935  
4,800

235,560  
36,680  
85,550

27,613,129

2,805,228

-

-

2,805,228

5,717,009

\$ 8,522,237

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES - EXHIBIT C-3*  
For the Year Ended August 31, 2020

Net changes in fund balances - total governmental funds \$ 2,805,228

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation, net of disposals	(1,306,490)
Capital outlay, net of disposals	62,704

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	24,502
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of premium on bonds, net	143,924
Deferred charge on refunding	(86,091)
Principal repayments	2,117,523
Accrued interest	20,671
Accreted interest	(19,150)

Pension and other postemployment benefits (OPEB) activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.

Change in net pension liability	459,488
Change in net OPEB liability	(10,950)
Net change in deferred outflows and inflows - pensions	(1,437,023)
Net change in deferred outflows and inflows - OPEB	(239,775)
Net on-behalf contributions adjustment - revenue	724,861
Net on-behalf contributions adjustment - expenses	(724,861)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,534,561</b>
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See Notes to Financial Statements.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUND - EXHIBIT E-1*

August 31, 2020

<u>Data Control Codes</u>		<u>Agency Student Activity</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 80,629
1000	<b>Total Assets</b>	<u>80,629</u>
	<b><u>Liabilities</u></b>	
	Current liabilities:	
2190	Due to student groups	80,629
2000	<b>Total Liabilities</b>	<u>80,629</u>
	<b><u>Net Position</u></b>	
3800	Held in Trust	-
3000	<b>Total Net Position</b>	<u>\$ -</u>

See Notes to Financial Statements.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS*  
For the Year Ended August 31, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Hitchcock Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). 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 (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

The District reports the following governmental funds:

**General Fund**

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Capital Projects Fund**

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund for reporting purposes.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund. The special education cooperative fund is considered a major fund for reporting purposes.

**Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

**Agency Funds**

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

**2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) and are recognized as expenditures when utilized.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government 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 acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 40 years
Vehicles	10 years
Equipment	8 to 20 years

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**6. Long-Term Obligations**

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 are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

**7. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**8. Fund Balance Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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**INDEPENDENT SCHOOL DISTRICT**  
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**10. Estimates**

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

**11. Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

**12. 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.

**13. Other Postemployment Benefits**

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

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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**2. Property Taxes**

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

**A. Expenditures in Excess of Appropriations**

For the year ended August 31, 2020, expenditures exceeded appropriations at the legal level of control for the following expenditures in the general fund and debt service fund.

General fund		
Instruction	\$	397,702
Food services	\$	1,498
Community services	\$	2,475
Debt Service Fund		
Transfer out	\$	479,001

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**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At August 31, 2020, the District’s investments are as follows:

Investment Type	Amount	Weighted Average Maturity
Certificates of deposit	\$ 105,105	1.38
External investment pools:		
Lone Star	2,033,399	0.11
TexSTAR	816,387	0.08
Texas CLASS	1,493,191	0.15
TexasTERM	842,381	0.15
<b>Total Value</b>	<b>\$ 5,290,463</b>	
Portfolio weighted average maturity		0.15

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2020, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Credit risk.* The District’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of August 31, 2020, the District’s investments in Lone Star, TexSTAR, Texas CLASS and TexasTERM were rated ‘AAA’ by Standard & Poor’s.

*Custodial credit risk – investments.* For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

*Interest rate risk:* In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

**Lone Star**

The Lone Star Investment Pool (“Lone Star”) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Associate of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star’s assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees’ eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star

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has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund and Corporate Overnight fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

**TexSTAR**

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity. TexSTAR is rated "AAA" by Standard & Poor's.

**Texas CLASS**

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under the Act. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com). CLASS is rated "AAA" by Standard & Poor's.

**TexasTERM**

The TexasTERM Local Government Investment Pool (TexasTERM) was created in 2000 to allow Texas local governments and school districts to pool their funds for investment. TexasTERM is directed by an advisory board of experienced local government officials, finance directors, and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. TexasTERM has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Act. Finally, TexasTERM is rated "AAA" by Standard & Poor's.

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**B. Capital Assets**

A summary of changes in capital assets for governmental activities at year end is as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,674,919	\$ -	\$ -	\$ 1,674,919
Total capital assets not being depreciated	1,674,919	-	-	1,674,919
Other capital assets:				
Buildings and improvements	57,320,910	-	-	57,320,910
Furniture and equipment	1,040,489	18,175	(6,415)	1,052,249
Vehicles	2,414,069	236,854	(185,910)	2,465,013
Total other capital assets	60,775,468	255,029	(192,325)	60,838,172
Less accumulated depreciation for:				
Buildings and improvements	(20,946,883)	(1,335,025)	-	(22,281,908)
Furniture and equipment	(796,040)	(39,069)	6,415	(828,694)
Vehicles	(1,736,245)	(124,721)	185,910	(1,675,056)
Total accumulated depreciation	(23,479,168)	(1,498,815)	192,325	(24,785,658)
Other capital assets, net	37,296,300	(1,243,786)	-	36,052,514
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 38,971,219</b>	<b>\$ (1,243,786)</b>	<b>\$ -</b>	<b>37,727,433</b>
			<b>Less associated debt</b>	(31,515,360)
			<b>Plus deferred charge on refunding</b>	1,205,294
			<b>Net Investment in Capital Assets</b>	<b>\$ 7,417,367</b>

Depreciation was charged to governmental functions as follows:

	<b>Governmental Activities</b>
11 Instruction	\$ 885,738
34 Student (pupil) transportation	311,185
35 Food service	27,581
36 Co-curricular/extracurricular activities	81,394
41 General administration	7,045
51 Plant maintenance and operations	184,223
61 Community services	1,649
<b>Total Depreciation Expense</b>	<b>\$ 1,498,815</b>

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**C. Long-Term Liabilities**

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

Governmental Activities:	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds, notes and other payables:						
Series 2011A-0.71% to 5.45%	\$ 6,626,208	\$ 4,998,635	\$ -	\$ (276,090)	\$ 4,722,545	\$ 260,843
Series 2014-3.00%	8,660,000	7,940,000	-	(135,000)	7,805,000	140,000
Series 2015-2.00% to 4.00%	8,830,000	8,450,000	-	(90,000)	8,360,000	245,000
Series 2016-3.00% to 5.00%	1,635,000	1,365,000	-	(95,000)	1,270,000	100,000
Series 2018 -3.00% to 5.00%	3,830,000	3,060,000	-	(750,000)	2,310,000	625,000
Direct borrowing/private placement						
Series 2005 QZAB Notes-0%	1,221,872	81,458	-	(81,458)	-	-
Building improvement loan 2014-2.80%	2,775,014	1,975,234	-	(174,975)	1,800,259	177,863
Series 2010-3.85%	500,000	235,000	-	(35,000)	200,000	35,000
Series 2011Q-5.33%	5,400,000	3,385,000	-	(480,000)	2,905,000	480,000
	<u>39,478,094</u>	<u>31,490,327</u>	<u>-</u>	<u>(2,117,523)</u>	<u>29,372,804</u>	<u>* 2,063,706</u>
Other liabilities:						
Accreted interest	-	129,509	19,150	-	148,659	*
Net pension liability	-	7,454,438	-	(459,488)	6,994,950	-
Net OPEB liability	-	8,814,705	10,950	-	8,825,655	-
Unamortized premium	-	2,137,821	-	(143,924)	1,993,897	*
	<u>-</u>	<u>18,536,473</u>	<u>30,100</u>	<u>(603,412)</u>	<u>17,963,161</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>\$ 39,478,094</u>	<u>\$ 50,026,800</u>	<u>\$ 19,150</u>	<u>\$ (2,720,935)</u>	<u>\$ 47,335,965</u>	<u>\$ 2,063,706</u>
					<u>Long-term liabilities due in more than one year</u>	<u>\$ 45,272,259</u>
					<u>Debt associated with capital assets</u>	<u>\$ 31,515,360</u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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The annual requirements to amortize debt issues outstanding at year end were as follows:

<b>Year Ended August 31</b>	<b>General Obligation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2021	\$ 1,370,843	\$ 862,421	\$ 2,233,264
2022	1,397,772	829,291	2,227,063
2023	1,427,548	797,115	2,224,663
2024	1,465,737	765,751	2,231,488
2025	1,500,253	725,860	2,226,113
2026-2030	8,321,726	5,039,658	13,361,384
2031-2035	8,177,382	3,907,481	12,084,863
2036-2038	806,284	918,712	1,724,996
	\$ 24,467,545	\$ 13,846,289	\$ 38,313,834

<b>Year Ended August 31</b>	<b>Private Placement Loan/Tax Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2021	\$ 177,863	\$ 50,010	\$ 227,873
2022	183,718	44,154	227,872
2023	188,898	38,974	227,872
2024	194,136	33,737	227,873
2025	199,698	28,174	227,872
2026-2030	855,946	54,806	910,752
	\$ 1,800,259	\$ 249,855	\$ 2,050,114

<b>Year Ended August 31</b>	<b>Private Placement Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2021	\$ 515,000	\$ 149,070	\$ 664,070
2022	525,000	121,909	646,909
2023	525,000	94,519	619,519
2024	525,000	67,129	592,129
2025	530,000	39,642	569,642
2026-2030	485,000	12,925	497,925
	\$ 3,105,000	\$ 485,194	\$ 3,590,194

The value of the building improvements through the building loan is as follows:

	<b>Governmental Activities</b>
<b>Assets:</b>	
Building improvements	\$ 2,775,014
Less: Accumulated depreciation	(485,628)
	\$ 2,289,386

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**D. Interfund Transactions**

The interfund balances were as follows:

	<b>Due To</b>	<b>Due From</b>
General fund	\$ 935,070	\$ 366,495
Nonmajor governmental funds	342,642	930,725
Special education cooperative fund	-	358,826
Debt service fund	378,334	-
<b>Total</b>	<b>\$ 1,656,046</b>	<b>\$ 1,656,046</b>

  

	<b>Transfer In</b>	<b>Transfer Out</b>
General fund	\$ 479,001	\$ -
Debt service fund	-	479,001
<b>Total</b>	<b>\$ 479,001</b>	<b>\$ 479,001</b>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year. Amounts transferred from the debt service fund to the general fund were for an Internal Revenue Service (IRS) subsidy.

**IV. OTHER INFORMATION**

**A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the IRS at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has

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engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**C. Defined Benefit Pension Plan**

**Teacher Retirement System**

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at [www.trs.texas.gov/TRS%20Documents/cafr2019.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 cost-of-living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in Plan Description above.

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's 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.

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In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increase from the State, participating employers, and active employees to make TRS actuarially sound. This action causing TRS to be actuarially sound allowed the Legislature to approve funding for a thirteenth check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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 TRS during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

<b>Contribution Rates</b>			
<b>Fiscal Year</b>	<b>State</b>	<b>Public Education Employer*</b>	<b>Active Employee</b>
2019	6.80%	1.50%	7.70%
2020	7.50%	1.50%	7.70%
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

\*SB 12 requires an increase in employer contributions by public school districts, charter schools, and regional education service centers. Prior to SB12, only those employers not participating in Social Security were required to pay a 1.5% contribution. Beginning September 1, 2019, all employers are required to pay the Public Education Employer Contribution irrespective of participation in Social Security.

	<b>Contribution Rates</b>	
	<b>2019</b>	<b>2020</b>
Member	7.7%	7.7%
NECE (State)	6.8%	7.5%
Employers	6.8%	6.8%

	<b>Measurement Year (2019)</b>	<b>Fiscal Year (2020)</b>
Employer contribution	\$ 470,983	\$ 540,520
Member contribution	\$ 987,565	\$ 1,081,234
NECE on-behalf contribution	\$ 557,860	\$ 696,071

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Contributors to TRS include members, employers, and the State as the only non-employer contributing entity (NECE). The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS in accordance with state statutes and the General Appropriations Act.

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to TRS beginning in fiscal year 2020. This contribution rate, called the Public Education Employer Contribution (PEEC), will replace the Non-Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the OASDI Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced by the PEEC explained above.

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 and was determined using the following actuarial assumptions:

Valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate	2.63% Source for the rate is the Fixed Income Market Data/Yield Curve/Data 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"
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Ad hoc postemployment benefit changes	None

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

Discount Rate

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

Based on those assumptions, TRS' 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 TRS investments was applied to all periods of projected benefit payments to determine the TPL.

The long-term expected rate of return on TRS investments is 7.25%. The long-term expected rate of return on TRS 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.

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Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

**Teacher Retirement System of Texas**  
**Asset Allocation and Long-Term Expected Real Rate of Returns**  
AS of August 31, 2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global</b>			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	16.0%	3.1%
Absolute Return	0.0%	5.0%	4.5%
Stable Value Hedge Funds	4.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bond	3.0%	0.0%	0.0%
Real Assets	14.0%	15.0%	8.5%
Energy and National Resources	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8/6.2%(5)
<b>Leverage</b>			
Cash	1.0%	2.0%	2.5%
Alpha	0.0%	-6.0%	2.7%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>7.2%</u>

- (1) Target allocations are based on the Strategic Asset Allocation as of fiscal year 2019.  
(2) New allocations are based on the Strategic Asset Allocation to be implemented fiscal year 2020.  
(3) Ten-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.  
(4) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.  
(5) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability (NPL) if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the NPL.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 10,752,255	\$ 6,994,950	\$ 3,950,808

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

At August 31, 2020, the District reported a liability of \$6,994,950 for its proportionate share of the TRS's NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	6,994,950
State's proportionate share that is associated with the District		8,285,579
<b>Total</b>		<b>\$ 15,280,529</b>

The NPL was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2018 through August 31, 2019.

At August 31, 2020, the employer's proportion of the collective NPL was 0.013456%, which was a decrease of 0.00008700% from its proportion measured as of August 31, 2019.

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.
- The Texas Legislature approved funding for a thirteenth check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

For the year ended August 31, 2020, the District recognized pension expense of \$1,301,548 and revenue of \$1,301,548 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 29,385	\$ 242,876
Changes in actuarial assumptions	2,170,177	896,820
Difference between projected and actual investment earnings	70,238	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	810,265	27,759
Contributions paid to TRS subsequent to the measurement date	540,520	-
<b>Total</b>	<b>\$ 3,620,585</b>	<b>\$ 1,167,455</b>

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

<b>Year Ended August 31:</b>	<b>Pension Expense</b>
2021	\$ 489,772
2022	410,111
2023	490,646
2024	430,469
2025	157,907
Thereafter	(66,295)
<b>Total</b>	<b>\$ 1,912,610</b>

**D. Defined Other Postemployment Benefit Plan**

Plan Description

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

OPEB Plan Fiduciary Net Position

Detailed 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 [www.trs.texas.gov/TRS%20Documents/cafr2019.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

Components of the net OPEB liability of TRS-Care as of August 31, 2019 are as follows:

Total OPEB liability		\$ 48,583,247,239
Less: plan fiduciary net position		<u>1,292,022,349</u>
	<b>Net OPEB Liability</b>	<u><u>\$ 47,291,224,890</u></u>
Net position as a percentage of total OPEB liability		2.66%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the “Basic Plan”) 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 (the “Optional Health Insurance”). 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 ten years of service credit in TRS. The Board 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 postemployment benefit changes, including automatic cost-of-living adjustments.

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

<b>TRS-Care Monthly Premium Rates</b>		
	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree and children	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

*\*or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate, which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate, which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

The following table shows contributions to TRS-Care by type of contributor:

	<b>Contribution Rates</b>	
	<b>Fiscal Year</b>	
	<b>2019</b>	<b>2020</b>
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	<b>Measurement Year (2019)</b>	<b>Fiscal Year (2020)</b>
Employer contribution	\$ 131,456	\$ 140,583
Member contribution	\$ 41,683	\$ 45,637
NECE on-behalf contributions	\$ 175,987	\$ 175,525

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

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019.

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

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

- |                                  |                            |
|----------------------------------|----------------------------|
| 1. Rates of Mortality            | 5. General Inflation       |
| 2. Rates of Retirement           | 6. Wage Inflation          |
| 3. Rates of Termination          | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence |                            |

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2018 rolled forward to 8/31/2019
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	2.63% as of August 31, 2019
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 65% participant prior to age 65 and 50% participant after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases*	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

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 2.5%.
- 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.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care’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.

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

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 in measuring the net OPEB liability:

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 10,655,394	\$ 8,825,655	\$ 7,394,243

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or one % higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 7,199,657	\$ 8,825,655	\$ 11,003,739

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2020, the District reported a liability of \$8,825,655 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 8,825,655
State's proportionate share that is associated with the District	11,727,318
<b>Total</b>	<b>\$ 20,552,973</b>

The net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2018 through August 31, 2019.

At August 31, 2020, the District's proportion of the collective net OPEB liability was 0.0186623%, compared to 0.0176538% as of August 31, 2019.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2020

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 discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The healthcare trend rates were reset to better reflect TRS-Care’s anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 60%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$309,084 and revenue of \$309,084 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 432,973	\$ 1,444,224
Changes in actuarial assumptions	490,196	2,373,884
Differences between projected and actual investment earnings	952	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,149,111	-
Contributions paid to TRS subsequent to the measurement date	140,583	-
<b>Total</b>	<u>\$ 2,213,815</u>	<u>\$ 3,818,108</u>

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The net amounts of the District’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>August 31</u>	<u>OPEB</u> <u>Expense</u>
2021	\$ (333,529)
2022	(333,529)
2023	(333,837)
2024	(334,014)
2025	(333,968)
Thereafter	(75,999)
	<u>\$ (1,744,876)</u>

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$66,194, \$48,656, and \$34,499, respectively.

**E. Employee Health Care Coverage**

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2020 and terms of coverage and premiums costs are included in the contractual provisions.

**F. Workers’ Compensation Insurance**

During the year ended August 31, 2020, the District met its statutory workers’ compensation obligations through participation in the Deep East Texas Self-Insurance Fund (the “Fund”), The District purchased workers’ compensation coverage through the Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsured to statutory limits through commercial companies for claims in excess of \$850,000 for the 2019-2020 fiscal year. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

Members of the Fund have no known premium liabilities for workers’ compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund’s liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and, as of the most recent audit, the Fund has adequate assets to cover more than 100% of all liabilities.

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**G. Unemployment Compensation**

During the year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the “Fund”). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2020, the Fund anticipates that Hitchcock ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2019 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**H. Shared Services Arrangements**

The District is the fiscal agent in a shared services arrangement (SSA) for the Individuals with Disabilities Education (IDEA), Part B grant. The objective of IDEA, Part B is to provide grants to assist in providing a free appropriate public education to all children with disabilities. All services are provided by the fiscal agent. The member districts provide funds to the fiscal agent. The member districts and expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Hitchcock ISD	\$ 191,268
Damon ISD	75,900
Danbury ISD	102,465
Needville ISD	389,367
	<u>\$ 759,000</u>

**I. Subsequent Events**

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The District suspended in-class learning for the remainder of the school year. While the initial event occurred prior to year end, the District was subsequent to year end, continuing to modify its operations to prevent the spread to protect students, staff and the community as a whole, while balancing the educations needs of students. The areas of school operations most impacted by the pandemic related to the teaching/learning process, technology, child nutrition, building logistics, business operations and return-to-school safety protocols. Essentially, the District was required to pivot overnight to virtual learning for more than 1,650 students and 320 staff, which was a complete paradigm shift for our employees, students, and parents. Related to this was technology for students to do that virtual learning from their home environment. The District had to ascertain which students needed technology and construct an efficient and effective delivery/distribution method, which is how we identified significant gaps in

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student access to the internet. Because schools across the region, state, and country were dealing with the same issue, our District faced technology shortfalls and backorders of equipment which hindered instruction and required us to use a multipronged approach to teaching and learning. The next major impact related to child nutrition. We continued to feed children breakfast, lunch, and a third meal each day through a curbside meal delivery process at our schools, as well as a bus delivery method into student neighborhoods identified with high concentrations of the student population. We reorganized our meal schedule and menus, ordering processes to ensure an adequate supply of nutritious foods, and safety practices for our staff and families. As we proceeded through the summer months to prepare for a safe reopening of school in the fall, our concerns transitioned into building logistics and safety protocols, which required an extraordinary level of coordination and collaboration both within the District and between the District and our local/state/national agencies and partners. Here we also faced supply shortfalls in personal hygiene and cleaning products such as sanitizing wipes and gloves. We also had to rethink the flow of operations in the schools to maximize space and minimize contact. With more than 75% of our students coming to school in person, student and staff safety remains our top focus as we continually adjust our protocols and practices to keep schools open and students engaged in learning. The District received \$327,891 additional funds and elected to use those funds for payroll cost, computer devices, disinfectant, and hand sanitizing products in the 2019-2020 school year.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND - EXHIBIT G-1**  
For the Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 7,590,067	\$ 8,125,988	\$ 8,172,738	\$ 46,750
5800	State program revenues	9,078,306	9,767,116	10,678,901	911,785
5900	Federal program revenues	610,000	192,201	462,997	270,796
5020	<b>Total Revenues</b>	<u>17,278,373</u>	<u>18,085,305</u>	<u>19,314,636</u>	<u>1,229,331</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	8,180,892	8,206,155	8,603,857	(397,702) *
0012	Instructional resources and media services	172,220	198,465	198,465	-
0013	Curriculum and instructional staff development	311,170	286,579	283,582	2,997
0021	Instructional leadership	113,270	106,919	106,919	-
0023	School leadership	1,172,620	1,195,958	1,195,958	-
0031	Guidance, counseling, and evaluation services	457,045	387,994	387,994	-
0033	Health services	214,255	307,024	307,024	-
0034	Student (pupil) transportation	1,056,455	993,769	993,769	-
0035	Food services	14,000	102,610	104,108	(1,498) *
0036	Extracurricular activities	702,951	688,576	688,576	-
0041	General administration	1,017,656	922,220	922,220	-
0051	Plant maintenance and operations	2,388,085	2,219,354	2,219,354	-
0052	Security and monitoring services	290,740	254,740	254,740	-
0053	Data processing services	367,498	337,323	337,323	-
0061	Community services	2,650	2,558	5,033	(2,475) *
0071	Debt service	325,500	256,433	256,433	-
0072	Interest and fiscal charges	-	53,035	53,035	-
0093	Shared services arrangements	260,000	235,560	235,560	-
0095	Juvenile justice programs	80,000	36,680	36,680	-
0099	Other intergovernmental charges	86,626	85,550	85,550	-
6030	<b>Total Expenditures</b>	<u>17,213,633</u>	<u>16,877,502</u>	<u>17,276,180</u>	<u>(398,678)</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>64,740</u>	<u>1,207,803</u>	<u>2,038,456</u>	<u>830,653</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfer in	-	-	479,001	479,001
7080	<b>Total Other Financing Sources</b>	-	-	479,001	479,001
1200	<b>Net Change in Fund Balance</b>	<u>\$ 64,740</u>	<u>\$ 1,207,803</u>	<u>2,517,457</u>	<u>\$ 1,309,654</u>
0100	Beginning fund balance			2,296,156	
3000	<b>Ending Fund Balance</b>			<u>\$ 4,813,613</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 2.\* Expenditures exceeded appropriations at the legal level of control.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE*  
*OF THE NET PENSION LIABILITY*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2**  
**For the Year Ended August 31, 2020**

	Measurement Year*			
	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.0134562%	0.0135431%	0.0121421%	0.0119748%
District's proportionate share of the net pension liability (asset)	\$ 6,994,950	\$ 7,454,438	\$ 3,882,397	\$ 4,525,090
State's proportionate share of the net pension liability (asset) associated with the District	8,285,579	8,989,964	4,843,116	5,528,933
	\$ 15,280,529	\$ 16,444,402	\$ 8,725,513	\$ 10,054,023
District's covered payroll**	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005	\$ 10,302,269
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	54.54%	59.31%	35.21%	43.92%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%

\* Only six years' worth of information is currently available.

\*\* As of the measurement date.

**Notes to Required Supplementary Information:**

*Changes in Assumptions: There were assumptions or other inputs that affected measurements of the total pension liability (TPL) since the prior measurement period.*

The TPL, as of August 31, 2019, was developed using a roll-forward method from the August 31, 2018 valuation.

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

The discount rate changed from 6.907% as of August 31, 2018 to 7.25% as of August 31, 2019.

*Changes in Benefits*

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

<b>Measurement Year*</b>	
<b>2015</b>	<b>2014</b>
0.0113482%	0.0075094%
\$ 4,011,438	\$ 2,005,864
5,279,053	4,523,365
\$ 9,290,491	\$ 6,529,229
\$ 9,901,585	\$ 8,913,419
40.51%	22.50%
78.43%	83.25%

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)-EXHIBIT G-3**  
**For the Year Ended August 31, 2020**

	<b>Fiscal Year*</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 540,520	\$ 468,068	\$ 455,462	\$ 395,421
Contributions in relation to the contractually required contribution	<u>540,520</u>	<u>468,068</u>	<u>455,462</u>	<u>395,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005
Contributions as a percentage of covered payroll	3.85%	3.65%	3.62%	3.59%

\*Only seven years' of information is currently available.

<b>Fiscal Year*</b>		
<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 376,090	\$ 319,786	\$ 190,383
376,090	319,786	190,383
\$ -	\$ -	\$ -
\$ 10,302,269	\$ 9,901,585	\$ 8,913,419
3.65%	3.23%	2.14%

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE*  
*SHARE OF THE NET OPEB LIABILITY*  
*TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES*  
**GROUP INSURANCE PROGRAM (TRS-CARE) - EXHIBIT G-4**  
**For the Year Ended August 31, 2020**

	Measurement Year*		
	2019	2018	2017
District's proportion of the collective net OPEB liability (asset)	0.0186623%	0.0176538%	0.0164225%
District's proportionate share of the collective net OPEB liability	\$ 8,825,655	\$ 8,814,705	\$ 7,141,549
State's proportionate share of the collective net OPEB liability (asset)	11,727,318	9,513,840	7,559,240
<b>Total</b>	<b>\$ 20,552,973</b>	<b>\$ 18,328,545</b>	<b>\$ 14,700,789</b>
District's covered payroll**	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	68.81%	70.13%	64.77%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

\* Only three years' worth of information is currently available.

**Notes to Required Supplementary Information:**

*Changes in Assumptions:* There were changes in assumptions that affected measurement of the total OPEB liability since the prior measurement period.

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect TRS's anticipated experience. This change increased the total OPEB
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.
- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change lowered the total OPEB liability.

*Changes in Benefits:* There were no changes in benefits terms since the prior measurement period.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
*TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES*  
**GROUP INSURANCE PROGRAM (TRS-CARE) - EXHIBIT G-5**  
**For the Year Ended August 31, 2020**

	<b>Fiscal Year*</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Statutorily required contributions	\$ 140,583	\$ 131,456	\$ 120,230
Contributions in relation to the statutorily required contributions	140,583	131,456	120,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413
Contributions as a percentage of covered payroll	1.00%	1.02%	0.96%

\* Only three years' worth of information is currently available.

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***OTHER SUPPLEMENTARY  
INFORMATION***

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**

*NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-1*

August 31, 2020

<b>Data Control Codes</b>		205	206	211	240
		<b>Head Start</b>	<b>ESEA Title X Part C</b>	<b>ESEA Title I Part A</b>	<b>National School Breakfast and Lunch Program</b>
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 10,924	\$ -	\$ -	\$ 180,453
1240	Due from other governments	127,237	75	8,524	51,493
1260	Due from other funds	51,299	-	7,262	-
1000	<b>Total Assets</b>	<b>\$ 189,460</b>	<b>\$ 75</b>	<b>\$ 15,786</b>	<b>\$ 231,946</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 51,299	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	11,757	-
2170	Due to other funds	138,161	75	-	223,005
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	-	-	4,029	-
2000	<b>Total Liabilities</b>	<b>189,460</b>	<b>75</b>	<b>15,786</b>	<b>223,005</b>
<b><u>Fund Balances</u></b>					
Restricted					
3450	Grant funds	-	-	-	8,941
3470	Capital projects	-	-	-	-
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,941</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 189,460</b>	<b>\$ 75</b>	<b>\$ 15,786</b>	<b>\$ 231,946</b>

244	255	263	266	276	289
Career and Technical Basic Grant	Title II Part A	Title III Part A	ESSER Grant	SIP Academy Grant	Teacher Incentive
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,550	-	251,095	9,682	1,672
-	36	-	-	-	-
<u>\$ -</u>	<u>\$ 2,586</u>	<u>\$ -</u>	<u>\$ 251,095</u>	<u>\$ 9,682</u>	<u>\$ 1,672</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	2,078	-	251,095	9,682	1,672
-	-	-	-	-	-
-	508	-	-	-	-
<u>-</u>	<u>2,586</u>	<u>-</u>	<u>251,095</u>	<u>9,682</u>	<u>1,672</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 2,586</u>	<u>\$ -</u>	<u>\$ 251,095</u>	<u>\$ 9,682</u>	<u>\$ 1,672</u>

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### COMBINING BALANCE SHEET

*NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-1*

August 31, 2020

Data Control Codes		313	314	410	429
		SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	Instructional Material	Teacher Mentoring
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	104,007	6,477	81,888	-
1260	Due from other funds	9,649	853	-	100
1000	<b>Total Assets</b>	<u>\$ 113,656</u>	<u>\$ 7,330</u>	<u>\$ 81,888</u>	<u>\$ 100</u>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	39,217	879	-	-
2170	Due to other funds	68,395	6,217	81,888	-
2180	Due to other governments	-	-	-	-
2200	Accrued expenditures	6,044	234	-	-
2000	<b>Total Liabilities</b>	<u>113,656</u>	<u>7,330</u>	<u>81,888</u>	<u>-</u>
<b><u>Fund Balances</u></b>					
Restricted					
3450	Grant funds	-	-	-	100
3470	Capital projects	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 113,656</u>	<u>\$ 7,330</u>	<u>\$ 81,888</u>	<u>\$ 100</u>

<b>458</b>	<b>459</b>	<b>480</b>	<b>604</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Fiscal Support Grant</b>	<b>Special Education Coop-Autism</b>	<b>Education Grant</b>	<b>Capital Projects</b>	
\$ -	\$ -	\$ 7,129	\$ 18	\$ 198,524
-	162,848	-	-	807,548
273,085	-	358	-	342,642
<u>\$ 273,085</u>	<u>\$ 162,848</u>	<u>\$ 7,487</u>	<u>\$ 18</u>	<u>\$ 1,348,714</u>
\$ -	\$ 5,467	\$ 7,129	\$ -	\$ 63,895
-	8,924	-	-	60,777
-	148,457	-	-	930,725
-	-	-	-	-
-	-	-	-	10,815
-	<u>162,848</u>	<u>7,129</u>	-	<u>1,066,212</u>
273,085	-	358	-	282,484
-	-	-	18	18
<u>273,085</u>	<u>-</u>	<u>358</u>	<u>18</u>	<u>282,502</u>
<u>\$ 273,085</u>	<u>\$ 162,848</u>	<u>\$ 7,487</u>	<u>\$ 18</u>	<u>\$ 1,348,714</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-2**  
**For the Year Ended August 31, 2020**

<b>Data Control Codes</b>		<b>205</b>	<b>206</b>	<b>211</b>	<b>240</b>
		<b>Head Start</b>	<b>ESEA Title X Part C</b>	<b>ESEA Title I Part A</b>	<b>National School Breakfast and Lunch Program</b>
<b>Revenues</b>					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 79,821
5800	State program revenues	-	-	-	7,186
5900	Federal program revenues	1,424,882	22,925	501,570	1,501,052
5020	<b>Total Revenues</b>	<u>1,424,882</u>	<u>22,925</u>	<u>501,570</u>	<u>1,588,059</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	834,291	-	501,094	-
0012	Instruction resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	69,963	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	163,362	-	-	-
0031	Guidance, counseling, and evaluation services	7,791	-	-	-
0032	Social work services	103,153	-	-	-
0033	Health services	73,959	-	-	-
0034	Student (pupil) transportation	-	-	-	-
0035	Food services	16,678	-	-	1,579,118
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	114,325	-	-	-
0052	Security and monitoring services	1,845	-	-	-
0053	Data processing services	1,600	-	-	-
0061	Community services	37,915	22,925	476	-
6030	<b>Total Expenditures</b>	<u>1,424,882</u>	<u>22,925</u>	<u>501,570</u>	<u>1,579,118</u>
1200	<b>Net Change in Fund Balances</b>	-	-	-	8,941
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,941</u>

244	255	263	266	276	289
<b>Career and Technical Basic Grant</b>	<b>Title II Part A</b>	<b>Title III Part A</b>	<b>ESSER Grant</b>	<b>SIP Academy Grant</b>	<b>Teacher Incentive</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	11,282	-
11,082	61,155	9,980	327,891	-	49,234
<u>11,082</u>	<u>61,155</u>	<u>9,980</u>	<u>327,891</u>	<u>11,282</u>	<u>49,234</u>
11,082	4,552	9,980	197,444	-	48,234
-	-	-	-	-	-
-	56,603	-	470	11,282	-
-	-	-	-	-	-
-	-	-	2,189	-	-
-	-	-	29,796	-	-
-	-	-	-	-	-
-	-	-	7,340	-	-
-	-	-	759	-	-
-	-	-	-	-	-
-	-	-	46,471	-	-
-	-	-	12,119	-	-
-	-	-	-	-	1,000
-	-	-	31,303	-	-
-	-	-	-	-	-
<u>11,082</u>	<u>61,155</u>	<u>9,980</u>	<u>327,891</u>	<u>11,282</u>	<u>49,234</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-2**  
**For the Year Ended August 31, 2020**

<b>Data Control Codes</b>		<b>313</b>	<b>314</b>	<b>410</b>	<b>429</b>
		<b>SSA IDEA - Part B Formula</b>	<b>SSA IDEA - Part B Preschool</b>	<b>Instructional Material</b>	<b>Teacher Mentoring</b>
<b><u>Revenues</u></b>					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	315,242	78,396
5900	Federal program revenues	1,046,588	37,164	-	-
5020	<b>Total Revenues</b>	<b>1,046,588</b>	<b>37,164</b>	<b>315,242</b>	<b>78,396</b>
<b><u>Expenditures</u></b>					
<b>Current:</b>					
0011	Instruction	279,985	32,190	315,242	50,012
0012	Instruction resources				
0012	and media services	601	-	-	-
0013	Curriculum and instructional				
0013	staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	766,002	4,974	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student (pupil) transportation	-	-	-	-
0035	Food services	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	28,284
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	<b>Total Expenditures</b>	<b>1,046,588</b>	<b>37,164</b>	<b>315,242</b>	<b>78,296</b>
1200	<b>Net Change in Fund Balances</b>	-	-	-	100
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100</b>

458	459	480	604	Total Nonmajor Governmental Funds
Fiscal Support Grant	Special Education Coop- Autism	Education Grant	Capital Projects	
\$ -	\$ -	\$ 5,537	\$ -	\$ 85,358
279,134	960,931	-	-	1,652,171
-	-	-	-	4,993,523
<u>279,134</u>	<u>960,931</u>	<u>5,537</u>	<u>-</u>	<u>6,731,052</u>
6,049	955,401	5,537	-	3,251,093
-	-	-	-	601
-	3,440	-	-	141,758
-	1,298	-	-	1,298
-	-	-	-	165,551
-	792	-	-	809,355
-	-	-	-	103,153
-	-	-	-	81,299
-	-	-	-	759
-	-	-	-	1,595,796
-	-	-	-	46,471
-	-	-	-	126,444
-	-	-	-	31,129
-	-	-	-	32,903
-	-	-	-	61,316
<u>6,049</u>	<u>960,931</u>	<u>5,537</u>	<u>-</u>	<u>6,448,926</u>
273,085	-	-	-	282,126
-	-	358	18	376
<u>\$ 273,085</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 18</u>	<u>\$ 282,502</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2020

<u>Last Ten Years</u>	1		2		3	
	<u>Tax Rates</u>				<u>Net Assessed/ Appraised Value For School Tax Purposes</u>	
	<u>Maintenance</u>		<u>Debt Service</u>			
2011 and prior	Various		Various		Various	
2012	\$	1.0400	\$	0.5000	\$	473,282,662
2013	\$	1.0400	\$	0.5000	\$	492,474,156
2014	\$	1.0400	\$	0.5000	\$	496,610,649
2015	\$	1.0400	\$	0.5000	\$	532,204,805
2016	\$	1.0400	\$	0.5000	\$	559,176,563
2017	\$	1.0400	\$	0.5000	\$	598,722,721
2018	\$	1.0400	\$	0.4800	\$	658,096,551
2019	\$	1.0400	\$	0.4800	\$	691,492,418
2020	\$	0.9700	\$	0.4100	\$	789,766,394

**Totals**

<b>10</b>	<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Beginning Balance 9/1/19</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Total Collected</b>	<b>Debt Service Total Collected</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/20</b>
\$ 236,793	\$ -	\$ 37,022	\$ 732	\$ (2,757)	\$ 201,796
34,320	-	1,556	748	(397)	32,413
44,687	-	2,422	1,165	172	40,928
56,731	-	3,928	1,888	12	50,903
62,133	-	7,308	3,513	(3,711)	55,023
72,154	-	10,118	4,865	(3,489)	60,660
87,860	-	12,547	6,032	(1,870)	71,151
131,044	-	29,409	13,573	(5,603)	93,665
302,554	-	164,998	76,153	(55,046)	116,449
-	10,880,108	7,368,713	3,114,611	(87,587)	309,197
<u>\$ 1,028,276</u>	<u>\$ 10,880,108</u>	<u>\$ 7,638,021</u>	<u>\$ 3,223,280</u>	<u>\$ (160,276)</u>	<u>\$ 1,032,185</u>

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*CHILD NUTRITION FUND - EXHIBIT J-2*

For the Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 43,982	\$ 79,822	\$ 79,821	\$ (1)
5800	State program revenues	5,210	7,186	7,186	-
5900	Federal program revenues	1,377,811	1,501,052	1,501,052	-
5020	<b>Total Revenues</b>	<u>1,427,003</u>	<u>1,588,060</u>	<u>1,588,059</u>	<u>(1)</u>
	<b>Expenditures</b>				
0035	Food services	1,352,003	1,579,118	1,579,118	-
6030	<b>Total Expenditures</b>	<u>1,352,003</u>	<u>1,579,118</u>	<u>1,579,118</u>	<u>-</u>
1200	<b>Net Change in Fund Balance</b>	<u>75,000</u>	<u>8,942</u>	<u>8,941</u>	<u>(1)</u>
0100	Beginning fund balance	-	-	-	-
3000	<b>Ending Fund Balance</b>	<u>\$ 75,000</u>	<u>\$ 8,942</u>	<u>\$ 8,941</u>	<u>\$ (1)</u>

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*DEBT SERVICE FUND - EXHIBIT J-3*  
For the Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b><u>Revenues</u></b>					
5700	Local and intermediate sources	\$ 3,679,092	\$ 3,315,902	\$ 3,315,902	\$ -
5800	State program revenues	81,748	82,938	82,938	-
5020	<b>Total Revenues</b>	<b>3,760,840</b>	<b>3,398,840</b>	<b>3,398,840</b>	<b>-</b>
<b><u>Expenditures</u></b>					
0071	Principal	1,870,576	1,861,090	1,861,090	-
0072	Interest and fiscal charges	1,885,464	1,069,900	1,069,900	-
0073	Bond issuance costs	4,800	4,800	4,800	-
6030	<b>Total Expenditures</b>	<b>3,760,840</b>	<b>2,935,790</b>	<b>2,935,790</b>	<b>-</b>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	-	463,050	463,050	-
<b><u>Other Financing Sources (Uses)</u></b>					
7915	Transfer (out)	-	-	(479,001)	(479,001) *
7080	<b>Total Other Financing (Uses)</b>	-	-	(479,001)	(479,001)
1200	<b>Net Change in Fund Balance</b>	-	463,050	(15,951)	(479,001)
0100	Beginning fund balance	3,014,430	3,014,430	3,014,430	-
3000	<b>Ending Fund Balance</b>	<b>\$ 3,014,430</b>	<b>\$ 3,477,480</b>	<b>\$ 2,998,479</b>	<b>\$ (479,001)</b>

Notes to Supplementary Information:

- \* Expenditures exceeded appropriations at the legal level of control.

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***FEDERAL AWARDS AND OTHER COMPLIANCE SECTION***

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

January 14, 2021

To the Board of Trustees of  
Hitchcock Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2021.

**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) as a basis for designing 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



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

January 14, 2021

To the Board of Trustees of  
Hitchcock Independent School District:

**Report on Compliance for Each Major Federal Program**

We have audited Hitchcock Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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, 2020.

### **Report on Internal Control over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
For the Year Ended August 31, 2020

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

**FINDING – BASIC FINANCIAL STATEMENT AUDIT**

*Significant Deficiency:*

**2019.001 CASH BALANCES AND BANK RECONCILIATIONS**

The District was initially unable to provide a bank reconciliation that agreed with its general ledger cash balance as of August 31, 2019 for the District's operating cash account.

**STATUS**

The District implemented additional procedures and provided the bank reconciliations in agreement with its general ledger.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2020**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<b>CFDA Number</b>	<b>Name of Federal Program</b>
10.553/10.555	Child Nutrition Cluster
10.558	Child and Adult Care Food
84.425D	COVID-19 Elementary and Secondary School Emergency Relief

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None Noted*

**C. FINDINGS – FEDERAL AWARDS AUDIT**

*None Noted*

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1**  
**For the Year Ended August 31, 2020**

(1) Federal Grantor/Pass Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-Through Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through State Department of Education</i>			
Title I, Part A	84.010	20610101084908	\$ 512,273
Title II, Part A	84.367	20694501084908	62,559
Title IV, Part A	84.424	20680101084908	40,653
Carl D. Perkins Basic Formula	84.048	20420006084908	11,319
Hurricane Homeless Youth	84.938	19513701084908	9,530
Special Education (IDEA) Cluster:			
IDEA B, Formula	84.027	206600010849086000	1,068,848
IDEA B, Preschool	84.173	206610010849086000	37,963
Education for Homeless Children and Youth	84.196	204600057110039	23,420
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	20521001084908	351,830
<i>Passed Through Education Service Center Region IV</i>			
Title III, Part A	84.365	20671001084908	10,196
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>2,128,591</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Direct Award</i>			
FEMA Public Assistance Grant - Hurricane Harvey	97.036	167-V7MQX-00	7,952
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>7,952</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Programs	10.553	806780706	222,976
COVID-19 School Breakfast Program	10.553	806780706	79,649
National School Lunch	10.555	806780706	542,476
COVID-19 National School Lunch Program	10.555	806780706	136,629
USDA Commodities	10.565	806780706	12,008
<i>Passed Through State Department of Agriculture</i>			
Child and Adult Care Food Program	10.558	206TX332N1099	507,314
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>1,501,052</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Direct Award</i>			
Head Start	93.600	06CH010636	1,422,100
COVID-19 Grant	93.600	06CH010636	34,512
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>1,456,612</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,094,207</u>
		Federal revenue per SEFA	\$ 5,094,207
		Universal E-rate	11,914
		SHARS	474,288
		Reimbursement for debt service	84,887
		C-2 Federal Revenue	<u>\$ 5,665,296</u>

The accompanying notes are an integral part of this schedule.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2020**

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3: INDIRECT COST RATE**

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

**NOTE 4: DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)**

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The District received \$13,468 in PPE donations from the State during the reporting year.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO*  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1**  
For the Year Ended August 31, 2020

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other governmental agencies?	Yes
SF4	Was the District issued a warrant hold?	No
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District post the required financial information on its website in accordance with Governmental Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws, and rules that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting within 120 days before the District adopted its budget?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end	<u>\$ 148,659</u>

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