

ANNUAL FINANCIAL REPORT

of

**HITCHCOCK
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended
August 31, 2022**

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
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INDEPENDENT SCHOOL DISTRICT**

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INTRODUCTORY SECTION

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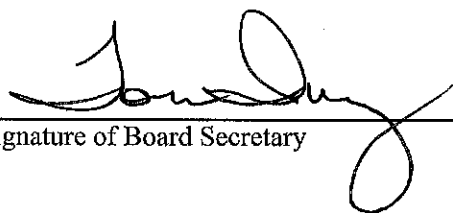
CERTIFICATE OF BOARD

Hitchcock
Independent School District
Name of School District

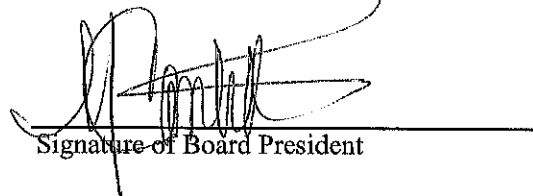
Galveston
County

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, 2022 at a meeting of the Board of Trustees of such school district on the 23rd day of JANUARY, 2023



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:

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 benefits liability, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information noted in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information noted in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school first indicators but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 20, 2023

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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, 2022

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, 2022. 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 a deficit of \$3,551,665.
- For the fiscal year ended August 31, 2022, the District's general fund reported a total fund balance of \$2,789,743, of which \$304,329 is nonspendable for inventories and prepaid items and \$2,485,414 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 \$49,567,350.

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, 2022

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 operations 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, 2022

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 are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in 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 reported a deficit of \$3,551,665 at August 31, 2022. *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, 2022. Within *Table 2*, the District reported a decrease of \$878,471 in combined net position from the prior year. Total assets increased \$40,302,642 mainly due to proceeds received from the issuance of Unlimited Tax School Building Bonds, Series 2022. Capital assets decreased due to current year depreciation exceeding purchases for capital additions. Deferred outflows of resources decreased and deferred inflows of resources increased largely due to changes in actuarially determined amounts for pensions that are deferred. Total liabilities increased primarily due to an increase in long-term liabilities as a result of the issuance of new debt.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2022

Table 1

Net Position

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Current assets	\$ 51,669,256	\$ 11,203,286	\$ 40,465,970
Capital assets	36,646,407	36,809,735	(163,328)
Total Assets	<u>88,315,663</u>	<u>48,013,021</u>	<u>40,302,642</u>
Deferred charge on refunding	820,687	906,524	(85,837)
Deferred outflows - pensions	2,150,647	2,872,398	(721,751)
Deferred outflows - OPEB	2,088,544	1,943,436	145,108
Total Deferred Outflows of Resources	<u>5,059,878</u>	<u>5,722,358</u>	<u>(662,480)</u>
Current liabilities	1,179,352	1,263,797	(84,445)
Long-term liabilities	86,955,408	48,853,502	38,101,906
Total Liabilities	<u>88,134,760</u>	<u>50,117,299</u>	<u>38,017,461</u>
Deferred inflows - pensions	3,733,147	1,046,877	2,686,270
Deferred inflows - OPEB	5,059,299	5,244,397	(185,098)
Total Deferred Inflows of Resources	<u>8,792,446</u>	<u>6,291,274</u>	<u>2,501,172</u>
Net Position:			
Net investment in capital assets	4,552,975	2,895,762	1,657,213
Restricted	3,240,052	3,484,281	(244,229)
Unrestricted	(11,344,692)	(9,053,237)	(2,291,455)
Total Net Position	<u>\$ (3,551,665)</u>	<u>\$ (2,673,194)</u>	<u>\$ (878,471)</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2022

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2022	2021	2022-2021
Revenues			
Program revenues:			
Charges for services	\$ 1,245,951	\$ 36,731	\$ 1,209,220
Operating grants and contributions	10,783,472	10,504,439	279,033
General revenues:			
Property taxes	11,391,934	10,369,479	1,022,455
Grants and contributions not restricted	4,831,459	8,560,398	(3,728,939)
Investment earnings	47,657	75,594	(27,937)
Miscellaneous	1,335,897	419,894	916,003
Total Revenues	<u>29,636,370</u>	<u>29,966,535</u>	<u>(330,165)</u>
Expenses			
Instruction	13,598,660	12,847,570	751,090
Instructional resources and media services	198,210	197,132	1,078
Curriculum and staff development	577,918	1,383,173	(805,255)
Instructional leadership	531,692	599,796	(68,104)
School leadership	1,512,072	1,648,347	(136,275)
Guidance, counseling, and evaluation services	1,523,917	1,567,112	(43,195)
Social work services	176,855	143,825	33,030
Health services	657,846	490,136	167,710
Student (pupil) transportation	1,107,194	920,156	187,038
Food services	1,707,309	1,536,495	170,814
Cocurricular/extracurricular activities	1,096,671	870,384	226,287
General administration	1,159,411	1,125,951	33,460
Plant maintenance and operations	3,440,458	3,123,171	317,287
Security and monitoring	319,465	312,262	7,203
Data processing services	639,268	377,940	261,328
Community services	76,643	77,071	(428)
Interest on long-term debt	586,190	3,134,880	(2,548,690)
Bond issuance costs	434,842	289,093	145,749
Payments related to shared services arrangements	847,937	300,138	547,799
Payments to juvenile justice programs	31,757	13,783	17,974
Other intergovernmental charges	290,526	89,005	201,521
Total Expenses	<u>30,514,841</u>	<u>31,047,420</u>	<u>(532,579)</u>
Change in Net Position	<u>(878,471)</u>	<u>(1,080,885)</u>	<u>202,414</u>
Beginning net position	(2,673,194)	(1,592,309)	(1,080,885)
Ending Net Position	<u>\$ (3,551,665)</u>	<u>\$ (2,673,194)</u>	<u>\$ (878,471)</u>

Total revenues were \$29,636,370, which is a decrease of \$330,165 from the prior fiscal year. This net decrease is mainly due to a decrease in grants and contributions not restricted and partially offset by the increase in charges for services, property tax, and miscellaneous revenue. Grants and contributions not restricted largely decreased due to less foundation revenue received in the current year. Property tax revenue is the District's largest source of

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2022

general revenue, which totaled \$11,391,934 for the year. This represents an increase of \$1,022,455 compared to the previous year which was primarily due to an increase in property values.

Expenses for governmental activities totaled \$30,514,841 which is a decrease of \$532,579. This net decrease can largely be seen in interest on long-term debt and curriculum and staff development which was partially offset by the increases in instruction and payments related to shared services arrangements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ended August 31, 2022, the District's governmental funds reported a combined fund balance of \$49,567,350. The combined fund balance increased by \$40,390,711 from the prior year. At the end of the fiscal year, the District's fund balance in the general fund decreased by \$2,902,615 primarily due to less foundation revenue received and an increase in payroll-related expenditures in the current year. The debt service fund balance decreased \$442,478 due to property taxes being less than the debt payments. The capital project fund balance increased \$43,537,531 due to proceeds received from the issuance of new bonds. The special education cooperative fund is restricted for spending on the District's shared services special education program which had a decrease in fund balance of \$26,349 due to expenditures in excess of revenues.

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. The District budgets the capital projects fund for each project, which normally covers multiple years.

During the period ended August 31, 2022, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The District amended original budgeted revenues by \$47,949 which was offset with increases in the original budget for expenditures of \$47,949. The general fund's budgeted revenues exceeded actual revenues by \$3,471,159 mainly due to less state program revenues than expected. Budgeted expenditures exceeded actual expenditures by a net \$396,370 mainly due to lower 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 \$36,646,407 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This was a net decrease of \$163,328 compared with the prior year. Major investments in capital assets during the fiscal year were:

- New buses - \$231,822
- Heating, ventilation, and air conditioning upgrades - \$602,333
- Sports facility improvements - \$609,876

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

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2022

LONG-TERM DEBT

At year end, the District had \$66,433,678 in general obligation bonds, notes, and other payables outstanding versus \$26,977,396 last year, a net increase of \$39,456,282. The District issued bonds in the amount of \$41,365,000 and made principal payments on debt of \$1,908,718 during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2022-2023 school year total \$25,657,446 and the District's Board adopted a maintenance and operations tax rate of \$0.8046 and an interest and sinking rate of \$0.4000 for a combined rate of \$1.2046 per \$100 of property valuation.

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, 2022

<u>Data Control Codes</u>		<u>1 Governmental Activities</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 8,278,229
1120	Investments	39,387,163
1220	Property taxes - delinquent	1,018,755
1230	Allowance for uncollectible taxes	(392,082)
1240	Due from other governments	3,041,815
1267	Due from fiduciary funds	16,115
1290	Other receivables	14,932
1300	Inventories, at cost	45,977
1410	Prepaid items	258,352
		<hr style="border-top: 1px solid black;"/>
		51,669,256
	Capital assets:	
1510	Land	1,641,080
1520	Buildings, net	33,602,490
1530	Furniture and equipment, net	206,885
1540	Vehicles, net	1,189,631
1580	Construction in progress	6,321
		<hr style="border-top: 1px solid black;"/>
		36,646,407
1000	Total Assets	<hr style="border-top: 3px double black;"/> 88,315,663
	<u>Deferred Outflows of Resources</u>	
1701	Deferred charge on refunding	820,687
1705	Deferred outflows - pensions	2,150,647
1706	Deferred outflows - OPEB	2,088,544
1700	Total Deferred Outflows of Resources	<hr style="border-top: 1px solid black;"/> 5,059,878
	<u>Liabilities</u>	
2110	Accounts payable	10,250
2140	Interest payable	88,573
2150	Payroll deductions and withholdings	92,257
2160	Accrued wages payable	355,507
2180	Due to other governments	578,552
2200	Accrued expenditures	35,900
2300	Unearned revenue	18,313
		<hr style="border-top: 1px solid black;"/>
		1,179,352
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	2,168,898
2502	Long-term liabilities due in more than one year	74,282,776
2540	Net pension liability	3,390,566
2545	Net OPEB liability	7,113,168
2000	Total Liabilities	<hr style="border-top: 1px solid black;"/> 88,134,760
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	3,733,147
2606	Deferred inflows - OPEB	5,059,299
2600	Total Deferred Inflows of Resources	<hr style="border-top: 1px solid black;"/> 8,792,446
	<u>Net Position</u>	
3200	Net investment in capital assets	4,552,975
	Restricted for:	
3820	Federal and state programs	1,640,439
3850	Debt service	1,599,613
3900	Unrestricted	(11,344,692)
3000	Total Net Position	<hr style="border-top: 3px double black;"/> \$ (3,551,665)

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HITCHCOCK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2022

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
Primary Government					
Governmental Activities					
0011	Instruction	\$ 13,598,660	\$ 530,199	\$ 4,269,430	\$ (8,799,031)
0012	Instructional resources and media services	198,210	-	15,496	(182,714)
0013	Curriculum/instructional staff development	577,918	385,119	280,591	87,792
0021	Instructional leadership	531,692	-	70,552	(461,140)
0023	School leadership	1,512,072	-	294,542	(1,217,530)
0031	Guidance, counseling, and evaluation services	1,523,917	178,724	1,063,969	(281,224)
0032	Social work services	176,855	-	183,259	6,404
0033	Health services	657,846	21,715	288,288	(347,843)
0034	Student (pupil) transportation	1,107,194	-	257,276	(849,918)
0035	Food services	1,707,309	78,538	2,061,359	432,588
0036	Extracurricular activities	1,096,671	41,077	78,665	(976,929)
0041	General administration	1,159,411	5,805	88,108	(1,065,498)
0051	Plant maintenance and operations	3,440,458	2,655	1,153,914	(2,283,889)
0052	Security and monitoring services	319,465	2,119	33,049	(284,297)
0053	Data processing services	639,268	-	79,073	(560,195)
0061	Community services	76,643	-	78,983	2,340
0072	Interest - long-term debt	586,190	-	29,441	(556,749)
0073	Bond issuance costs	434,842	-	-	(434,842)
0093	Payments to fiscal agent/member districts of SSA	847,937	-	457,477	(390,460)
0095	Payments to juvenile justice	31,757	-	-	(31,757)
0099	Other intergovernmental charges	290,526	-	-	(290,526)
	Total Governmental Activities	\$ 30,514,841	\$ 1,245,951	\$ 10,783,472	(18,485,418)
TP	Total Primary Government	\$ 30,514,841	\$ 1,245,951	\$ 10,783,472	(18,485,418)
General Revenues					
MT	Property taxes, levied for general purposes				9,206,477
DT	Property taxes, levied for debt service				2,185,457
GC	Grants and contributions not restricted				4,831,459
IE	Investment earnings				47,657
MI	Miscellaneous local and intermediate revenue				1,335,897
TR	Total General Revenues				17,606,947
CN	Change in Net Position				(878,471)
NB	Beginning net position				(2,673,194)
NE	Ending Net Position				\$ (3,551,665)

See Notes to Financial Statements.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2022

Data Control Codes		10	50	60	Special Education Cooperative
		General	Debt Service	Capital Projects	
Assets					
1110	Cash and cash equivalents	\$ 787,510	\$ 431,378	\$ 5,253,529	\$ 1,431,091
1120	Investments	408,119	789,901	38,183,903	5,240
1220	Property taxes - delinquent	751,786	266,969	-	-
1230	Allowance for uncollectible taxes	(272,492)	(119,590)	-	-
1240	Due from other governments	1,396,787	-	-	901,935
1260	Due from other funds	1,448,867	378,334	100,123	-
1267	Due from fiduciary funds	16,115	-	-	-
1290	Other receivables	14,932	-	-	-
1300	Inventories, at cost	45,977	-	-	-
1410	Prepaid items	258,352	-	-	-
1000	Total Assets	<u>\$ 4,855,953</u>	<u>\$ 1,746,992</u>	<u>\$ 43,537,555</u>	<u>\$ 2,338,266</u>
Liabilities					
2110	Accounts payable	\$ 6,961	\$ -	\$ -	\$ -
2150	Payroll deductions and withholdings	92,257	-	-	-
2160	Accrued wages payable	312,016	-	-	-
2170	Due to other funds	904,765	-	-	796,557
2180	Due to other governments	-	-	-	578,552
2200	Accrued expenditures	21,436	-	-	418
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>1,337,435</u>	<u>-</u>	<u>-</u>	<u>1,375,527</u>
Deferred Inflows of Resources					
2600	Unavailable revenue - property taxes	479,294	147,379	-	-
2600	Unavailable revenue - grants	249,481	-	-	134,973
2600		<u>728,775</u>	<u>147,379</u>	<u>-</u>	<u>134,973</u>
Fund Balances					
Nonspendable					
3410	Inventories	45,977	-	-	-
3430	Prepaid items	258,352	-	-	-
Restricted					
3450	Grant funds	-	-	-	827,766
3470	Capital projects	-	-	43,537,555	-
3480	Debt service	-	1,599,613	-	-
3600	Unassigned	2,485,414	-	-	-
3000	Total Fund Balances	<u>2,789,743</u>	<u>1,599,613</u>	<u>43,537,555</u>	<u>827,766</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,855,953</u>	<u>\$ 1,746,992</u>	<u>\$ 43,537,555</u>	<u>\$ 2,338,266</u>

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 374,721	\$ 8,278,229
-	39,387,163
-	1,018,755
-	(392,082)
743,093	3,041,815
426,308	2,353,632
-	16,115
-	14,932
-	45,977
-	258,352
<u>\$ 1,544,122</u>	<u>\$ 54,022,888</u>
\$ 3,289	\$ 10,250
-	92,257
43,491	355,507
652,310	2,353,632
-	578,552
14,046	35,900
18,313	18,313
<u>731,449</u>	<u>3,444,411</u>
-	626,673
-	384,454
<u>-</u>	<u>1,011,127</u>
-	45,977
-	258,352
812,673	1,640,439
-	43,537,555
-	1,599,613
-	2,485,414
<u>812,673</u>	<u>49,567,350</u>
<u>\$ 1,544,122</u>	<u>\$ 54,022,888</u>

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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, 2022

Total fund balances for governmental funds \$ 49,567,350

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	1,647,401	
Capital assets - depreciable	34,999,006	
	36,646,407	36,646,407

Some liabilities, including bonds payable, net pension and net other postemployment
benefits (OPEB), are not reported as liabilities in the governmental funds.

Accrued interest	(88,573)	
Deferred outflows - pensions	2,150,647	
Deferred outflows - OPEB	2,088,544	
Deferred tax revenue	626,673	
Deferred grant revenue	384,454	
Deferred charge on refunding	820,687	
Deferred inflows - pensions	(3,733,147)	
Deferred inflows - OPEB	(5,059,299)	
Noncurrent liabilities due in one year	(2,168,898)	
Noncurrent liabilities due in more than one year	(74,282,776)	
Net pension liability	(3,390,566)	
Net OPEB liability	(7,113,168)	
	(89,765,422)	(89,765,422)

Net Position of Governmental Activities **\$ (3,551,665)**

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, 2022

Data Control Codes		10	50	60	Special Education Cooperative
		General	Debt Service	Capital Projects	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 10,689,708	\$ 2,195,992	\$ 7,654	\$ 1,121,621
5800	State program revenues	5,789,190	29,441	-	42,844
5900	Federal program revenues	887,895	-	-	457,477
5020	Total Revenues	<u>17,366,793</u>	<u>2,225,433</u>	<u>7,654</u>	<u>1,621,942</u>
Expenditures					
Current:					
0011	Instruction	9,488,564	-	-	543,629
0012	Instruction resources and media services	192,172	-	-	-
0013	Curriculum/instructional staff development	320,177	-	-	-
0021	Instructional leadership	98,594	-	-	396,818
0023	School leadership	1,308,438	-	-	-
0031	Guidance, counseling, and evaluation services	363,044	-	-	184,153
0032	Social work services	2,012	-	-	-
0033	Health services	374,229	-	-	22,375
0034	Student (pupil) transportation	1,131,969	-	-	-
0035	Food services	6,713	-	-	-
0036	Extracurricular activities	1,041,125	-	-	-
0041	General administration	1,121,063	-	-	5,981
0051	Plant maintenance and operations	3,378,737	-	-	2,736
0052	Security and monitoring services	299,944	-	-	-
0053	Data processing services	570,628	-	-	-
0061	Community services	1,120	-	-	-
Debt service:					
0071	Principal	183,718	1,725,000	-	-
0072	Interest and fees	44,154	942,911	-	-
0073	Bond issuance costs	-	-	434,842	-
0081	Capital outlay	-	-	100,123	-
Intergovernmental:					
0093	Payments to member districts of SSA	355,338	-	-	492,599
0095	Payments to juvenile justice programs	31,757	-	-	-
0099	Other intergovernmental charges	87,153	-	-	-
6030	Total Expenditures	<u>20,400,649</u>	<u>2,667,911</u>	<u>534,965</u>	<u>1,648,291</u>
1100	(Deficiency) of Revenues (Under) Expenditures	<u>(3,033,856)</u>	<u>(442,478)</u>	<u>(527,311)</u>	<u>(26,349)</u>
Other Financing Sources (Uses)					
7911	Bonds issued	-	-	41,365,000	-
7912	Sale of capital assets	131,241	-	-	-
7916	Premium	-	-	2,699,842	-
7080	Total Other Financing Sources	<u>131,241</u>	<u>-</u>	<u>44,064,842</u>	<u>-</u>
1200	Net Change in Fund Balances	<u>(2,902,615)</u>	<u>(442,478)</u>	<u>43,537,531</u>	<u>(26,349)</u>
0100	Beginning fund balances	5,692,358	2,042,091	24	854,115
3000	Ending Fund Balances	<u>\$ 2,789,743</u>	<u>\$ 1,599,613</u>	<u>\$ 43,537,555</u>	<u>\$ 827,766</u>

See Notes to Financial Statements.

	98
Nonmajor Governmental	Total Governmental Funds
\$ 85,138	\$ 14,100,113
928,433	6,789,908
7,664,869	9,010,241
<u>8,678,440</u>	<u>29,900,262</u>
3,423,028	13,455,221
-	192,172
250,988	571,165
53,494	548,906
176,426	1,484,864
991,718	1,538,915
176,253	178,265
254,457	651,061
172,332	1,304,301
1,700,054	1,706,767
1,885	1,043,010
-	1,127,044
923,312	4,304,785
11,854	311,798
38,573	609,201
76,071	77,191
-	1,908,718
-	987,065
-	434,842
-	100,123
-	847,937
-	31,757
203,373	290,526
<u>8,453,818</u>	<u>33,705,634</u>
<u>224,622</u>	<u>(3,805,372)</u>
-	41,365,000
-	131,241
-	2,699,842
-	<u>44,196,083</u>
224,622	40,390,711
588,051	9,176,639
<u>\$ 812,673</u>	<u>\$ 49,567,350</u>

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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, 2022

Net changes in fund balances - total governmental funds \$ 40,390,711

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	(1,590,280)
Capital outlay, net of disposals	1,426,952

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 197,939

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.

Issuance of bonds	(41,365,000)
Issuance of premium on bonds	(2,699,842)
Additions to accreted interest	(50,727)
Principal repayments	1,908,718
Amortization of premium on bonds	575,674
Amortization of deferred charge on refunding	(85,837)
Accrued interest	(38,235)

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	3,614,901
Change in net OPEB liability	(85,630)
Net change in deferred outflows and inflows - pensions	(3,408,021)
Net change in deferred outflows and inflows - OPEB	330,206
Net on-behalf contributions adjustment - revenue	(569,672)
Net on-behalf contributions adjustment - expenses	569,672

Change in Net Position of Governmental Activities **\$ (878,471)**

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, 2022

<u>Data Control Codes</u>		<u>Custodial Fund Student Activity</u>
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 128,038
1000	Total Assets	<u>128,038</u>
 <u>Liabilities</u>		
2170	Due to governmental funds	16,115
2000	Total Liabilities	<u>16,115</u>
 <u>Net Position</u>		
3800	Restricted for individuals and organizations	111,923
3000	Total Net Position	<u>\$ 111,923</u>

See Notes to Financial Statements.

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - EXHIBIT E-2
For the Year Ended August 31, 2022

		<u>Custodial Fund Student Activities</u>
<u>Additions</u>		
Student club fees and dues	\$	87,605
Student group fundraising activities		64,301
Concession stand sales		31,672
Donations		5,000
Investment earnings		166
State program revenues		13
Total Additions		<u>188,757</u>
<u>Deductions</u>		
Student activities		170,852
Scholarship awards		500
Total Deductions		<u>171,352</u>
Change in Fiduciary Net Position		17,405
Beginning net position		<u>94,518</u>
Ending Net Position	\$	<u><u>111,923</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, 2022

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 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 fund. 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, 2022

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 did not meet the criteria to be presented as a major fund; however, the District has elected to present it as a major fund due to its significance.

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 project fund is considered a major 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 fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the District's own programs. The District has the following type of fiduciary fund:

Custodial Fund

The custodial fund reports resources, not in a trust, that are held by the District for other parties outside of the District. The custodial fund is 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, 2022

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 loan agreements 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, 2022

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:

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

5. Leases

The District is a lessee for noncancellable leases of equipment. The District would recognize a lease

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. The District's leases to report are immaterial and not recognized as a lease liability or a lease asset.

6. 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 and grant revenue. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. 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.

HITCHCOCK
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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.

8. 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.

9. 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.

10. 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

HITCHCOCK
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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.

11. 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.

12. 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.

13. 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.

14. 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.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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, 2022, expenditures exceeded appropriations at the legal level of control for the following expenditures in the general fund and debt service fund.

General fund		
Data processing services	\$	232,474

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At August 31, 2022, the District’s investments are as follows:

Investment Type	Amount	Weighted Average Maturity (Years)
Certificates of deposit	\$ 108,274	1.38
External investment pools:		
Lone Star	588,353	0.07
TexSTAR	13,374	0.07
Texas CLASS	27,747,812	0.19
TexasTERM	10,929,350	0.07
Total Value	\$ 39,387,163	
Portfolio weighted average maturity		0.16

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, 2022, 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, 2022, the District’s investments in investment pools 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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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. 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. 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 Public Funds Investment Act, Chapter 2256. Finally, TexasTERM is rated "AAA" by Standard & Poor's.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

B. Capital Assets

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

Governmental Activities:	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,641,080	\$ -	\$ -	\$ 1,641,080
Construction in progress	-	6,321	-	6,321
Total capital assets not being depreciated	<u>1,641,080</u>	<u>6,321</u>	<u>-</u>	<u>1,647,401</u>
Other capital assets:				
Buildings and improvements	57,406,018	1,212,209	(90,000)	58,528,227
Furniture and equipment	1,103,272	-	-	1,103,272
Vehicles	2,973,667	231,822	-	3,205,489
Total other capital assets	<u>61,482,957</u>	<u>1,444,031</u>	<u>(90,000)</u>	<u>62,836,988</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,619,252)	(1,373,085)	66,600	(24,925,737)
Furniture and equipment	(865,166)	(31,221)	-	(896,387)
Vehicles	(1,829,884)	(185,974)	-	(2,015,858)
Total accumulated depreciation	<u>(26,314,302)</u>	<u>(1,590,280)</u>	<u>66,600</u>	<u>(27,837,982)</u>
Other capital assets, net	<u>35,168,655</u>	<u>(146,249)</u>	<u>(23,400)</u>	<u>34,999,006</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 36,809,735</u>	<u>\$ (139,928)</u>	<u>\$ (23,400)</u>	<u>36,646,407</u>
			Less associated debt	(76,451,674)
			Plus unspent proceeds	43,537,555
			Plus deferred charge on refunding	820,687
			Net Investment in Capital Assets	<u>\$ 4,552,975</u>

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 766,022
12 Instructional resources and media services	15,514
13 Curriculum and instructional staff development	25,848
21 Instructional leadership	7,960
23 School leadership	105,631
31 Guidance, counseling, and evaluation services	29,309
32 Social work services	162
33 Health services	30,212
34 Student (pupil) transportation	91,385
35 Food service	542
36 Cocurricular/extracurricular activities	84,051
41 General administration	90,504
51 Plant maintenance and operations	272,768
52 Security and monitoring	24,215
53 Data processing services	46,067
61 Community services	90
Total Depreciation Expense	<u>\$ 1,590,280</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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 2014 - 3.00%	\$ 8,660,000	\$ 605,000	\$ -	\$ (140,000)	\$ 465,000	\$ 145,000
Series 2015 - 2.00% to 4.00%	8,830,000	8,115,000	-	(815,000)	7,300,000	855,000
Series 2016 - 3.00% to 5.00%	1,635,000	1,170,000	-	(105,000)	1,065,000	105,000
Series 2018 - 3.00% to 5.00%	3,830,000	1,685,000	-	(100,000)	1,585,000	100,000
Series 2021A - 3.00%	4,460,000	4,460,000	-	(40,000)	4,420,000	45,000
Series 2021B - 2.024% to 4.000%	6,830,000	6,730,000	-	-	6,730,000	-
Series 2022 - 5.00%	41,365,000	-	41,365,000	-	41,365,000	205,000
Direct borrowing/private placement:						
Building improvement loan 2014 - 2.80%	2,775,014	1,622,396	-	(183,718)	1,438,678	188,898
Series 2010 - 3.85%	500,000	165,000	-	(40,000)	125,000	40,000
Series 2011Q - 5.33%	5,400,000	2,425,000	-	(485,000)	1,940,000	485,000
	<u>84,285,014</u>	<u>26,977,396</u>	<u>41,365,000</u>	<u>(1,908,718)</u>	<u>66,433,678</u>	<u>* 2,168,898</u>
Other liabilities:						
Accreted interest	-	3,068,809	50,727	-	3,119,536	*
Net pension liability	-	7,005,467	-	(3,614,901)	3,390,566	-
Net OPEB liability	-	7,027,538	85,630	-	7,113,168	-
Unamortized premium	-	4,774,292	2,699,842	(575,674)	6,898,460	*
	<u>-</u>	<u>21,876,106</u>	<u>2,836,199</u>	<u>(4,190,575)</u>	<u>20,521,730</u>	<u>-</u>
Total Governmental Activities	<u>\$ 84,285,014</u>	<u>\$ 48,853,502</u>	<u>\$ 44,115,569</u>	<u>\$ (6,099,293)</u>	<u>\$ 86,955,408</u>	<u>\$ 2,168,898</u>
					<u>\$ 84,786,510</u>	
						<u>\$ 76,451,674</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.

Unlimited Tax School Building Bonds

During the current year, the District issued Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") in the amount of \$41,365,000. Proceeds from the Bonds will be used for the construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District and paying the costs of issuing the Bonds. The Bonds will term in the year 2040 and have an interest rate of 5.00%.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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

Fiscal Year Ended August 31	General Obligation Bonds		
	Principal	Interest	Total Requirements
2023	\$ 1,455,000	\$ 2,551,288	\$ 4,006,288
2024	1,585,000	2,556,825	4,141,825
2025	1,745,000	2,493,575	4,238,575
2026	1,135,000	3,156,575	4,291,575
2027	1,980,000	2,807,200	4,787,200
2028-2032	11,400,000	12,526,508	23,926,508
2033-2037	14,360,000	7,692,479	22,052,479
2038-2042	11,770,000	4,808,000	16,578,000
2043-2047	14,285,000	2,117,100	16,402,100
2048	3,215,000	64,300	3,279,300
	<u>\$ 62,930,000</u>	<u>\$ 40,773,850</u>	<u>\$ 103,703,850</u>

Fiscal Year Ended August 31	Private Placement Loan		
	Principal	Interest	Total Requirements
2023	\$ 188,898	\$ 38,974	\$ 227,872
2024	194,136	33,737	227,873
2025	199,698	28,174	227,872
2026	205,329	22,543	227,872
2027	211,118	16,754	227,872
2027-2029	439,499	15,509	455,008
	<u>\$ 1,438,678</u>	<u>\$ 155,691</u>	<u>\$ 1,594,369</u>

Fiscal Year Ended August 31	Private Placement Bonds		
	Principal	Interest	Total Requirements
2023	\$ 525,000	\$ 94,519	\$ 619,519
2024	525,000	67,129	592,129
2025	530,000	39,642	569,642
2026	485,000	12,925	497,925
	<u>\$ 2,065,000</u>	<u>\$ 214,215</u>	<u>\$ 2,279,215</u>

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

	Governmental Activities
Assets:	
Building improvements	\$ 2,775,014
Less: Accumulated depreciation	(624,378)
	<u>\$ 2,150,636</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

D. Interfund Transactions

The interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 652,310
General fund	Special education cooperative fund	796,557
Debt service fund	General fund	378,334
Capital project fund	General fund	100,123
Nonmajor governmental fund	General fund	426,308
	Total	\$ 2,353,632

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

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

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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

All employees of public, state-supported educational institutions in the State who are employed for one-half or more of the standard workload 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 TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about/publications.aspx>; 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 the State. 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 postemployment benefit changes; including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the 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 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. Actuarial implications of the funding provided in the manner are determined by TRS's actuary.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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. Senate Bill 12 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.

Contribution Rates			
Fiscal Year	State	Public Education Employer	Active Employee
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%

	Measurement Year 2021	Fiscal Year 2022
Employer contribution	\$ 568,165	\$ 601,923
Member contribution	\$ 1,111,469	\$ 1,210,806
NECE on-behalf contribution	\$ 712,953	\$ 754,027

	2021	2022
Member	7.70%	8.00%
NECE (State)	7.50%	7.75%
Employers	7.50%	7.50%

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 (GAA).

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.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

- 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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
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 as of August 2020	1.95% - The 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"
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%, including inflation
Benefit changes during the year	None
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, 2020. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2020.

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

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2021 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Returns
As of August 31, 2021

Asset Class	Target Allocation (1)	Long-Term Expected Geometric Real Rate Return (2)	Expected Portfolio Real Rate of Return (3)
Global Equity			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag(3)			-0.95%
Total	<u>100.00%</u>	<u>34.50%</u>	<u>6.90%</u>

(1) Target allocations are based on the FY2021 policy model.

(2) Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7.25%, and what the NPL would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	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	\$ 7,408,926	\$ 3,390,566	\$ 130,457

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

At August 31, 2022, the District reported a liability of \$3,390,566 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	\$ 3,390,566
State's proportionate share that is associated with the District	4,254,600
Total	\$ 7,645,166

The NPL was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2022, the employer's proportion of the collective NPL was 0.0133138%, which was an increase of 0.0002336% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, the District recognized pension expense of \$17,009 and revenue of \$17,009 for support provided by the State.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

At August 31, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 5,674	\$ 238,699
Changes in actuarial assumptions	1,198,499	522,443
Difference between projected and actual investment earnings	-	2,842,946
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	344,551	129,059
Contributions paid to TRS subsequent to the measurement date	601,923	-
Total	<u>\$ 2,150,647</u>	<u>\$ 3,733,147</u>

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

<u>Fiscal Year Ended August 31</u>	<u>Pension Expense</u>
2023	\$ (305,232)
2024	(365,252)
2025	(635,265)
2026	(864,301)
2027	(13,193)
Thereafter	(1,180)
Total	<u>\$ (2,184,423)</u>

D. Defined Other Postemployment Benefit Plan

Texas Public School Retired Employees Group Insurance Program

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined OPEB plan with a special funding situation. TRS-Care was established in 1986 by the Texas Legislature.

The TRS Board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of TRS-Care as of August 31, 2021 are as follows:

Total OPEB liability		\$ 41,113,711,083
Less: plan fiduciary net position		(2,539,242,470)
	Net OPEB Liability	\$ 38,574,468,613
Net position as a percentage of total OPEB liability		-6.18%

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools and charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

The premium rates for retirees are reflected in the following table:

TRS-Care Monthly Premium Rates			
		Medicare	Non-Medicare
Retiree or surviving spouse	\$	135	\$ 200
Retiree and spouse	\$	529	\$ 689
Retiree or surviving spouse and children	\$	468	\$ 408
Retiree and family	\$	1,020	\$ 999

Contributions

Contribution rates for 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 0.65% 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 GAA.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

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

	Contribution Rates	
	Fiscal Year	
	2021	2022
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%

	Measurement Year (2021)	Fiscal Year (2022)
Employer contribution	\$ 144,059	\$ 144,455
Member contribution	\$ 46,176	\$ 49,189
NECE on-behalf contributions	\$ 193,007	\$ 189,188

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether they participate in TRS Care). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

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. 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 based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

- | | |
|-------------------------|------------------------|
| 1. Rates of Mortality | 4. Rates of Disability |
| 2. Rates of Retirement | 5. General Inflation |
| 3. Rates of Termination | 6. Wage Inflation |

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2020 rolled forward to 8/31/2021
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	1.95% as of August 31, 2021
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 65% participant prior to age 65 and 40% participant after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at
Healthcare trend rates	Medical trend rates: 8.50% (Medicare retirees) and 7.10% (non-Medicare retirees) Prescription drug trend rate: 8.50%
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

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 percentage lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the net OPEB liability:

	<u>1% Decrease in Discount Rate (0.95%)</u>	<u>Current Single Discount Rate (1.95%)</u>	<u>1% Increase in Discount Rate (2.95%)</u>
District's proportionate share of net OPEB liability	\$ 8,580,119	\$ 7,113,168	\$ 5,958,629

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% 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	\$ 5,761,430	\$ 7,113,168	\$ 8,926,864

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

At August 31, 2022, the District reported a liability of \$7,113,168 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	\$ 7,113,168
State's proportionate share that is associated with the District	9,530,059
Total	\$ 16,643,227

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.0184401%, compared to 0.0184865% as of August 31, 2021.

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 changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

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

For the year ended August 31, 2022, the District recognized OPEB expense of \$351,732 and revenue of \$351,732 for support provided by the State.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

At August 31, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 306,256	\$ 3,443,271
Changes in actuarial assumptions	787,867	1,504,303
Differences between projected and actual investment earnings	7,723	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	842,243	111,725
Contributions paid to TRS subsequent to the measurement date	144,455	-
Total	\$ 2,088,544	\$ 5,059,299

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:

Fiscal Year Ended August 31	OPEB Expense
2023	\$ (612,077)
2024	(612,251)
2025	(612,207)
2026	(424,969)
2027	(171,479)
Thereafter	(682,227)
	\$ (3,115,210)

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, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$64,123, \$64,593, and \$59,456, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2022, 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, 2022 and terms of coverage and premiums costs are included in the contractual provisions.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

F. Workers' Compensation Insurance

During the year ended August 31, 2022, 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 2021-2022 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.

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, 2022, the Fund anticipates that the District 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, 2021 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.

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2022

The member districts and expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Hitchcock ISD	\$ 346,708
Damon ISD	57,785
Danbury ISD	138,683
Needville ISD	612,517
	<u>\$ 1,155,692</u>

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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, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
	Revenues				
5700	Local and intermediate sources	\$ 10,790,938	\$ 10,990,001	\$ 10,689,708	\$ (300,293)
5800	State program revenues	9,449,065	9,136,617	5,789,190	(3,347,427)
5900	Federal program revenues	550,000	711,334	887,895	176,561
5020	Total Revenues	<u>20,790,003</u>	<u>20,837,952</u>	<u>17,366,793</u>	<u>(3,471,159)</u>
	Expenditures				
	Current:				
0011	Instruction	10,078,396	9,946,778	9,488,564	458,214
0012	Instructional resources				
0012	and media services	202,315	202,315	192,172	10,143
0013	Curriculum and instructional				
0013	staff development	372,388	329,038	320,177	8,861
0021	Instructional leadership	126,810	98,810	98,594	216
0023	School leadership	1,306,360	1,311,360	1,308,438	2,922
0031	Guidance, counseling,				
0031	and evaluation services	401,073	401,073	363,044	38,029
0032	Social work services	5,300	2,020	2,012	8
0033	Health services	382,688	376,538	374,229	2,309
0034	Student (pupil) transportation	1,165,885	1,146,586	1,131,969	14,617
0035	Food services	13,500	10,700	6,713	3,987
0036	Extracurricular activities	1,026,476	1,079,976	1,041,125	38,851
0041	General administration	1,132,705	1,122,335	1,121,063	1,272
0051	Plant maintenance and operations	3,114,631	3,422,205	3,378,737	43,468
0052	Security and monitoring services	305,810	305,810	299,944	5,866
0053	Data processing services	380,784	338,154	570,628	(232,474) *
0061	Community services	3,900	1,200	1,120	80
0071	Principal	183,718	183,718	183,718	-
0072	Interest and fiscal charges	44,202	44,155	44,154	1
0093	Shared services arrangements	355,000	355,338	355,338	-
0095	Juvenile justice programs	60,000	31,757	31,757	-
0099	Other intergovernmental charges	87,129	87,153	87,153	-
6030	Total Expenditures	<u>20,749,070</u>	<u>20,797,019</u>	<u>20,400,649</u>	<u>396,370</u>
1100	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	<u>40,933</u>	<u>40,933</u>	<u>(3,033,856)</u>	<u>(3,074,789)</u>
	Other Financing Sources (Uses)				
7912	Sale of real and personal property	-	-	131,241	131,241
7080	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>131,241</u>	<u>131,241</u>
1200	Net Change in Fund Balance	<u>\$ 40,933</u>	<u>\$ 40,933</u>	<u>(2,902,615)</u>	<u>\$ (2,943,548)</u>
0100	Beginning fund balance			5,692,358	
3000	Ending Fund Balance			<u>\$ 2,789,743</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, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the net pension liability (asset)	0.0133138%	0.0130802%	0.0134562%	0.0135431%
District's proportionate share of the net pension liability (asset)	\$ 3,390,566	\$ 7,005,467	\$ 6,994,950	\$ 7,454,438
State's proportionate share of the net pension liability (asset) associated with the District	4,254,600	9,012,106	8,285,579	8,989,964
Total	\$ 7,645,166	\$ 16,017,573	\$ 15,280,529	\$ 16,444,402
District's covered payroll**	\$ 14,434,665	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.49%	49.91%	54.54%	59.31%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%

* Only eight years' worth of information is currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were no changes of assumptions that affected measurement of the total pension liability (TPL) during the measurement period.

2. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*			
2017	2016	2015	2014
0.0121421%	0.0119748%	0.0113482%	0.0075094%
\$ 3,882,397	\$ 4,525,090	\$ 4,011,438	\$ 2,005,864
<u>4,843,116</u>	<u>5,528,933</u>	<u>5,279,053</u>	<u>4,523,365</u>
<u>\$ 8,725,513</u>	<u>\$ 10,054,023</u>	<u>\$ 9,290,491</u>	<u>\$ 6,529,229</u>
\$ 11,026,005	\$ 10,302,269	\$ 9,901,585	\$ 8,913,419
35.21%	43.92%	40.51%	22.50%
82.17%	78.00%	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, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Contractually required contribution	\$ 601,923	\$ 568,179	\$ 540,520	\$ 468,068
Contributions in relation to the contractually required contribution	<u>601,923</u>	<u>568,179</u>	<u>540,520</u>	<u>468,068</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 15,135,070	\$ 14,434,665	\$ 14,036,182	\$ 12,825,518
Contributions as a percentage of covered payroll	3.98%	3.94%	3.85%	3.65%

*Only nine years' of information is currently available.

Fiscal Year*				
2018	2017	2016	2015	2014
\$ 455,462	\$ 395,421	\$ 376,090	\$ 319,786	\$ 190,383
<u>455,462</u>	<u>395,421</u>	<u>376,090</u>	<u>319,786</u>	<u>190,383</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,569,413	\$ 11,026,005	\$ 10,302,269	\$ 9,901,585	\$ 8,913,419
3.62%	3.59%	3.65%	3.23%	2.14%

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, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the collective net OPEB liability (asset)	0.0184401%	0.0184865%	0.0186623%	0.0176538%
District's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 7,113,168	\$ 7,027,538	\$ 8,825,655	\$ 8,814,705
State's proportionate share of the collective net OPEB liability (asset) associated with the District	9,530,059	9,443,326	11,727,318	9,513,840
Total	<u>\$ 16,643,227</u>	<u>\$ 16,470,864</u>	<u>\$ 20,552,973</u>	<u>\$ 18,328,545</u>
District's covered payroll**	14,434,665	14,036,182	\$ 12,825,518	\$ 12,569,413
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	49.28%	50.07%	68.81%	70.13%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%

* Only five years' worth of information is currently available.

** As of measurement date

Notes to Required Supplementary Information:

1. Changes in Assumptions:

The discount rate was changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

2. Changes in Benefits:

There were no changes in benefits terms since the prior measurement period.

Measurement
Year*

2017

0.0164225%

\$ 7,141,549

7,559,240

\$ 14,700,789

\$ 11,026,005

64.77%

0.91%

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, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Statutorily required contributions	\$ 144,455	\$ 144,063	\$ 140,583	\$ 131,456
Contributions in relation to the statutorily required contributions	144,455	144,063	140,583	131,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 15,135,070	\$ 14,434,665	\$ 14,036,182	\$ 12,825,518
Contributions as a percentage of covered payroll	0.95%	1.00%	1.00%	1.02%

* Only five years' worth of information is currently available.

Fiscal Year*
2018
\$ 120,230

120,230
\$ -

\$ 12,569,413

0.96%

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***OTHER SUPPLEMENTARY
INFORMATION***

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 2)

August 31, 2022

Data Control Codes	205	206	211	240
	<u>Head Start</u>	<u>ESEA Title X Part C</u>	<u>ESEA Title I Part A</u>	<u>National School Breakfast and Lunch Program</u>
<u>Assets</u>				
1110	\$ 10,924	\$ -	\$ -	\$ 342,095
1240	107,057	-	63,599	161,762
1260	-	-	-	425,880
1000	Total Assets	\$ -	\$ 63,599	\$ 929,737
<u>Liabilities</u>				
2110	\$ -	\$ -	\$ -	\$ -
2160	32,683	-	10,805	-
2170	81,600	-	48,872	117,522
2200	3,698	-	3,922	-
2300	-	-	-	-
2000	Total Liabilities	-	63,599	117,522
<u>Fund Balances</u>				
Restricted:				
3450	-	-	-	812,215
3000	Total Fund Balances	-	-	812,215
4000	Total Liabilities and Fund Balances	\$ -	\$ 63,599	\$ 929,737

244	255	263	278	279	281
Career and Technical Basic Grant	Title II Part A	Title III Part A	ESSER - Homeless Children and Youth	ESSER III TCLAS	ESSER II
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
958	1	-	-	1,219	39,357
-	-	-	-	-	-
<u>\$ 958</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 39,357</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
958	1	-	-	1,219	39,357
-	-	-	-	-	-
-	-	-	-	-	-
<u>958</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1,219</u>	<u>39,357</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 958</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 39,357</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)

August 31, 2022

Data Control Codes		282	289	313	314
		<u>ESSER III</u>	<u>Teacher Incentive</u>	<u>SSA IDEA - Part B Formula</u>	<u>SSA IDEA - Part B Preschool</u>
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ 18,313	\$ -	\$ -
1240	Due from other governments	187,936	2,342	73,802	4,287
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ 187,936</u>	<u>\$ 20,655</u>	<u>\$ 73,802</u>	<u>\$ 4,287</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	3
2170	Due to other funds	187,936	2,342	72,016	4,144
2200	Accrued expenditures	-	-	1,786	140
2300	Unearned revenue	-	18,313	-	-
2000	Total Liabilities	<u>187,936</u>	<u>20,655</u>	<u>73,802</u>	<u>4,287</u>
	<u>Fund Balances</u>				
	Restricted:				
3450	Grant funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 187,936</u>	<u>\$ 20,655</u>	<u>\$ 73,802</u>	<u>\$ 4,287</u>

364	410	458	459	480	Total Nonmajor Governmental Funds
IDEA - Part B Formula - ARP	Instructional Material	Fiscal Support Grant	Special Education Coop-Autism	Education Grant	
\$ -	\$ -	\$ -	\$ -	\$ 3,389	\$ 374,721
4,158	14,721	-	81,894	-	743,093
-	-	-	70	358	426,308
<u>\$ 4,158</u>	<u>\$ 14,721</u>	<u>-</u>	<u>\$ 81,964</u>	<u>\$ 3,747</u>	<u>\$ 1,544,122</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,289	\$ 3,289
-	-	-	-	-	43,491
4,158	14,721	-	77,464	-	652,310
-	-	-	4,500	-	14,046
-	-	-	-	-	18,313
<u>4,158</u>	<u>14,721</u>	<u>-</u>	<u>81,964</u>	<u>3,289</u>	<u>731,449</u>
-	-	-	-	458	812,673
-	-	-	-	458	812,673
<u>\$ 4,158</u>	<u>\$ 14,721</u>	<u>-</u>	<u>\$ 81,964</u>	<u>\$ 3,747</u>	<u>\$ 1,544,122</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 2)
For the Year Ended August 31, 2022

Data Control Codes		205	206	211	240
		Head Start	ESEA Title X Part C	ESEA Title I Part A	National School Breakfast and Lunch Program
Revenues					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 78,538
5800	State program revenues	-	-	-	1,670
5900	Federal program revenues	1,759,444	26,469	399,670	2,024,026
5020	Total Revenues	<u>1,759,444</u>	<u>26,469</u>	<u>399,670</u>	<u>2,104,234</u>
Expenditures					
Current:					
0011	Instruction	778,559	-	381,421	-
0013	Curriculum and instructional				
0013	staff development	112,390	-	9,434	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	176,426	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	11,712	-	-	-
0032	Social work services	92,230	-	-	-
0033	Health services	113,825	-	-	-
0034	Student (pupil) transportation	143,788	-	-	-
0035	Food services	35,224	-	-	1,664,830
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	239,106	-	-	-
0052	Security and monitoring services	2,460	-	-	-
0053	Data processing services	12,937	-	-	-
0061	Community services	40,787	26,469	8,815	-
0099	Other intergovernmental charges	-	-	-	-
6030	Total Expenditures	<u>1,759,444</u>	<u>26,469</u>	<u>399,670</u>	<u>1,664,830</u>
1200	Net Change in Fund Balances	-	-	-	439,404
0100	Beginning fund balances	-	-	-	372,811
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,215</u>

244	255	263	278	279	281
Career and Technical Basic Grant	Title II Part A	Title III Part A	ESSER - Homeless Children and Youth	ESSER III TCLAS	ESSER II
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
21,574	60,038	8,582	952	80,206	863,769
<u>21,574</u>	<u>60,038</u>	<u>8,582</u>	<u>952</u>	<u>80,206</u>	<u>863,769</u>
21,574	56,038	8,582	952	69,676	714,530
-	4,000	-	-	10,530	96,920
-	-	-	-	-	18,290
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,265
-	-	-	-	-	8,624
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	552
-	-	-	-	-	17,588
-	-	-	-	-	-
<u>21,574</u>	<u>60,038</u>	<u>8,582</u>	<u>952</u>	<u>80,206</u>	<u>863,769</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 - EXHIBIT H-2 (Page 2 of 2)
For the Year Ended August 31, 2022

Data Control Codes		282	289	313	314
		ESSER III	Teacher Incentive	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool
Revenues					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	1,290,083	81,984	1,012,501	31,413
5020	Total Revenues	<u>1,290,083</u>	<u>81,984</u>	<u>1,012,501</u>	<u>31,413</u>
Expenditures					
Current:					
0011	Instruction	381,645	50,091	96,103	22,450
0013	Curriculum and instructional				
0013	staff development	17,589	125	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	902,728	8,963
0032	Social work services	84,023	-	-	-
0033	Health services	119,697	-	13,670	-
0034	Student (pupil) transportation	19,920	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	659,161	24,493	-	-
0052	Security and monitoring services	-	7,275	-	-
0053	Data processing services	8,048	-	-	-
0061	Community services	-	-	-	-
0099	Other intergovernmental charges	-	-	-	-
6030	Total Expenditures	<u>1,290,083</u>	<u>81,984</u>	<u>1,012,501</u>	<u>31,413</u>
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

364	410	458	459	480	Total Nonmajor Governmental Funds
IDEA - Part B Formula - ARP	Instructional Material	Fiscal Support Grant	Special Education Coop- Autism	Education Grant	
\$ -	\$ -	\$ -	\$ -	\$ 6,600	\$ 85,138
-	34,529	-	892,234	-	928,433
4,158	-	-	-	-	7,664,869
<u>4,158</u>	<u>34,529</u>	<u>-</u>	<u>892,234</u>	<u>6,600</u>	<u>8,678,440</u>
-	34,529	11,409	792,873	2,596	3,423,028
-	-	-	-	-	250,988
-	-	-	35,204	-	53,494
-	-	-	-	-	176,426
4,158	-	-	64,157	-	991,718
-	-	-	-	-	176,253
-	-	-	-	-	254,457
-	-	-	-	-	172,332
-	-	-	-	-	1,700,054
-	-	-	-	1,885	1,885
-	-	-	-	-	923,312
-	-	-	-	2,119	11,854
-	-	-	-	-	38,573
-	-	-	-	-	76,071
-	-	203,373	-	-	203,373
<u>4,158</u>	<u>34,529</u>	<u>214,782</u>	<u>892,234</u>	<u>6,600</u>	<u>8,453,818</u>
-	-	(214,782)	-	-	224,622
-	-	214,782	-	458	588,051
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ 812,673</u>

HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2022

<u>Last Ten Years</u>	1		2		3	
	Tax Rates				Net Assessed/ Appraised Value For School Tax Purposes	
	<u>Maintenance</u>	<u>Debt Service</u>				
2013 and prior	Various	Various	Various	Various		
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	
2021	\$ 0.9364	\$ 0.2000	\$	\$	871,446,312	
2022	\$ 0.8720	\$ 0.2000	\$	\$	1,063,438,246	

Totals

10	20	31	32	40	50
Beginning Balance 9/1/21	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/22
\$ 237,675	\$ -	\$ 23,397	\$ 10,257	\$ (2,195)	\$ 201,826
44,191	-	3,511	1,688	366	39,358
48,153	-	4,073	1,958	(278)	41,844
49,360	-	4,125	1,983	672	43,924
54,020	-	5,787	2,782	254	45,705
71,673	-	9,681	4,468	1,960	59,484
102,727	-	28,986	13,378	2,535	62,898
157,218	-	44,767	18,922	4,698	98,227
262,024	-	140,382	29,983	25,284	116,943
-	11,400,058	8,985,057	2,060,793	(45,662)	308,546
<u>\$ 1,027,041</u>	<u>\$ 11,400,058</u>	<u>\$ 9,249,766</u>	<u>\$ 2,146,212</u>	<u>\$ (12,366)</u>	<u>\$ 1,018,755</u>

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 7,596	\$ 78,538	\$ 78,538	\$ -
5800	State program revenues	5,826	1,670	1,670	-
5900	Federal program revenues	1,703,134	2,068,079	2,024,026	(44,053)
5020	Total Revenues	<u>1,716,556</u>	<u>2,148,287</u>	<u>2,104,234</u>	<u>(44,053)</u>
	Expenditures				
0035	Food services	1,575,558	1,664,830	1,664,830	-
6030	Total Expenditures	<u>1,575,558</u>	<u>1,664,830</u>	<u>1,664,830</u>	<u>-</u>
1200	Net Change in Fund Balance	140,998	483,457	439,404	(44,053)
0100	Beginning fund balance		-	372,811	(372,811)
3000	Ending Fund Balance	<u>\$ 140,998</u>	<u>\$ 483,457</u>	<u>\$ 812,215</u>	<u>\$ (416,864)</u>

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 2,349,423	\$ 2,195,991	\$ 2,195,992	\$ 1
5800	State program revenues	64,509	29,441	29,441	-
5020	Total Revenues	<u>2,413,932</u>	<u>2,225,432</u>	<u>2,225,433</u>	<u>1</u>
	Expenditures				
0071	Principal	1,725,000	1,725,000	1,725,000	-
0072	Interest and fiscal charges	873,746	942,911	942,911	-
6030	Total Expenditures	<u>2,598,746</u>	<u>2,667,911</u>	<u>2,667,911</u>	<u>-</u>
1200	Net Change in Fund Balance	(184,814)	(442,479)	(442,478)	1
0100	Beginning fund balance	<u>2,998,479</u>	<u>2,998,479</u>	<u>2,042,091</u>	<u>956,388</u>
3000	Ending Fund Balance	<u>\$ 2,813,665</u>	<u>\$ 2,556,000</u>	<u>\$ 1,599,613</u>	<u>\$ 956,389</u>

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT
SELECT STATE ALLOTMENT PROGRAM - EXHIBIT J-4
For the Year Ended August 31, 2022

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did the District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 2,083,057
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 1,554,313
<u>Section B: Bilingual Education Programs</u>		
AP5	Did the District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 71,004
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 95,859

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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

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, 2022, 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 20, 2023.

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

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

Report on 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 statements. 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
January 20, 2023



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

To the Board of Trustees of
Hitchcock Independent School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hitchcock Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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
January 20, 2023

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2022

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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**HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended August 31, 2022

I. SUMMARY OF AUDIT RESULTS

Financial Statements

What were the results of the auditors' determination of whether the financial statements were prepared in accordance with generally accepted accounting principles?	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the auditors' report?	No
Is a significant deficiency in internal control disclosed?	No
Is a material weakness in internal control disclosed?	No
Is a material noncompliance disclosed?	No

Federal Programs

Does the auditors' report include a statement that the financial statements include departments, agencies, or other organizational units expending federal awards which are not included in this audit?	No
What is the dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Did the auditee qualified as low-risk auditee?	Yes

Major Program Information and Audit Findings

Identification of major programs:

<u>Assistance Listing (AL) Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Number of Audit Findings</u>
84.425	Elementary and Secondary School Emergency Relief	0
93.600	Head Start	0

Type of audit report issued on compliance for major programs	Unmodified
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II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.

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HITCHCOCK
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended August 31, 2022

(1) Federal Grantor/Pass Through Grantor/ Program or Cluster Title	(2) Federal AL Number	(2A) Pass-Through Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title I, Part A	84.010A	22610101084908	\$ 406,475
Title II, Part A	84.367A	22694501084908	61,067
Title IV, Part A	84.424A	22680101084908	37,560
Carl D. Perkins Basic Formula	84.048A	22420006084908	21,949
Special Education (IDEA) Cluster:			
IDEA B, Formula	84.027A	226600010849086000	1,029,646
IDEA B, Preschool	84.173A	226610010849086000	35,478
COVID-19 IDEA B, Formula - American Rescue Plan	84.027X	225350010849085000	4,631
Education for Homeless Children and Youth	84.196A	224600057110014	26,932
COVID-19 ESSER II	84.425D	21521001084908	967,212
COVID-19 ESSER III	84.425U	21528001084908	1,400,875
COVID-19 ESSER - Homeless Children and Youth	84.425W	215330017110038	1,067
COVID-19 ESSER III- Texas COVID Learning Acceleration Support	84.425U	21528042084908	89,672
Title III, Part A	84.365A	22671001084908	8,732
TOTAL U.S. DEPARTMENT OF EDUCATION			4,091,296
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Programs	10.553	806780706	367,966
National School Lunch	10.555	806780706	843,421
<i>Passed Through State Department of Agriculture</i>			
Child and Adult Care Food Program	10.558	206TX332N1099	677,961
COVID 19 Supply Chain Assitance	10.555	806780706	5,000
USDA Commodities	10.565	806780706	129,678
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,024,026
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through State Department of Education</i>			
COVID-19 - Epidemiology and Laboratory Capacity - Reopening Schools	93.323	39352201	45,058
<i>Direct Award</i>			
Head Start	93.600	06CH010636	1,480,155
COVID 19 Head Start Coronavirus Response and Relief Supplemental Appropriations Act	93.600	06HE000563	304,425
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,829,638
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,944,960
		Federal revenue per SEFA	\$ 7,944,960
		Universal E-rate	258,216
		SHARS	681,495
		Reimbursement for debt service	125,570
		C-2 Federal Revenue	\$ 9,010,241

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, 2022

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.

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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, 2022

<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>\$ 3,119,536</u>

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