

**HILLSBORO**  
**INDEPENDENT SCHOOL DISTRICT**  
**HILL COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2021**



# HILLSBORO INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

### FOR THE YEAR ENDED AUGUST 31, 2021

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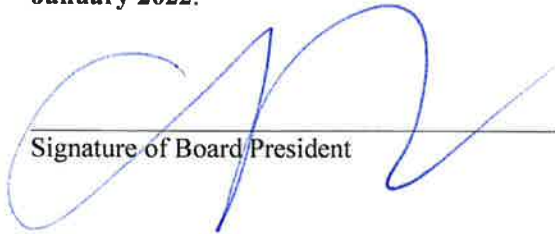
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## **CERTIFICATE OF BOARD**

<b>Hillsboro Independent School District</b>	<b>Hill</b>	<b>109904</b>
Name of School District	County	County – District 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, 2021**, at a meeting of the Board of Trustees of such school district on the **10th** day of **January 2022**.

  
\_\_\_\_\_  
Signature of Board President

  
\_\_\_\_\_  
Signature of Board Secretary

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

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# James E. Rodgers and Company, P.C.

## Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

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Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

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January 10, 2022

### **Report on Financial Statements Issued in Accordance with Government Auditing Standards and a Single Audit Accompanied by Required Supplementary Information, Supplementary Information, and Other Information**

#### **Independent Auditor's Report**

**To the Board of Trustees  
Hillsboro Independent School District  
Hillsboro, Texas 76645**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hillsboro Independent School District (the District) as of and for the year ended August 31, 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component unit Hillsboro Education Foundation (HEF). These financial statements collectively comprise the Hillsboro Independent School District's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component unit.

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

# James E. Rodgers and Company, P.C.

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Except for the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. Therefore, the opinion on the financial statements of the District (excluding Hillsboro Education Foundation (HEF)) is unmodified and presents 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 and for the year ended August 31, 2021.

## **Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements of the Hillsboro Education Foundation (HEF) have not been audited, and we were not engaged to audit the HEF financial statements as part of our audit of the District’s basic financial statements. HEF financial activities are included in the District’s basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, and revenues, respectively, of the District’s aggregate discretely presented component units.

## **Disclaimer of Opinion**

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit of the Hillsboro Independent School District. Accordingly, we do not express an opinion on these financial statements of the Hillsboro Education Foundation (HEF).

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hillsboro Independent School District, as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Therefore, the opinion on the financial statements of the District (excluding Hillsboro Education Foundation (HEF)) is unmodified and presents 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 and for the year ended August 31, 2021.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and GASB 68 and 75 schedules for pension and OPEB liabilities and contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# James E. Rodgers and Company, P.C.

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## ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hillsboro Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-4, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-4, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Texas Education Agency required information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this section.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, on our consideration of the Hillsboro Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Hillsboro Independent School 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 Hillsboro Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



James E. Rodgers and Company, P.C.



# HILLSBORO INDEPENDENT SCHOOL DISTRICT

121 East Franklin Street  
Hillsboro, Texas 76645



Phone: 254-582-8585 \* Fax: 254-582-4165

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Hillsboro Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

#### Highlights of Current Fiscal Year Finances

District's Total Net Position at the End of the Year	\$	391,587
Total District Revenues for the Current Fiscal Year	\$	28,114,730
Total District Expenses for the Current Fiscal Year	\$	25,303,063
Fund Balance in the General Fund at the End of Year	\$	5,398,300

#### Changes in the District's Finances from the Previous Fiscal Year

	<u>Increase (Decrease)</u>	
	\$	%
<u>Change in Net Position:</u>		
Change in the District's Total Net Position	\$ 2,811,667	-116.18%
<u>Revenue Changes:</u>		
Change in the District's Total Revenues	\$ 871,079	3.20%
Change in the District's Property Tax Revenues	\$ 779,224	7.27%
Change in the District's State Aid Formula Grants	\$ 566,147	5.25%
Change in Operating Grants and Contributions	\$ (847,508)	-16.38%
<u>Expense Changes:</u>		
Change in the District's Total Expenses	\$ (1,158,724)	-4.38%
<u>Other Information:</u>		
Change in the District's General Fund Balance	\$ 1,355,781	33.54%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	\$ 743,875	3.62%



## **USING THIS ANNUAL REPORT**

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

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district. The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

### **Reporting the District as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins with the Statement of Net Position (Exhibit A-1). Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we combine the District into one kind of activity (all governmental activities).

Governmental activities—All of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the “No Child Left Behind” act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds (governmental and proprietary) use different accounting approaches.

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

Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds which the District does not have at present) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds in Exhibits D-1, D-2, and D-3) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance and day care programs.

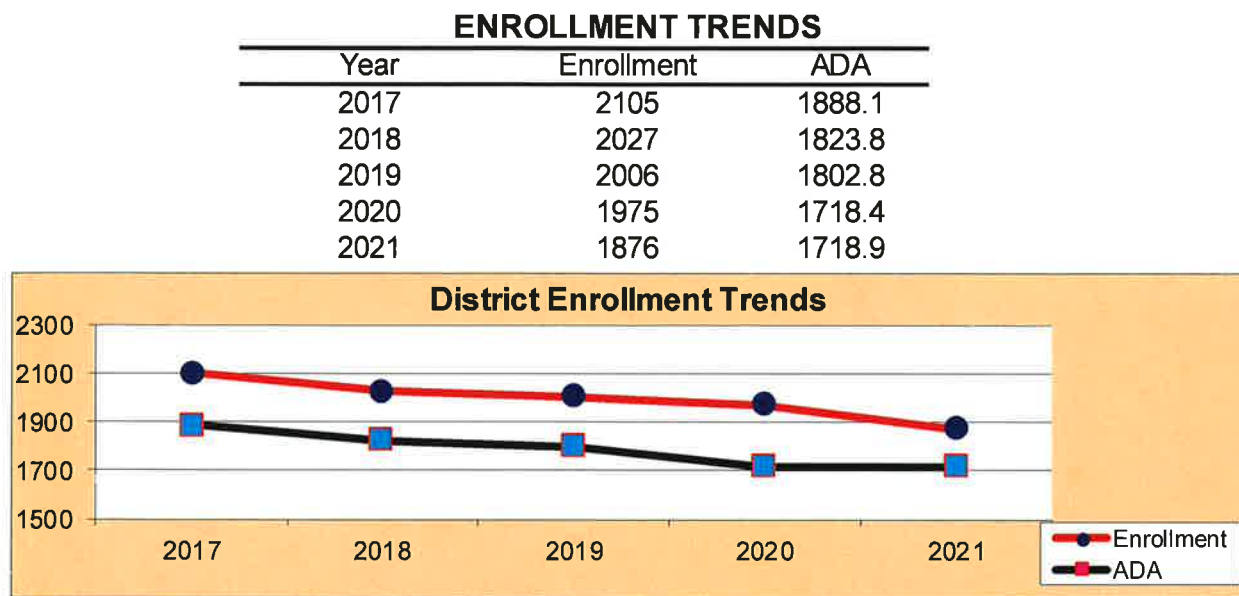
## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

State funding in Texas is based upon the District's average daily attendance, thus the District's revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special, bilingual, and compensatory education programs. The demographics of the District and the types of coursework students pursue are continuing to evolve in the District. The following chart details the enrollment trends of the District.



The following table indicates the net position of the District at the end of the previous and current years.

**Table I**  
**HILLSBORO INDEPENDENT SCHOOL DISTRICT**  
**Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 36,580,230	\$ 15,891,745	\$ -	\$ -	\$ 36,580,230	\$ 15,891,745
Capital assets	20,768,029	42,655,447	-	-	20,768,029	42,655,447
Deferred Outflows	3,949,646	2,975,640	-	-	3,949,646	2,975,640
<b>Total assets &amp; deferred outflows</b>	<b>\$ 61,297,905</b>	<b>\$ 61,522,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,297,905</b>	<b>\$ 61,522,832</b>
Long-term liabilities	\$ 41,734,855	\$ 39,542,476	\$ -	\$ -	\$ 41,734,855	\$ 39,542,476
Other liabilities	2,016,785	2,587,160	-	-	2,016,785	2,587,160
Net pension liability	6,403,313	5,651,703	-	-	6,403,313	5,651,703
Net OPEB liability	8,457,102	6,273,919	-	-	8,457,102	6,273,919
Deferred Inflows	5,105,930	7,075,987	-	-	5,105,930	7,075,987
<b>Total liabilities &amp; deferred inflows</b>	<b>\$ 63,717,985</b>	<b>\$ 61,131,245</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,717,985</b>	<b>\$ 61,131,245</b>
Net Position:						
Net Investment in capital assets	\$ 7,625,654	\$ 8,968,255	\$ -	\$ -	\$ 7,625,654	\$ 8,968,255
Restricted	1,366,368	1,640,443	-	-	1,366,368	1,640,443
Unrestricted	(11,412,102)	(10,217,111)	-	-	(11,412,102)	(10,217,111)
<b>Total Net Position</b>	<b>\$ (2,420,080)</b>	<b>\$ 391,587</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,420,080)</b>	<b>\$ 391,587</b>

The following table indicates the changes in net position of the District during the previous and current years.

**Table II**  
**HILLSBORO INDEPENDENT SCHOOL DISTRICT**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
<b>Program Revenues:</b>						
Charges for Services	\$ 357,108	\$ 217,719	\$ -	\$ -	\$ 357,108	\$ 217,719
Operating grants & contributions	5,175,273	4,327,765	-	-	5,175,273	4,327,765
<b>General Revenues:</b>						
Maintenance & operations taxes	7,805,134	8,039,422	-	-	7,805,134	8,039,422
Debt service taxes	2,918,226	3,463,162	-	-	2,918,226	3,463,162
State aid - formula grants	10,786,941	11,353,088	-	-	10,786,941	11,353,088
Grants and contributions not restricted to specific functions	-	-	-	-	-	-
Investment earnings	60,355	92,082	-	-	60,355	92,082
Miscellaneous	140,614	621,492	-	-	140,614	621,492
<b>Total Revenues</b>	<b>\$ 27,243,651</b>	<b>\$ 28,114,730</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,243,651</b>	<b>\$ 28,114,730</b>
<b>Expenses</b>						
Instruction, curriculum & media services	\$ 14,735,983	\$ 13,771,306	\$ -	\$ -	\$ 14,735,983	\$ 13,771,306
Instructional & school leadership	2,168,531	1,891,091	-	-	2,168,531	1,891,091
Student support services	1,130,937	1,059,601	-	-	1,130,937	1,059,601
Food Services	1,211,095	1,194,018	-	-	1,211,095	1,194,018
Extracurricular activities	1,175,238	1,076,046	-	-	1,175,238	1,076,046
General administration & data processing	1,471,790	1,504,667	-	-	1,471,790	1,504,667
Plant maintenance & security	2,722,021	2,668,154	-	-	2,722,021	2,668,154
Community Services	382,947	443,803	-	-	382,947	443,803
Interest & fees on long term debt	1,116,490	1,341,936	-	-	1,116,490	1,341,936
Other business-type activities & intergovernmental	346,755	352,441	-	-	346,755	352,441
<b>Total Expenses</b>	<b>\$ 26,461,787</b>	<b>\$ 25,303,063</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,461,787</b>	<b>\$ 25,303,063</b>
<b>Increase in net position before transfers and special items</b>	<b>\$ 781,864</b>	<b>\$ 2,811,667</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 781,864</b>	<b>\$ 2,811,667</b>
Transfers	-	-	-	-	-	-
Extraordinary & special items	-	-	-	-	-	-
Prior period adjustment - None	-	-	-	-	-	-
Net position at 9/1	(3,201,944)	(2,420,080)	-	-	(3,201,944)	(2,420,080)
<b>Total Net Position</b>	<b>\$ (2,420,080)</b>	<b>\$ 391,587</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,420,080)</b>	<b>\$ 391,587</b>

**An analysis of the change in the net position for governmental activities is as follows:**

<b>Excess of Revenues Over Expenditures for Governmental Funds</b>	<b>\$(21,157,289)</b>
<b>Net Gain (Loss) of Internal Service Funds</b>	<b>(82,394)</b>
<b>Current Year Purchases of Capital Assets</b>	<b>22,868,003</b>
<b>Current Year Debt Principal Payments</b>	<b>2,339,771</b>
<b>Depreciation</b>	<b>(980,585)</b>
<b>Other Modified to Full Accrual Revenue Adjustments</b>	<b>(172,890)</b>
<b>Net Adjustment to Pension Expense per GASB 68</b>	<b>(369,868)</b>
<b>Net Adjustment for OPEB plan required by GASB 75</b>	<b>366,919</b>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,811,667</u></b>

## THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements					
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Revenues	\$ 21,269,040	\$ 3,053,069	\$ 3,466,411	\$ 28,984	\$ 27,817,504
Expenditures	(19,835,846)	(2,975,732)	(3,329,472)	(22,756,330)	(48,897,380)
Other Financing Sources	-	-	-	-	-
Other Financing Uses	(77,413)	-	-	-	(77,413)
Net Change in Fund Balance	\$ 1,355,781	\$ 77,337	\$ 136,939	\$(22,727,346)	\$ (21,157,289)
Beginning Fund Balance	4,042,519	317,303	914,788	28,502,556	33,777,166
<b>Ending Fund Balance</b>					
<b>All Governmental Funds</b>	\$ 5,398,300	\$ 394,640	\$ 1,051,727	\$ 5,775,210	\$ 12,619,877

The District modified its budget several times during the year resulting in a net increase in budgeted expenditures between the original and final budget in the District's General Fund. Significant amendments were made during the current year as detailed in Exhibit G-1.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the current year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, food services and maintenance. This year's major additions and the net change in total capital assets are as follows:

Construction in Progress Elementary Building	\$ 22,756,330
2022 Blue Bird Bus	97,125
Football Field Stairs Addition	14,548
<b>TOTAL</b>	<b>\$ 22,868,003</b>
Total Additions	\$ 22,868,003
Total Deletions	859,886
<b>Net Change</b>	<b>\$ 22,008,117</b>

The District's next fiscal year general and capital projects funds capital budget indicates significant capital outlay to complete construction for a new campus facility.



## Debt

The District's long-term debt at the end of the current year is as follows:

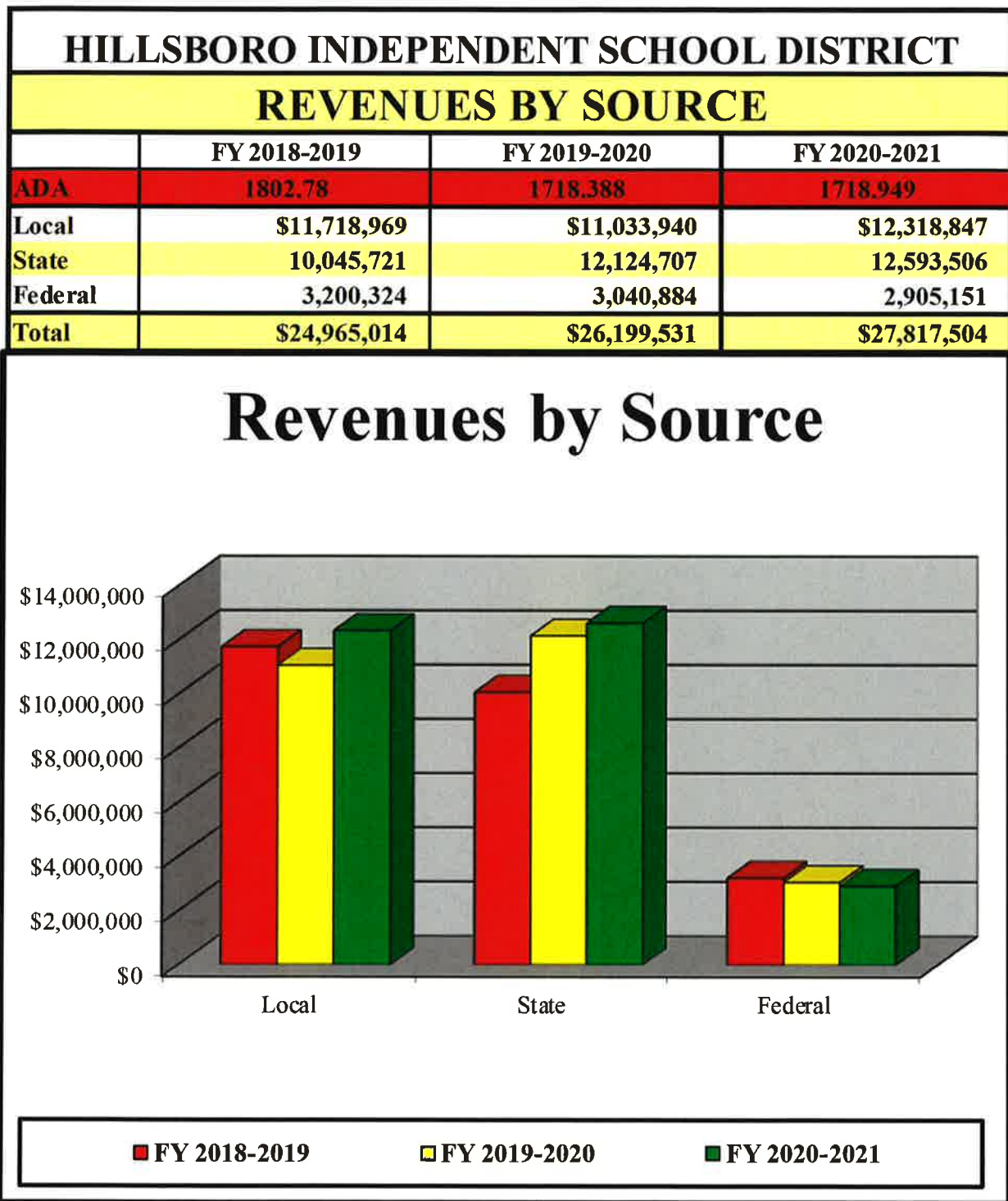
	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding 8/31/2021	Next Year's Total Principal and Interest Requirement
2001 CAB Bonds & Accreted Interest	3.75%-5.50%	\$ 114,164	\$ -	\$ 114,164	\$ -
2014 Tax Refunding Bonds	2.00%-3.00%	\$ 7,070,000	112,950	3,185,000	700,550
2015 Tax Refunding Bonds	3.00%-4.50%	\$ 7,100,000	60,222	2,305,000	733,752
2015 Phone System Capital Lease	4.44%	\$ 118,764	1,051	-	-
2016 Maintenance Tax Notes	2.64%	\$ 510,000	4,660	90,085	92,765
Spirit of Texas Loan - 2 Buses	2.68%	\$ 174,047	1,554	36,190	37,147
2018 Maintenance Tax Notes	3.41%	\$ 126,875	1,486	-	-
2020 School Building Bonds	2.00%-5.00%	\$ 26,950,000	1,005,050	25,035,000	1,909,800
<b>Totals</b>			\$ 1,186,973	\$ 30,765,439	\$ 3,474,014

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the next fiscal year budget and tax rates. Expected student enrollment and property tax valuations were implicit in the expected revenue and expenditures when adopting the budget for next year. A summary of the subsequent fiscal year budget for funds legally required to be budgeted is as follows:

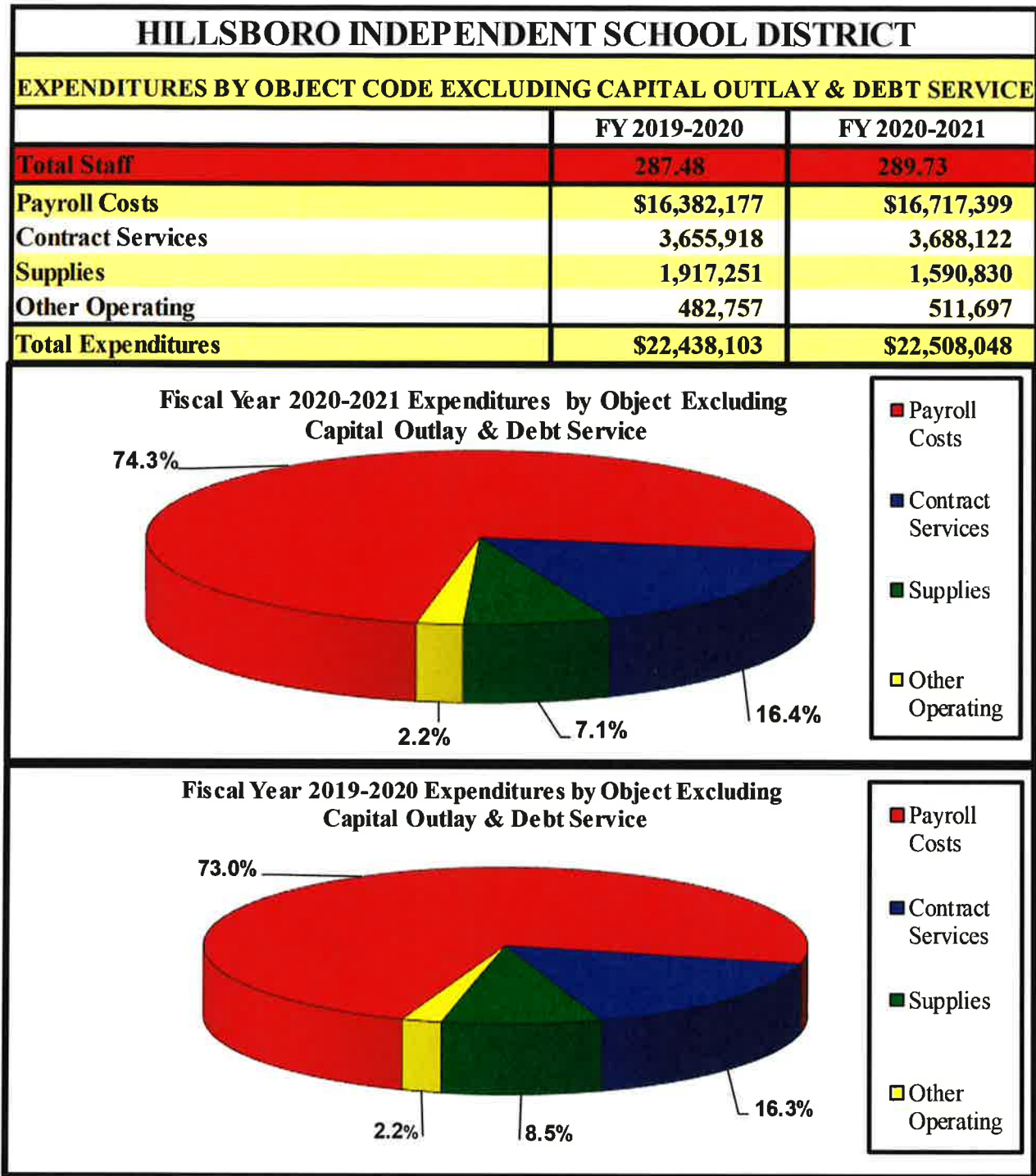
Fiscal Year 2021 - 2022 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 20,336,126	\$ 1,146,000	\$ 3,344,102	\$ 24,826,228
Expenditures	(20,336,126)	(1,146,000)	(3,344,102)	(24,826,228)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning of Year Fund Balance	5,398,300	289,926	1,051,727	6,739,953
Projected End of Year Fund Balance	\$ 5,398,300	\$ 289,926	\$ 1,051,727	\$ 6,739,953

The following graph indicates the District's revenues by source for the last three years.





The following graph indicates the District's operating expenditures by object for the last two years.



#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Hillsboro Independent School District, 121 East Franklin Street, Hillsboro, Texas 76645; (254) 582-8585.

## **BASIC FINANCIAL STATEMENTS**

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes		Primary Government
		Governmental Activities
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ 13,616,760
1120	Current Investments	12,832
1220	Property Taxes - Delinquent	696,079
1230	Allowance for Uncollectible Taxes	(62,647)
1240	Due from Other Governments	1,478,806
1267	Due from Fiduciary Funds	321
1290	Other Receivables, Net	149,594
Capital Assets:		
1510	Land	1,862,220
1520	Buildings, Net	15,645,556
1530	Furniture and Equipment, Net	966,393
1580	Construction in Progress	24,181,278
1000	Total Assets	58,547,192
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred Charge for Refunding	31,604
1705	Deferred Outflow Related to TRS Pension	2,098,356
1706	Deferred Outflow Related to TRS OPEB	845,680
1700	Total Deferred Outflows of Resources	2,975,640
<b>LIABILITIES</b>		
2110	Accounts Payable	1,232,558
2150	Payroll Deductions and Withholdings	1,131
2160	Accrued Wages Payable	661,039
2180	Due to Other Governments	664,844
2200	Accrued Expenses	21,070
2300	Unearned Revenue	6,518
Noncurrent Liabilities:		
2501	Due Within One Year: Loans, Note, Leases, etc.	2,404,745
Due in More than One Year:		
2502	Bonds, Notes, Leases, etc.	37,137,731
2540	Net Pension Liability (District's Share)	5,651,703
2545	Net OPEB Liability (District's Share)	6,273,919
2000	Total Liabilities	54,055,258
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred Inflow Related to TRS Pension	1,362,505
2606	Deferred Inflow Related to TRS OPEB	5,713,482
2600	Total Deferred Inflows of Resources	7,075,987
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	8,968,255
Restricted:		
3820	Restricted for Federal and State Programs	289,926
3850	Restricted for Debt Service	1,194,527
3870	Restricted for Campus Activities	104,714
3890	Restricted for Other Purposes	51,276
3900	Unrestricted	(10,217,111)
3000	Total Net Position	\$ 391,587

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT B-I

FOR THE YEAR ENDED AUGUST 31, 2021

					Net (Expense) Revenue and Changes in Net Position
Data	Program Revenues				
Control	1	3	4	6	
Codes		Charges for	Operating	Primary Gov.	
	Expenses	Services	Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 13,379,912	\$ -	\$ 2,718,288	\$ (10,661,624)
12	Instructional Resources and Media Services	222,777	-	10,451	(212,326)
13	Curriculum and Instructional Staff Development	168,617	-	7,062	(161,555)
21	Instructional Leadership	370,475	-	29,269	(341,206)
23	School Leadership	1,520,616	-	109,871	(1,410,745)
31	Guidance, Counseling, and Evaluation Services	402,893	-	28,151	(374,742)
33	Health Services	180,626	-	14,248	(166,378)
34	Student (Pupil) Transportation	476,082	-	20,196	(455,886)
35	Food Services	1,194,018	91,181	1,123,775	20,938
36	Extracurricular Activities	1,076,046	126,538	36,896	(912,612)
41	General Administration	1,018,131	-	35,760	(982,371)
51	Facilities Maintenance and Operations	2,555,413	-	142,190	(2,413,223)
52	Security and Monitoring Services	112,741	-	-	(112,741)
53	Data Processing Services	486,536	-	28,379	(458,157)
61	Community Services	443,803	-	23,229	(420,574)
72	Debt Service - Interest on Long-Term Debt	1,340,686	-	-	(1,340,686)
73	Debt Service - Bond Issuance Cost and Fees	1,250	-	-	(1,250)
95	Payments to Juvenile Justice Alternative Ed. Prg.	16,340	-	-	(16,340)
99	Other Intergovernmental Charges	336,101	-	-	(336,101)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 25,303,063	\$ 217,719	\$ 4,327,765	(20,757,579)
Data					
Control	General Revenues:				
Codes	Taxes:				
MT	Property Taxes, Levied for General Purposes				8,039,422
DT	Property Taxes, Levied for Debt Service				3,463,162
SF	State Aid - Formula Grants				11,353,088
IE	Investment Earnings				92,082
MI	Miscellaneous Local and Intermediate Revenue				621,492
TR	Total General Revenues				23,569,246
CN	Change in Net Position				2,811,667
NB	Net Position - Beginning				(2,420,080)
NE	Net Position - Ending				\$ 391,587

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,503,467	\$ 1,019,974	\$ 6,619,796
1120 Investments - Current	5,454	7,378	-
1220 Property Taxes - Delinquent	539,156	156,923	-
1230 Allowance for Uncollectible Taxes	(48,524)	(14,123)	-
1240 Due from Other Governments	740,328	16,073	-
1260 Due from Other Funds	541,380	8,592	-
1290 Other Receivables	149,594	-	-
1000 Total Assets	<u>\$ 7,430,855</u>	<u>\$ 1,194,817</u>	<u>\$ 6,619,796</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 267,430	\$ -	\$ 844,586
2150 Payroll Deductions and Withholdings Payable	1,131	-	-
2160 Accrued Wages Payable	588,194	-	-
2170 Due to Other Funds	8,592	-	-
2180 Due to Other Governments	664,554	290	-
2200 Accrued Expenditures	12,022	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>1,541,923</u>	<u>290</u>	<u>844,586</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	490,632	142,800	-
2600 Total Deferred Inflows of Resources	<u>490,632</u>	<u>142,800</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	5,775,210
3480 Retirement of Long-Term Debt	-	1,051,727	-
3490 Other Restricted Fund Balance	-	-	-
Assigned Fund Balance:			
3550 Construction	120,000	-	-
3560 Claims and Judgments	130,000	-	-
3570 Capital Expenditures for Equipment	100,000	-	-
3600 Unassigned Fund Balance	5,048,300	-	-
3000 Total Fund Balances	<u>5,398,300</u>	<u>1,051,727</u>	<u>5,775,210</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,430,855</u>	<u>\$ 1,194,817</u>	<u>\$ 6,619,796</u>

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

Other Funds	Total Governmental Funds
\$ 395,974	\$ 13,539,211
-	12,832
-	696,079
-	(62,647)
722,405	1,478,806
-	549,972
-	149,594
<u>\$ 1,118,379</u>	<u>\$ 16,363,847</u>
\$ 112,776	\$ 1,224,792
-	1,131
58,023	646,217
541,059	549,651
-	664,844
5,363	17,385
6,518	6,518
<u>723,739</u>	<u>3,110,538</u>
-	633,432
-	633,432
289,926	289,926
-	5,775,210
-	1,051,727
104,714	104,714
-	120,000
-	130,000
-	100,000
-	5,048,300
<u>394,640</u>	<u>12,619,877</u>
<u>\$ 1,118,379</u>	<u>\$ 16,363,847</u>

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 12,619,877</b>
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and staff daycare, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.	51,276
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$45,737,714 and the accumulated depreciation was \$24,969,685. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(20,928,901)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.	25,207,774
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount \$2,098,356, a deferred resource inflow in the amount of \$1,362,505, and a net pension liability in the amount of \$5,651,703. This resulted in a decrease in net position.	(4,915,852)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$845,680, a deferred resource inflow in the amount of \$5,713,482, and a net OPEB liability in the amount of \$6,273,919. This resulted in a decrease in net position.	(11,141,721)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(980,585)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	479,719
<b>19 Net Position of Governmental Activities</b>	<b>\$ 391,587</b>

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



HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 8,644,399	\$ 3,443,228	\$ 28,984
5800 State Program Revenues	12,298,776	23,183	-
5900 Federal Program Revenues	325,865	-	-
5020 Total Revenues	21,269,040	3,466,411	28,984
EXPENDITURES:			
Current:			
0011 Instruction	10,905,946	-	-
0012 Instructional Resources and Media Services	220,753	-	-
0013 Curriculum and Instructional Staff Development	167,577	-	-
0021 Instructional Leadership	361,257	-	-
0023 School Leadership	1,500,045	-	-
0031 Guidance, Counseling, and Evaluation Services	398,773	-	-
0033 Health Services	178,549	-	-
0034 Student (Pupil) Transportation	502,959	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	974,507	-	-
0041 General Administration	1,011,545	-	-
0051 Facilities Maintenance and Operations	2,334,920	-	-
0052 Security and Monitoring Services	112,741	-	-
0053 Data Processing Services	482,399	-	-
0061 Community Services	132,912	-	-
Debt Service:			
0071 Principal on Long-Term Debt	189,771	2,150,000	-
0072 Interest on Long-Term Debt	8,751	1,178,222	-
0073 Bond Issuance Cost and Fees	-	1,250	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	22,756,330
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	16,340	-	-
0099 Other Intergovernmental Charges	336,101	-	-
6030 Total Expenditures	19,835,846	3,329,472	22,756,330
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,433,194	136,939	(22,727,346)
OTHER FINANCING SOURCES (USES):			
8911 Transfers Out (Use)	(77,413)	-	-
1200 Net Change in Fund Balances	1,355,781	136,939	(22,727,346)
0100 Fund Balance - September 1 (Beginning)	4,042,519	914,788	28,502,556
3000 Fund Balance - August 31 (Ending)	\$ 5,398,300	\$ 1,051,727	\$ 5,775,210

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

		Total	
Other		Governmental	
Funds		Funds	
\$	202,236	\$	12,318,847
	271,547		12,593,506
	2,579,286		2,905,151
	3,053,069		27,817,504
	1,637,378		12,543,324
	-		220,753
	-		167,577
	5,768		367,025
	5,250		1,505,295
	-		398,773
	-		178,549
	1,411		504,370
	1,183,239		1,183,239
	65,435		1,039,942
	100		1,011,645
	77,151		2,412,071
	-		112,741
	-		482,399
	-		132,912
	-		2,339,771
	-		1,186,973
	-		1,250
	-		22,756,330
	-		16,340
	-		336,101
	2,975,732		48,897,380
	77,337		(21,079,876)
	-		(77,413)
	77,337		(21,157,289)
	317,303		33,777,166
\$	394,640	\$	12,619,877

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (21,157,289)</b>
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and staff daycare, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	(82,394)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase (decrease) net position.	25,207,774
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(980,585)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(172,890)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$449,548. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$435,399. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$384,017. The net result is a decrease in the change in net position.	(369,868)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$128,150. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$125,442. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$364,211. The net result is an increase in the change in net position.	366,919
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,811,667</b>

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2021

EXHIBIT D-1

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 77,549
Total Assets	<u>77,549</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	7,766
Accrued Wages Payable	14,822
Accrued Expenses	<u>3,685</u>
Total Liabilities	<u>26,273</u>
NET POSITION	
Restricted for Other Purposes	<u>51,276</u>
Total Net Position	<u><u>\$ 51,276</u></u>

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 134,207
State Program Revenues	13,491
Total Operating Revenues	147,698
OPERATING EXPENSES:	
Payroll Costs	307,505
Total Operating Expenses	307,505
Income (Loss) Before Transfers	(159,807)
Transfer In	77,413
Change in Net Position	(82,394)
Total Net Position - September 1 (Beginning)	133,670
Total Net Position - August 31 (Ending)	\$ 51,276

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 13,491
Cash Received from Assessments - Other Funds	134,207
Cash Payments to Employees for Services	(197,068)
Cash Payments for Insurance Claims	(106,053)
Net Cash Used for Operating Activities	(155,423)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Capital Contributed by Other Funds	77,413
Net Decrease in Cash and Cash Equivalents	(78,010)
Cash and Cash Equivalents at Beginning of Year	155,559
Cash and Cash Equivalents at End of Year	\$ 77,549
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (159,807)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	7,766
Increase (decrease) in Accrued Wages Payable	(597)
Increase (decrease) in Accrued Expenses	(2,785)
Net Cash Used for Operating Activities	\$ (155,423)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 77,549

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2021

Data Control Codes		Private Purpose Trust Funds	Total Custodial Funds	Fiduciary Component Unit
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ 81,612	\$ -
1120	Investments - Current	-	-	-
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1800	Restricted Assets	52,091	-	260,593
1000	<b>Total Assets</b>	<u>\$ 52,091</u>	<u>\$ 81,612</u>	<u>\$ 260,593</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 6,669	\$ -
2170	Due to Other Funds	-	321	-
2200	Accrued Expenses	-	-	1,000
2000	<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 6,990</u>	<u>\$ 1,000</u>
<b>NET POSITION</b>				
3800	Restricted for Campus Activities	\$ -	\$ 74,622	\$ -
3800	Restricted for Scholarships	52,091	-	-
3800	Restricted for Other Purposes	-	-	259,593
3000	<b>Total Net Position</b>	<u>\$ 52,091</u>	<u>\$ 74,622</u>	<u>\$ 259,593</u>

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



HILLSBORO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Private Purpose Trust Funds	Total Custodial Funds	Fiduciary Component Unit
<b>ADDITIONS:</b>				
5744	Contributions to Student Groups	\$ -	\$ -	\$ -
5748	Received From Student Groups	-	-	-
5749	Miscellaneous Revenue - Student Activities	-	-	-
5755	Enterprising Services Revenue	-	-	-
5759	Cocurricular Services or Activities	-	104,888	-
5742	Earnings from Temporary Deposits	261	-	2,551
5744	Contributions, Gifts and Donations	-	-	46,263
5749	Miscellaneous Additions	-	-	5,231
5000	<b>Total Additions</b>	<b>\$ 261</b>	<b>\$ 104,888</b>	<b>\$ 54,045</b>
<b>DEDUCTIONS:</b>				
6100	Payroll Costs	\$ -	\$ -	\$ -
6200	Professional and Contracted Services	-	-	-
6300	Supplies and Materials	-	-	-
6400	Other Deductions	1,600	109,342	38,194
6000	<b>Total Deductions</b>	<b>\$ 1,600</b>	<b>\$ 109,342</b>	<b>\$ 38,194</b>
1100	Change in Fiduciary Net Position	\$ (1,339)	\$ (4,454)	\$ 15,851
9100	Total Net Position - September 1 (Beginning)	53,430	79,076	243,742
9110	Prior Period Adjustment	-	-	-
9200	<b>Total Net Position - August 31 (Ending)</b>	<b>\$ 52,091</b>	<b>\$ 74,622</b>	<b>\$ 259,593</b>

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

# HILLSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Hillsboro Independent School District (the "District")** is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

#### **A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity as amended by GASB Statement 61. The only component unit included within the reporting entity is the Hillsboro Educational Foundation which is included as a fiduciary component unit.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the **Hillsboro Independent School District** non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

#### **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

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

**Debt Service Fund** - The District did maintain major debt service governmental funds during the current year.

**Capital Projects Fund** - The District did maintain a major capital projects governmental fund during the current year.

The District does not report any major enterprise funds.

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

##### **Governmental Funds:**

**Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund when applicable.

**Capital Projects Funds** – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

##### **Proprietary Funds:**

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation and child care) are accounted for in an internal service fund.

## **Fiduciary Funds:**

**Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

**Custodial Funds** – The District accounts for resources held for others in a custodial capacity in custodial funds including funds used to account for student activities.

There are no balances due to the internal service funds from the general fund. When amounts do exist, they are the result of obligations made to maintain capital for the operation of each internal service fund for such activities as self-insurance; the balance is not scheduled to be collected in the subsequent year.

All remaining balances, if any, resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the current year, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements.

## **E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories (if any) including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<b>ASSETS</b>	<b>YEARS</b>
<b>Buildings</b>	<b>50</b>
<b>Buildings and Improvements</b>	<b>40</b>
<b>Infrastructure</b>	<b>40</b>
<b>Vehicles</b>	<b>10</b>
<b>Office Equipment</b>	<b>10</b>
<b>Computer Equipment</b>	<b>10</b>

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The Districts that participate in self-funded workers' compensation programs execute inter-local agreements that define the responsibilities of the parties. The program, if applicable, provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

**Government-wide and Proprietary Fund Net Position-**

Government-wide and proprietary fund net positions are divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

**Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows-

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classifications.

10. Use of Restricted Resources:

When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

11. The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

12. Investment income reported in one fund has not been assigned directly to another fund by the District.

13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

14. Deferred Outflows of Resources:

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflow of resources reported in this year's government-wide financial statements arise from inclusion of the GASB 68 Liability for the unfunded portion of the TRS Retirement and GASB 75 Liability. No deferred outflows of resources affect the governmental funds financial statements in the current year.



15. Deferred Inflows of Resources:

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has only three types of items which occur because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes, private grants, and prepaid meals are reported in the governmental funds balance sheet. The District only reported deferred inflows of resources in its government-wide or proprietary fund financial statements for the current year for the inclusion of the GASB 68 Liability for the unfunded portion of the TRS Retirement, GASB 75 liabilities and prepaid meals.

16. 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.

17. Other Post-Employment Benefits:

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<b>Capital Assets at the Beginning of the Year</b>	<b>Historical Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value at Beginning of Year</b>	<b>Change in Net Position</b>
Land	\$ 1,862,220	\$ -	\$ 1,862,220	
Buildings and Improvements	38,318,650	(21,895,673)	16,422,977	
Furniture and Equipment	4,131,896	(3,074,012)	1,057,884	
Construction in Progress	1,424,948	-	1,424,948	
<b>Change in Net Position</b>				\$ 20,768,029
<b>Long-term Liabilities and Deferred Outflows and Inflows at the Beginning of the Year</b>			<b>Payable at Beginning of Year</b>	
Bonds Payable			\$ 32,789,164	
Accreted Interest on CAB Bonds			5,128,421	
Add Unamortized Bond Premium / Discount			3,449,225	
Notes and Capital Leases Payable			316,046	
Accrued Interest - Bonds, Notes, and Capital Leases			51,999	
Deferred Resource of Outflows for Bond Refunding			(37,925)	
<b>Change in Net Position</b>				41,696,930
<b>Net Adjustment to Net Position</b>				<b>\$ (20,928,901)</b>

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

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

		<b>Adjustments To Changes in Net Position</b>	<b>Adjustments to Net Position</b>
	<b>Amount</b>		
<b>Current Year Capital Outlay</b>			
Land	\$ -		
Buildings & Improvements	14,548		
Furniture & Equipment	97,125		
Construction in Progress	22,756,330		
<b>Total Capital Outlay</b>	<b>22,868,003</b>	22,868,003	22,868,003
<b>Debt Principal Payments</b>			
Bond Principal	2,150,000		
Note & Capital Lease Principal Payments	189,771		
<b>Total Principal Payments</b>	<b>2,339,771</b>	2,339,771	2,339,771
<b>Total Adjustment to Net Position</b>		<b>\$ 25,207,774</b>	<b>\$ 25,207,774</b>

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<b>Adjustments to Revenue, Deferred Inflows, Beg. Net Position:</b>			
Beg. of Year Unearned Tax Revenue/Internal Service	\$ 652,609		\$ 652,609
Property tax adjustments to convert from the modified accrual basis to the full accrual basis of accounting	\$ (19,177)	\$ (19,177)	(19,177)
Other Revenue/Expense Adjustments	-	-	-
Deferred Inflow of Resources	\$ -	-	-
<b>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases:</b>			
New Bond Issue	\$ -	-	-
Discount (Premium) or Deferred Charge on Issuance of Bonds	\$ -	-	-
New Loans / Capital Leases Issued	\$ -	-	-
<b>Reclassify Certain Expenditures to Full Accrual From Modified Accrual:</b>			
Deferred Charge on Refunding Amortization	\$ (6,321)	(6,321)	(6,321)
Adjust Interest and Fees on Long-term Debt	\$ 3,529	3,529	3,529
Amortization of Bond Premium	\$ 152,005	152,005	152,005
Accretion of Interest on CAB Bonds	\$ (302,926)	(302,926)	(302,926)
<b>Totals</b>		<b>\$ (172,890)</b>	<b>\$ 479,719</b>

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. BUDGETARY DATA**

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

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. **These amendments included additional appropriation for various functions as detailed in Exhibit G-1.**

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	<b>August 31, 2021 Fund Balance</b>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 289,926
Non-appropriated Budget Funds	104,714
<b>All Special Revenue Funds</b>	<b>\$ 394,640</b>

#### **B. BUDGETARY STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY**

The District has disclosed budgetary stewardship, compliance, and accountability in Section C of the Notes to Required Supplementary Information.

#### **C. DEFICIT FUND EQUITY**

The District **did not incur a deficit fund balance** in any fund during the current school year.

#### **IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

##### **A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

###### **Cash and Cash Equivalents**

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

<b>CASH AND CASH EQUIVALENTS BY ACCOUNT TYPE</b>	<b>8/31/2021</b>
Cash Deposits in Bank	\$ 13,696,239
Certificates of Deposit Maturity to 3 months	-
Cash on Hand	2,133
Restricted Cash Deposits in Bank	312,684
<b>Total Cash and Cash Equivalents by Account Type</b>	<b>\$ 14,011,056</b>
<b>CASH AND CASH EQUIVALENTS BY FUND</b>	<b>8/31/2021</b>
Cash and Cash Equivalents:	
General Fund	\$ 5,503,467
Major Governmental Funds	7,639,770
Non-Major Governmental Funds	395,974
Enterprise Funds	-
Internal Service Funds	77,549
Custodial Funds	81,612
Trust Funds	52,091
Other Funds Fiduciary Component Unit	260,593
<b>Total Cash and Cash Equivalents by Fund</b>	<b>\$ 14,011,056</b>

###### **District Policies and Legal and Contractual Provisions Governing Deposits**

**Custodial Credit Risk for Deposits:** State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits subject to custodial credit risk at the date of the highest cash balance and at year end were:

<b>CUSTODIAL CREDIT RISK</b>	<b>HIGHEST CASH BALANCE</b>	<b>8/31/2021</b>
<b>Name of Depository Bank: Citizens National Bank, Hillsboro, TX</b>		
Total amount of FDIC Insurance (FDIC)	\$ 500,000	\$ 500,000
Amount of Bond or Securities Pledged	18,150,148	15,672,713
Total FDIC, Bond or Securities Pledged	\$ 18,650,148	\$ 16,172,713
Cash Deposits and Cash Investments in Bank	\$ 18,161,812	\$ 15,199,588
<b>Excess or (Shortage) FDIC and Bond or Pledged Securities Pledged</b>	<b>\$ 488,337</b>	<b>\$ 973,125</b>
<b>The District's cash deposits were entirely covered by FDIC Insurance or by bond or pledged collateral by the Depository Bank</b>	<b>YES</b>	<b>YES</b>

**Foreign Currency Risk:** The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency.

### **Investments**

#### **District Policies and Legal and Contractual Provisions Governing Investments**

##### **Compliance with the Public Funds Investment Act**

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

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

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, and mutual bond funds to the top 2 or 3 ratings issued by nationally recognized statistical rating organizations (NRSROs). As of the current fiscal year, the district's investments were rated by Standard & Poor's, Fitch Ratings, etc.

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

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

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding all investments denominated in a foreign currency.

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

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. Texpool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission.

*U.S. Treasury Bonds and Commercial Paper* classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.



As of the end of the current fiscal year, the District had the following investments:

Investments	August 31, 2021 Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost -							
Investment pools:							
Texpool	\$ 12,832	\$ -	\$ -	\$ -	100.00%	33	AAAm*
Investments measured at net asset value (NAV)-							
Investment pools:							
LoneStar	-	-	-	-	0.00%	43	AAAm*
TexStar	-	-	-	-	0.00%	36	AAAm*
Investments measured by fair value level -							
U.S. Government Agency Securities:							
Federal Home Loan Bank	-	-	-	-	0.00%		AA+ to Aaa
Fannie Mae	-	-	-	-	0.00%		AAAm*
U.S. Treasury Bonds	-	-	-	-	0.00%		AAAm*
Money Market Mutual Funds	-	-	-	-	0.00%	1	Not rated
Certificates of Deposit	-	-	-	-	0.00%	222	BBB+ to AA-
Commercial Paper	-	-	-	-	0.00%	-	BBB+ to AA-
Restricted Investments-	-	-	-	-	0.00%	-	BBB+ to AA-
Scholarship Funds-Certificates of Deposit	-	-	-	-	0.00%	-	BBB+ to AA-
Education Foundation-Certificates of Deposit	-	-	-	-	0.00%	-	BBB+ to AA-
<b>Total Investments</b>	<b>\$ 12,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100.00%</b>		

## B. PROPERTY TAXES

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

## C. DELINQUENT TAXES RECEIVABLE

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

#### D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
<b>General Fund</b>		
Major Governmental Funds	\$ -	\$ 8,592
Non-major Governmental Funds	541,059	-
Internal Service Funds	-	-
All Others	321	-
Total General Fund	\$ 541,380	\$ 8,592
<b>Major Governmental Funds</b>		
General Fund	\$ 8,592	\$ -
Non-major Governmental Funds	-	541,059
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	\$ 8,592	\$ 541,059
<b>Non-major Governmental Funds/Custodial Funds</b>		
General Fund	\$ -	\$ 321
Total Non-major Governmental Funds	\$ -	\$ 321
<b>Total Interfund Receivables / Payables</b>	<b>\$ 549,972</b>	<b>\$ 549,972</b>

The balance of \$541,059 from non-major governmental funds to the general fund resulted from working capital amounts that will be transferred to the general fund the following year.

Inter-fund transfers for the current year end consisted of the following individual amounts:

FUND	Transfers In	Transfers Out
<b>General Fund</b>		
Other Funds	\$ -	\$ 77,413
Total General Fund	\$ -	\$ 77,413
<b>Other Funds</b>		
General Fund	\$ 77,413	\$ -
Total Other Funds	\$ 77,413	\$ -
<b>Total Interfund Transfers</b>	<b>\$ 77,413</b>	<b>\$ 77,413</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to cover operating deficits in funds such as the Food Service Funds. The District did not make an operating transfer to the Food Service Fund during the current year.

During the current year, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements.

During the current year, the District did make a one-time transfer of funds from the general fund to the daycare internal service fund to subsidize, in part, the District's obligation for maintaining the fund for operating costs not covered by charges to specific funds.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES****Receivables at year end were as follows:**

	<b>Property Taxes</b>	<b>Other Governments</b>	<b>Due From Other Funds</b>	<b>Other</b>	<b>Total Receivables</b>
<b>Governmental Activities:</b>					
General Fund	\$ 539,156	\$ 740,328	\$ 541,380	\$ 149,594	\$ 1,970,458
Major Governmental Funds	156,923	16,073	8,592	-	181,588
Non-major Governmental Funds	-	722,405	-	-	722,405
<b>Total Governmental Activities</b>	<b>\$ 696,079</b>	<b>\$ 1,478,806</b>	<b>\$ 549,972</b>	<b>\$ 149,594</b>	<b>2,874,451</b>
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

**Payables at year end were as follows:**

	<b>Accounts Payable</b>	<b>Salaries Payable</b>	<b>Accrued Expenditures /Expense Payable</b>	<b>Due To Other Funds</b>	<b>Due To Other Govt.</b>	<b>Other</b>	<b>Total Payables</b>
<b>Governmental Activities:</b>							
General Fund	\$ 267,430	\$ 588,194	\$ 13,153	\$ 8,592	\$ 664,554	\$ -	\$ 1,541,923
Major Governmental Fund	844,586	-	-	-	290	-	844,876
Non-major Governmental Funds	112,776	58,023	5,363	541,059	-	-	717,221
Internal Service Funds	7,766	14,822	3,685	-	-	-	26,273
<b>Total Governmental Type Activities</b>	<b>\$ 1,232,558</b>	<b>\$ 661,039</b>	<b>\$ 22,201</b>	<b>\$ 549,651</b>	<b>\$ 664,844</b>	<b>\$ -</b>	<b>\$ 3,130,293</b>
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

Primary Government				
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Non-Depreciable Assets-				
Land	\$ 1,862,220	\$ -	\$ -	\$ 1,862,220
Construction In Progress	1,424,948	22,756,330	-	24,181,278
Depreciable Assets-				
Buildings and Improvements	38,318,650	14,548	-	38,333,198
Furniture and Equipment	4,131,896	97,125	859,886	3,369,135
<b>Totals at Historic Cost</b>	<b>\$ 45,737,714</b>	<b>\$22,868,003</b>	<b>\$ 859,886</b>	<b>\$ 67,745,831</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$ 21,895,673	\$ 791,968	\$ (1)	\$ 22,687,642
Furniture and Equipment	3,074,012	188,617	859,887	2,402,742
<b>Total Accumulated Depreciation</b>	<b>\$ 24,969,685</b>	<b>\$ 980,585</b>	<b>\$ 859,886</b>	<b>\$ 25,090,384</b>
<b>Governmental Activities Capital Assets-Net</b>				
	<b>\$ 20,768,029</b>	<b>\$21,887,418</b>	<b>\$ -</b>	<b>\$ 42,655,447</b>

### Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 722,879
Instructional Resources and Media Services	500
School Leadership	-
Student (Pupil) Transportation	66,101
Food Services	10,779
Cocurricular/Extracurricular Activities	45,214
General Administration	1,231
Plant Maintenance and Operations	133,881
<b>Total Depreciation Expense</b>	<b>\$ 980,585</b>

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land and construction in progress.

## G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District has no short-term debt payable.

## H. BONDS AND LONG-TERM NOTES PAYABLE

The following is a summary of the District's long-term debt for the year ended August 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Notes Payable:</b>					
General Obligation Bonds	\$ 32,789,164	\$ -	\$ 2,150,000	\$ 30,639,164	\$ 2,230,000
Premium on Bond Issuance	3,449,225	-	152,005	3,297,220	-
Maintenance Tax Notes	293,344	-	167,069	126,275	126,275
Capital Leases	22,702	-	22,702	-	-
<b>Total Bonds and Notes Payable</b>	<b>\$ 36,554,435</b>	<b>\$ -</b>	<b>\$ 2,491,776</b>	<b>\$ 34,062,659</b>	<b>\$ 2,356,275</b>
<b>Other Liabilities:</b>					
Accretion Interest	\$ 5,128,421	\$ 302,926	\$ -	5,431,347	\$ -
Accrued Interest Payable	51,999	48,470	51,999	48,470	48,470
<b>Total Other Liabilities</b>	<b>\$ 5,180,420</b>	<b>\$ 351,396</b>	<b>\$ 51,999</b>	<b>\$ 5,479,817</b>	<b>\$ 48,470</b>
<b>Total Governmental Activities Long-Term Liabilities</b>					
	<b>\$ 41,734,855</b>	<b>\$ 351,396</b>	<b>\$ 2,543,775</b>	<b>\$ 39,542,476</b>	<b>\$ 2,404,745</b>
<b>Debt Payable - Governmental Activities:</b>					
<b>Description</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Interest Current Year</b>	<b>Beginning Balance 9/1/2020</b>	<b>Ending Balance 8/31/2021</b>
<b>General Obligation Bonds Payable:</b>					
TAX REFUNDING CAB BONDS 2001 SERIES	3.75-5.50%	\$ 114,164	\$ -	\$ 114,164	\$ -
U/L TAX REFUNDING BONDS 2014 SERIES	2.00-3.00%	\$ 7,070,000	112,950	3,765,000	580,000
U/L TAX REFUNDING BONDS 2015 SERIES	2.04-2.04%	\$ 7,100,000	60,222	2,970,000	665,000
U/L TAX SCHOOL BUILDING BONDS 2020 SERIES	2.00-5.00%	\$ 26,950,000	1,005,050	25,940,000	905,000
<b>Total General Obligation Bonds</b>			<b>\$ 1,178,222</b>	<b>\$ 32,789,164</b>	<b>\$ 2,150,000</b>
<b>Premium on Bond Issuance</b>				<b>\$ 3,449,225</b>	<b>\$ 152,005</b>
<b>Maintenance Tax Notes Payable:</b>				<b>\$ -</b>	<b>\$ 3,297,220</b>
GOVT LOAN SPIRIT OF TX SERIES 2016	2.68%	\$ 174,047	\$ 1,554	\$ 71,830	\$ 35,640
MAINTENANCE TAX NOTES SERIES 2016	2.64%	\$ 510,000	\$ 4,660	\$ 178,190	\$ 88,105
MAINTENANCE TAX NOTES SERIES 2018	3.41%	\$ 126,875	1,486	43,324	43,324
<b>Total Maintenance Tax Notes</b>			<b>\$ 7,700</b>	<b>\$ 293,344</b>	<b>\$ 167,069</b>
<b>Capital Leases Payable:</b>				<b>\$ -</b>	<b>\$ 22,702</b>
KEY GOV FINANCE PHONE CAP LEASE SER 2015	4.44-4.44%	\$ 118,764	\$ 1,051	\$ 22,702	\$ -
<b>Total Capital Leases</b>			<b>\$ 1,051</b>	<b>\$ 22,702</b>	<b>\$ -</b>
<b>Total Debt Payable - Governmental Activities</b>			<b>\$ 1,186,973</b>	<b>\$ 36,554,435</b>	<b>\$ 2,491,776</b>

The following table summarizes the annual debt service requirements of the District's Governmental Activities long-term debt August 31, 2021:

	General Obligation Bonds		Maintenance Tax Notes		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,230,000	\$ 1,114,102	\$ 126,275	\$ 3,637	\$ -	\$ -	\$ 2,356,275	\$ 1,117,739
2023	2,305,000	1,034,682	-	-	-	-	2,305,000	1,034,682
2024	2,390,000	952,156	-	-	-	-	2,390,000	952,156
2025	2,445,000	888,034	-	-	-	-	2,445,000	888,034
2026	2,500,000	830,450	-	-	-	-	2,500,000	830,450
2027-2031	114,164	3,594,750	-	-	-	-	114,164	3,594,750
2032-2036	3,955,000	3,218,750	-	-	-	-	3,955,000	3,218,750
2037-2041	4,890,000	2,273,300	-	-	-	-	4,890,000	2,273,300
2042-2046	5,795,000	1,375,750	-	-	-	-	5,795,000	1,375,750
2047-2051	4,015,000	283,700	-	-	-	-	4,015,000	283,700
<b>Totals</b>	<b>\$ 30,639,164</b>	<b>\$ 15,565,674</b>	<b>\$ 126,275</b>	<b>\$ 3,637</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,765,439</b>	<b>\$ 15,569,311</b>

## I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year end as follows (the imputed interest on the leases range from 5.50% to 5.50%:

<b>Year Ending August 31</b>	
2022	\$ 57,314
2023	57,314
2024	47,761
2025	-
2026	-
<b>Total Minimum Future Rentals</b>	<b>\$ 162,389</b>
<b>Rental Expenditures in Fiscal Year 2021</b>	<b>\$ 98,359</b>

## J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in "lump sum" cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments.

## K. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid premiums per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

## L. UNEARNED REVENUE AND DEFERRED INFLOWS -GOVERNMENTAL FUND FINANCIAL STATEMENTS

Unearned Revenue and Deferred Inflows of Resources at year-end consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>Unearned Revenue:</b>				
Unearned Grant Revenue	\$ -	\$ 6,518	\$ -	\$ 6,518
Other Unearned Revenue	-	-	-	-
<b>Total Unearned Revenue</b>	<b>\$ -</b>	<b>\$ 6,518</b>	<b>\$ -</b>	<b>\$ 6,518</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue-Property Taxes	\$ 490,632	\$ -	\$ 142,800	\$ 633,432
Other Unavailable Revenue	-	-	-	-
<b>Total Deferred Inflows</b>	<b>\$ 490,632</b>	<b>\$ -</b>	<b>\$ 142,800</b>	<b>\$ 633,432</b>

#### M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as "Due from State Agencies" except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	DUE FROM STATE- FOUNDATION ENTITLEMENTS	DUE FROM STATE-STATE & FEDERAL GRANTS	DUE FROM OTHER GOVERNMENTS	TOTAL
General	\$ 740,328	\$ -	\$ -	\$ 740,328
Special Revenue	-	722,405	-	722,405
Debt Service	16,073	-	-	16,073
<b>Totals</b>	<b>\$ 756,401</b>	<b>\$ 722,405</b>	<b>\$ -</b>	<b>\$ 1,478,806</b>

#### N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 7,878,312	\$ -	\$ 3,396,321	\$ -	\$11,274,633
Penalties, Interest and Other Tax- Related Income	97,675	-	34,710	-	132,385
Investment Income	42,925	7,475	12,197	28,984	91,581
Foundations, Gifts and Bequests	36,480	-	-	-	36,480
Food Sales	-	115,849	-	-	115,849
Co-curricular Student Activities	44,626	78,912	-	-	123,538
Insurance Recovery, SSA, & Other	544,381	-	-	-	544,381
<b>Totals</b>	<b>\$ 8,644,399</b>	<b>\$202,236</b>	<b>\$ 3,443,228</b>	<b>\$ 28,984</b>	<b>\$12,318,847</b>

#### O. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of pending exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

#### P. CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS & CONTINGENCIES

The District at year end had not incurred or made any additional commitments and/or contingencies in connection with construction or other areas of significance other than the completion of the current construction of a new elementary campus.

#### Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District was a member of the Hill County Shared Services Arrangement ("SSA"). The SSA provides services for juvenile justice alternative education to member districts. Malone Independent School District is the fiscal agent for the SSA. In addition to the District, other member districts participated in the alternative education cooperative. The fiscal agent provided SSA services. The member districts provided the funds to the fiscal agent. The Shared Services Arrangements – Juvenile Justice Alternative Education had been accounted for using Model 3 in the SSA section of the TEA Resource Guide. The District had accounted for the payments to the fiscal agent of the SSA in the General Fund as intergovernmental expenditures. The District's expenditures to the SSA for the current year were as follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent	District	Program Expenditures Current Year
				Special Revenue Fund	Special Revenue Fund	
	Alternative Education		Local Revenue			
Hillsboro ISD		Malone ISD		446	N.A.	\$ 16,340
<b>TOTAL FUNCTION 95 EXPENDITURES</b>						<b>\$ 16,340</b>

The district does not participate in shared service arrangements with other school districts for various other educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the share services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent	District	Program Expenditures Current Year
				Special Revenue Fund	Special Revenue Fund	
None		Hillsboro ISD				\$ -

#### R. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through **January 10, 2022**, the date this Annual Financial Report was issued. No material subsequent events had occurred in the period of August 31, 2021, through that date.



## **S. RELATED ORGANIZATIONS**

The District at present does maintain an Educational Foundation (the "Foundation"). This entity was established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district support activities. This entity is a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 61*. The members of the board of the Foundation are appointed by an outside taxpayer group; however, the support for the District is material to the financial statements and has been included as a fiduciary component unit per the Schedule E Exhibits.

## **T. RELATED PARTY TRANSACTIONS**

The District does not incur related party transactions with businesses owned or employers for various members of the board of trustees. Therefore, the District did not incur any material reportable related party transactions or balances as of and during the current year end.

## **U. FUND BALANCE / NET POSITION ADJUSTMENTS**

During fiscal year 2021, the District did not make a prior period net position adjustment and the District did not make a fund balance adjustment during the current fiscal year.

## **V. RISK FINANCING AND OTHER COVERAGE**

### **Workers' Compensation Program**

During the current year, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$0 for future development on reported claims and claims that have been incurred but not yet reported. For the current year, the Fund anticipates no additional liability to members beyond their contractual obligation for payment of contributions.

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, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The District has selected the partially self-insured plan and the costs associated with this self-insurance plan are reported as inter-fund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds at year end, are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Changes in the balances of claims liabilities during the past year are as follows:

	<b>Year Ended August 31, 2020</b>	<b>Year Ended August 31, 2021</b>
Unpaid claims, beginning of year	\$ 15,158	\$ 6,470
Incurred claims (including IBNR'S)	2,435	3,996
Claim Payments	(11,123)	(6,781)
<b>Unpaid claims, end of year</b>	<b>\$ 6,470</b>	<b>\$ 3,685</b>

#### **Property / Casualty Program**

During the current year ended, the District participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage for the following:

- 1) Crime,
- 2) General Liability,
- 3) Property and Band Floater,
- 4) Sexual Misconduct Endorsement, and
- 5) SP Legal Liability.

The fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties.

The Fund purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund used the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current year ended, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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 approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

#### **Unemployment Compensation Program**

During the current year ended, 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 Inter-local 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 Inter-local Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation pool members.

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

## **W. DEFINED BENEFIT PENSION PLAN**

### **a. Plan Description**

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

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

### **b. Pension Plan Fiduciary Net Position**

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_publications.aspx](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.

### **c. Benefits Provided**

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

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 the System's actuary.

In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**d. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions	\$	449,548
Current fiscal year member contributions	\$	1,063,520
2020 measurement year NECE on-behalf contributions	\$	756,202
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2019 Medicare, Part D On-Behalf	\$	47,937
Fiscal year 2020 Medicare, Part D On-Behalf	\$	56,865
Fiscal year 2021 Medicare, Part D On-Behalf	\$	61,229

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

#### e. Actuarial Assumptions

The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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 of August 2019	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases including inflation	3.05 % to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

#### f. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll

over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020, are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
	%		
<b>Global Equity</b>			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	-0.70%	-0.05%
Stable Value Hedge	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Res	6.00%	6.00%	0.42%
<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Leverage</b>			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Lev	-6.00%	-1.30%	0.08%
<b>Inflation Expectation</b>			2.00%
<b>Volatility Drag<sup>3</sup></b>			-0.67%
<b>Total</b>	<b>100%</b>		<b>7.33%</b>
1) Target allocations are based on the FY2020 policy model.			
2) Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)			
3) The volatility drag results from the conversion between arithmetic and geometric mean returns.			

#### g. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) 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: \$	8,714,825	\$ 5,651,703	\$ 3,162,984

#### **h. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At the current year ended August 31, the District reported a liability of \$5,651,703 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,651,703
State's proportionate share that is associated with the District	9,815,903
Total	<u>\$ 15,467,606</u>

The net pension liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

At the current year-end August 31, the employer's proportion of the collective net pension liability was 6.89% which was a decrease of 0.36% from its proportion measured as of August 31, 2019.

#### **Changes Since the Prior Actuarial Valuation**

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

For the current year ended August 31, the District recognized the following:

Year Ended August 31, 2021 pension expense	\$ 2,000,051
Revenue for support provided by the State	<u>\$ 1,180,635</u>

As of the current year ended August 31, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 10,320	\$ 157,724
Changes in actuarial assumptions	1,311,396	557,597
Differences between projected and actual investment earnings	114,414	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	212,678	647,184
Total as of August 31, 2020 measurement date	\$ 1,648,808	\$ 1,362,505
Contributions paid to TRS subsequent to the measurement date	449,548	
Total as of fiscal year-end	<u>\$ 2,098,356</u>	<u>\$ 1,362,505</u>

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

<u>Fiscal year ended August 31,</u>	<u>Pension</u>
2022	\$ 151,396
2023	191,007
2024	175,130
2025	(18,985)
2026	(174,608)
Thereafter	(37,637)

## **X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

### **a. Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

### **b. OPEB Plan Fiduciary Net Position**

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

### **c. Benefits Provided**

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

Eligible 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 the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.



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

	TRS-Care Monthly Premiums 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	1020	999

#### **d. Contributions**

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 128,150
Current fiscal year member contributions		\$ 89,776
2020 measurement year NECE on-behalf contributions		\$ 168,562

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

#### **e. Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for member of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019, TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. 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 most recently published scale (U-MP).

<b><u>Actuarial Methods and Assumptions:</u></b>	
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
<b><u>Additional Actuarial Methods and Assumptions:</u></b>	
Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Thirty-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary Increases	3.05% to 9.05%, including inflation
Ad-hoc Post Employment	None
Benefit Changes	

**f. Discount Rate**

A single discount rate of 2.33 percent was used to measure the total OPEB Liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at a statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was 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, 2020, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**g. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of the net OPEB liability	\$ 7,528,689	\$ 6,273,919	\$ 5,282,831

**h. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At the current year-end August 31, the District reported a liability of \$6,273,919 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 6,273,919
State's proportionate share that is associated with the District	8,430,643
Total	<u>\$ 14,704,562</u>

The Net OPEB Liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

At the current year-end August 31, the employer's proportion of the collective Net OPEB Liability was 11.18%, compared to 11.11% the previous year.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 5,124,988	\$ 6,273,919	\$ 7,804,133

### **Changes Since the Prior Actuarial Valuation**

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

- The discount rate changed from 2.63 percent as of August 31, 2019, to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was (\$53,256).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 328,500	\$ 2,871,266
Changes in actuarial assumptions	386,970	1,722,851
Differences between projected and actual investment earnings	2,039	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	21	1,119,365
Contributions paid to TRS subsequent to the measurement date	128,150	
<b>Total as of fiscal year-end</b>	<b>\$ 845,680</b>	<b>\$ 5,713,482</b>

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

Fiscal year ended August 31,	OPEB Expense Amount
2022	\$ (796,657)
2023	(796,929)
2024	(797,085)
2025	(797,046)
2026	(629,468)
Thereafter	(1,178,767)

For the current year ended August 31, the District recognized OPEB expense of (\$53,256) and revenue of \$39,684 for support provided by the State.

#### **Y. TAX ABATEMENT:**

Hillsboro Independent School District has entered into an agreement with IKO Southwest, Inc. on November 10, 2014 and amended December 12, 2016.

(<https://comptroller.texas.gov/economy/local/ch313/agreement-docs.php>) The agreement was for IKO Southwest, Inc. to invest capital of \$145,950,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2021, which is year 8 for the agreement, with the M&O tax rate \$1.0417 per \$100, with property valued at \$95,223,451 without considering the limit and \$20,000,000 with the limit. When calculated, the district forgoes collecting \$740,088 in tax revenue – however, that will be offset by the increase in state funding through the FSP funding formula. In addition to the tax abatement, the IKO Southwest, Inc. has made other commitments including new qualifying jobs of 25 and non-qualifying jobs of 25.

**REQUIRED SUPPLEMENTARY INFORMATION**

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,876,665	\$ 8,406,665	\$ 8,644,399	\$ 237,734
5800 State Program Revenues	11,667,000	11,687,000	12,298,776	611,776
5900 Federal Program Revenues	290,000	431,500	325,865	(105,635)
5020 Total Revenues	19,833,665	20,525,165	21,269,040	743,875
EXPENDITURES:				
Current:				
0011 Instruction	10,848,585	11,068,585	10,905,946	162,639
0012 Instructional Resources and Media Services	227,624	227,624	220,753	6,871
0013 Curriculum and Instructional Staff Development	218,650	218,650	167,577	51,073
0021 Instructional Leadership	377,275	377,275	361,257	16,018
0023 School Leadership	1,386,510	1,506,510	1,500,045	6,465
0031 Guidance, Counseling, and Evaluation Services	407,015	427,015	398,773	28,242
0033 Health Services	181,690	201,690	178,549	23,141
0034 Student (Pupil) Transportation	488,080	538,080	502,959	35,121
0036 Extracurricular Activities	1,046,218	1,046,218	974,507	71,711
0041 General Administration	991,043	1,041,043	1,011,545	29,498
0051 Facilities Maintenance and Operations	2,445,955	2,695,955	2,334,920	361,035
0052 Security and Monitoring Services	109,900	129,900	112,741	17,159
0053 Data Processing Services	370,555	637,055	482,399	154,656
0061 Community Services	138,510	148,510	132,912	15,598
Debt Service:				
0071 Principal on Long-Term Debt	186,775	186,775	189,771	(2,996)
0072 Interest on Long-Term Debt	16,780	16,780	8,751	8,029
0073 Bond Issuance Cost and Fees	2,500	2,500	-	2,500
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	30,000	25,000	16,340	8,660
0099 Other Intergovernmental Charges	320,000	345,000	336,101	8,899
6030 Total Expenditures	19,793,665	20,840,165	19,835,846	1,004,319
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	40,000	(315,000)	1,433,194	1,748,194
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(85,000)	(77,413)	7,587
1200 Net Change in Fund Balances	40,000	(400,000)	1,355,781	1,755,781
0100 Fund Balance - September 1 (Beginning)	4,042,519	4,042,519	4,042,519	-
3000 Fund Balance - August 31 (Ending)	\$ 4,082,519	\$ 3,642,519	\$ 5,398,300	\$ 1,755,781

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.010552499%	0.012318061%	0.012205547%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,651,703	\$ 6,403,313	\$ 6,718,229
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,815,903	9,056,977	9,763,402
Total	<u>\$ 15,467,606</u>	<u>\$ 15,460,290</u>	<u>\$ 16,481,631</u>
District's Covered Payroll	\$ 13,334,439	\$ 12,872,046	\$ 12,382,259
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.38%	49.75%	54.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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



FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.01204763%		0.0119821%		0.0124074%		0.0084659%	
\$	3,852,183	\$	4,527,850	\$	4,385,851	\$	2,261,359
5,872,403		7,101,670		6,909,071		6,037,314	
\$	9,724,586	\$	11,629,520	\$	11,294,922	\$	8,298,673
\$	12,030,779	\$	11,843,324	\$	11,634,174	\$	11,266,513
32.02%		38.23%		37.70%		20.07%	
82.17%		78.00%		78.43%		83.25%	

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 449,548	\$ 435,399	\$ 431,147
Contribution in Relation to the Contractually Required Contribution	(449,548)	(435,399)	(431,147)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,811,908	\$ 13,334,439	\$ 12,872,046
Contributions as a Percentage of Covered Payroll	3.25%	3.27%	3.35%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

2018	2017	2016	2015
\$ 411,174	\$ 384,666	\$ 380,701	\$ 367,387
(411,174)	(384,666)	(380,701)	(367,387)
\$ -	\$ -	\$ -	\$ -
\$ 12,382,259	\$ 12,030,779	\$ 11,843,324	\$ 11,634,174
3.32%	3.20%	3.21%	3.16%

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.016504009%	0.017883028%	0.018074324%	0.018694132%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 6,273,919	\$ 8,457,102	\$ 9,024,675	\$ 8,129,377
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,430,643	11,237,598	10,508,426	9,296,811
Total	<u>\$ 14,704,562</u>	<u>\$ 19,694,700</u>	<u>\$ 19,533,101</u>	<u>\$ 17,426,188</u>
District's Covered Payroll	\$ 13,334,439	\$ 12,872,046	\$ 12,382,259	\$ 12,030,779
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	47.05%	65.70%	72.88%	67.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 128,150	\$ 125,442	\$ 126,920	\$ 124,684
Contribution in Relation to the Contractually Required Contribution	(128,150)	(125,442)	(126,920)	(124,684)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,811,908	\$ 13,334,439	\$ 12,872,046	\$ 12,382,259
Contributions as a Percentage of Covered Payroll	0.93%	0.94%	0.99%	1.01%

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

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

**HILLSBORO INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2021**

**A. Notes to Schedules for the TRS Pension**

**Changes of benefit terms**

In May 2019, the 86<sup>th</sup> Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the legislature approved funding for a 13<sup>th</sup> check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

**Changes of assumptions**

There were no changes to the actuarial assumptions since the prior measurement period.

**B. Notes to Schedules for the TRS OPEB Plan**

**Changes in Benefit**

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

**Changes in Assumptions**

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate was changed from 2.64 percent as of August 31, 2019, to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

**HILLSBORO INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2021**

**C. Stewardship, Compliance and Accountability**

**Budget**

The Board of Trustees (local school board) is legally required to adopt an annual budget (on a 12-month basis) for the general fund, the food service fund, and if applicable, the debt service fund. The budgets must be prepared by August 20 and adopted by the local school board before expenditures are made and, if applicable, before the tax rate for the year is set.

- The required supplementary information for the general fund budget is located in Exhibit G-1 "Budgetary Comparison Schedule – General Fund.
- The required Texas Education Agency (TEA) schedule for the food service fund is located in Exhibit J-2 "Budgetary Comparison Schedule – Child Nutrition Fund, and
- The required Texas Education Agency (TEA) schedule for the debt service fund is located in Exhibit J-3 "Budgetary Comparison Schedule – Debt Service Fund".

Once a budget is approved, it can be amended at the fund and function level only by a majority of the members of the Board of Trustees.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under State of Texas law, appropriations lapse at year end August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

It is a violation of Texas State Law for expenditures to exceed the budget in any function of the general fund, the food service fund, or the debt service fund.

**Expenditures Exceeding Appropriation**

- The current year expenditures did not exceed appropriations in the general fund as detailed in Exhibit G-1 "Budgetary Comparison Schedule -General Fund".
- The current year expenditures did not exceed appropriations in any functions in the food service fund as detailed in Exhibit J-2 "Budgetary Comparison Schedule -Child Nutrition Fund".
- The current year expenditures also did not exceed appropriations in any functions in the debt service fund as detailed in Exhibit J-3 "Budgetary Comparison Schedule -Debt Service Fund".

**OTHER SUPPLEMENTARY INFORMATION –  
COMBINING AND INDIVIDUAL SCHEDULES**



HILLSBORO INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	210,238	147,520	3,000
1000	Total Assets	<u>\$ 210,238</u>	<u>\$ 147,520</u>	<u>\$ 3,000</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ 29,658	\$ -	\$ -
2160	Accrued Wages Payable	34,320	12,081	-
2170	Due to Other Funds	142,939	134,113	3,000
2200	Accrued Expenditures	3,321	1,326	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>210,238</u>	<u>147,520</u>	<u>3,000</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3490	Other Restricted Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 210,238</u>	<u>\$ 147,520</u>	<u>\$ 3,000</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief I	270 ESEA VI, Pt B Rural & Low Income	276 Title I - SIP Academy Grant	281 ESSER -School Emergency Relief II
\$ 281,685	\$ -	\$ -	\$ 2,203	\$ -	\$ -	\$ -	\$ -
69,974	10,738	40,073	-	15,246	48,398	-	24,543
<u>\$ 351,659</u>	<u>\$ 10,738</u>	<u>\$ 40,073</u>	<u>\$ 2,203</u>	<u>\$ 15,246</u>	<u>\$ 48,398</u>	<u>\$ -</u>	<u>\$ 24,543</u>
\$ 61,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,250	1,983	-	-	-	6,389
-	10,738	36,462	-	15,246	48,398	-	18,019
-	-	361	220	-	-	-	135
-	-	-	-	-	-	-	-
<u>61,733</u>	<u>10,738</u>	<u>40,073</u>	<u>2,203</u>	<u>15,246</u>	<u>48,398</u>	<u>-</u>	<u>24,543</u>
289,926	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>289,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 351,659</u>	<u>\$ 10,738</u>	<u>\$ 40,073</u>	<u>\$ 2,203</u>	<u>\$ 15,246</u>	<u>\$ 48,398</u>	<u>\$ -</u>	<u>\$ 24,543</u>

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	282 ESSER -School Emergency Relief III	289 ESEA Title IV, Part A	410 State Instructional Materials	429 State Grow Your Own
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	32,051	18,824	97,800	4,000
1000 Total Assets	<u>\$ 32,051</u>	<u>\$ 18,824</u>	<u>\$ 97,800</u>	<u>\$ 4,000</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 14,013	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	18,038	18,824	91,282	4,000
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	-	-	6,518	-
2000 Total Liabilities	<u>32,051</u>	<u>18,824</u>	<u>97,800</u>	<u>4,000</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 32,051</u>	<u>\$ 18,824</u>	<u>\$ 97,800</u>	<u>\$ 4,000</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 112,086	\$ 395,974
-	722,405
<u>\$ 112,086</u>	<u>\$ 1,118,379</u>
\$ 7,372	\$ 112,776
-	58,023
-	541,059
-	5,363
-	6,518
<u>7,372</u>	<u>723,739</u>
-	289,926
104,714	104,714
<u>104,714</u>	<u>394,640</u>
<u>\$ 112,086</u>	<u>\$ 1,118,379</u>

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	629,060	359,834	3,000
5020 Total Revenues	629,060	359,834	3,000
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	629,060	359,834	3,000
0021 Instructional Leadership	-	-	-
0023 School Leadership	-	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0041 General Administration	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
6030 Total Expenditures	629,060	359,834	3,000
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief I	270 ESEA VI, Pt B Rural & Low Income	276 Title I - SIP Academy Grant	281 ESSER -School Emergency Relief II
\$ 115,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,823	-	-	-	-	-	-	-
1,118,952	20,591	64,439	32,743	194,651	48,398	10,000	24,543
1,239,625	20,591	64,439	32,743	194,651	48,398	10,000	24,543
-	20,591	64,339	32,743	117,738	46,987	10,000	13,525
-	-	-	-	-	-	-	5,768
-	-	-	-	-	-	-	5,250
-	-	-	-	-	1,411	-	-
1,183,239	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	100	-	-	-	-	-
-	-	-	-	76,913	-	-	-
1,183,239	20,591	64,439	32,743	194,651	48,398	10,000	24,543
56,386	-	-	-	-	-	-	-
233,540	-	-	-	-	-	-	-
\$ 289,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	282 ESSER -School Emergency Relief III	289 ESEA Title IV, Part A	410 State Instructional Materials	429 State Grow Your Own
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	132,134	134,590
5900 Federal Program Revenues	32,051	41,024	-	-
5020 Total Revenues	32,051	41,024	132,134	134,590
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	31,813	41,024	132,134	134,590
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	238	-	-	-
6030 Total Expenditures	32,051	41,024	132,134	134,590
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 86,386	\$ 202,236
-	271,547
-	2,579,286
86,386	3,053,069
-	1,637,378
-	5,768
-	5,250
-	1,411
-	1,183,239
65,435	65,435
-	100
-	77,151
65,435	2,975,732
20,951	77,337
83,763	317,303
\$ 104,714	\$ 394,640



HILLSBORO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2021

	753 Insurance Workers Comp.	799 Daycare Internal Service Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 62,414	\$ 15,135	\$ 77,549
Total Assets	<u>62,414</u>	<u>15,135</u>	<u>77,549</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	7,766	-	7,766
Accrued Wages Payable	-	14,822	14,822
Accrued Expenses	3,372	313	3,685
Total Liabilities	<u>11,138</u>	<u>15,135</u>	<u>26,273</u>
<b>NET POSITION</b>			
Restricted for Other Purposes	51,276	-	51,276
Total Net Position	<u>\$ 51,276</u>	<u>\$ -</u>	<u>\$ 51,276</u>

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

	753	799	
	Insurance	Daycare	Total
	Workers	Internal	Internal
		Service Fund	Service Funds
<b>OPERATING REVENUES:</b>			
Local and Intermediate Sources	\$ 28,635	\$ 105,572	\$ 134,207
State Program Revenues	-	13,491	13,491
Total Operating Revenues	28,635	119,063	147,698
<b>OPERATING EXPENSES:</b>			
Payroll Costs	111,029	196,476	307,505
Total Operating Expenses	111,029	196,476	307,505
Income (Loss) Before Transfers	(82,394)	(77,413)	(159,807)
Transfer In	-	77,413	77,413
Change in Net Position	(82,394)	-	(82,394)
Total Net Position - September 1 (Beginning)	133,670	-	133,670
Total Net Position - August 31 (Ending)	\$ 51,276	\$ -	\$ 51,276

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	753	799	
	Insurance	Daycare	Total
	Workers Comp.	Internal	Internal
		Service Fund	Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ -	\$ 13,491	\$ 13,491
Cash Received from Assessments - Other Funds	28,635	105,572	134,207
Cash Payments to Employees for Services	-	(197,068)	(197,068)
Cash Payments for Insurance Claims	(106,053)	-	(106,053)
Net Cash Used For Operating Activities	(77,418)	(78,005)	(155,423)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>			
Capital Contributed by Other Funds	-	77,413	77,413
Net Decrease in Cash and Cash Equivalents	(77,418)	(592)	(78,010)
Cash and Cash Equivalents at Beginning of Year	139,832	15,727	155,559
Cash and Cash Equivalents at End of Year	\$ 62,414	\$ 15,135	\$ 77,549
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Used for Operating Activities:</u>			
Operating Income (Loss):	\$ (82,394)	\$ (77,413)	\$ (159,807)
Effect of Increases and Decreases in Current			
Assets and Liabilities:			
Increase (decrease) in Accounts Payable	7,766	-	7,766
Increase (decrease) in Accrued Wages Payable	-	(597)	(597)
Increase (decrease) in Accrued Expenses	(2,790)	5	(2,785)
Net Cash Used for Operating	(77,418)	(78,005)	(155,423)
Activities	\$ (77,418)	\$ (78,005)	\$ (155,423)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>			
Cash and Cash Equivalents on Balance Sheet	\$ 62,414	\$ 15,135	\$ 77,549

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2021

	816 Private Purpose Trust Fund	817 Rene Kemp Scholarship Fund	Total Private Purpose Trust Funds
ASSETS			
Restricted Assets	\$ 29,845	\$ 22,246	\$ 52,091
Total Assets	<u>29,845</u>	<u>22,246</u>	<u>52,091</u>
NET POSITION			
Restricted for Scholarships	29,845	22,246	52,091
Total Net Position	<u>\$ 29,845</u>	<u>\$ 22,246</u>	<u>\$ 52,091</u>

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

	816 Private Purpose Trust Fund	817 Rene Kemp Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Earnings from Temporary Deposits	\$ 151	\$ 110	\$ 261
Total Additions	151	110	261
DEDUCTIONS:			
Supplies and Materials	1,600	-	1,600
Total Deductions	1,600	-	1,600
Change in Net Position	(1,449)	110	(1,339)
Net Position - September 1 (Beginning)	31,294	22,136	53,430
Net Position - August 31 (Ending)	\$ 29,845	\$ 22,246	\$ 52,091

## **REQUIRED TEA SCHEDULES**

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.150000	0.260000	504,580,551
2014	1.150000	0.260000	521,587,966
2015	1.150000	0.260000	557,301,264
2016	1.150000	0.260000	570,749,971
2017	1.150000	0.260000	597,783,415
2018	1.150000	0.260000	656,958,092
2019	1.150000	0.260000	709,087,283
2020	1.055300	0.354600	723,964,216
2021 (School year under audit)	1.041700	0.413100	753,435,504
1000 TOTALS			

\$824,481,639 is the current year assessed value for debt service or interest and sinking (I&S).  
The assessed value for maintenance and operation (M&O) is limited pursuant to Chapter 313  
of the Texas Property Tax Code.

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 138,169	\$ -	\$ 13,808	\$ 2,564	\$ (943)	\$ 120,854
19,205	-	2,577	583	(336)	15,709
24,672	-	3,697	836	(336)	19,803
32,108	-	3,671	830	(473)	27,134
31,658	-	3,701	837	(508)	26,612
42,464	-	6,002	1,357	(698)	34,407
52,401	-	10,014	2,264	(1,043)	39,080
99,304	-	31,359	7,080	1,546	62,411
277,171	-	140,755	47,141	1,880	91,155
-	11,254,471	7,662,728	3,332,829	-	258,914
<u>\$ 717,152</u>	<u>\$ 11,254,471</u>	<u>\$ 7,878,312</u>	<u>\$ 3,396,321</u>	<u>\$ (911)</u>	<u>\$ 696,079</u>



HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)		
	Original	Final				
REVENUES:						
5700	Total Local and Intermediate Sources		\$ 328,000	\$ 328,000	\$ 115,850	\$ (212,150)
5800	State Program Revenues		5,000	5,000	4,823	(177)
5900	Federal Program Revenues		972,000	972,000	1,118,952	146,952
5020	Total Revenues		1,305,000	1,305,000	1,239,625	(65,375)
EXPENDITURES:						
Current:						
0035	Food Services		1,305,000	1,305,000	1,183,239	121,761
6030	Total Expenditures		1,305,000	1,305,000	1,183,239	121,761
1200	Net Change in Fund Balances		-	-	56,386	56,386
0100	Fund Balance - September 1 (Beginning)		233,540	233,540	233,540	-
3000	Fund Balance - August 31 (Ending)		\$ 233,540	\$ 233,540	\$ 289,926	\$ 56,386

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,331,500	\$ 3,331,500	\$ 3,443,228	\$ 111,728
5800 State Program Revenues	-	-	23,183	23,183
5020 Total Revenues	3,331,500	3,331,500	3,466,411	134,911
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,150,000	2,150,000	2,150,000	-
0072 Interest on Long-Term Debt	1,179,500	1,179,500	1,178,222	1,278
0073 Bond Issuance Cost and Fees	2,000	2,000	1,250	750
6030 Total Expenditures	3,331,500	3,331,500	3,329,472	2,028
1200 Net Change in Fund Balances	-	-	136,939	136,939
0100 Fund Balance - September 1 (Beginning)	914,788	914,788	914,788	-
3000 Fund Balance - August 31 (Ending)	\$ 914,788	\$ 914,788	\$ 1,051,727	\$ 136,939

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
 STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES  
 FOR THE YEAR ENDED AUGUST 31, 2021

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**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA 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.	\$2,183,047
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$2,110,930

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**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA 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 LEA's fiscal year.	\$142,944
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$548,647

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

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# James E. Rodgers and Company, P.C.

## Certified Public Accountants

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Richard E. Rodgers CPA • Gerald L. Rodgers CPA

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January 10, 2022

### 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*

#### Independent Auditor's Report

To the Board of Trustees  
Hillsboro Independent School District  
Hillsboro, Texas 76645

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hillsboro Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Hillsboro Independent School District's basic financial statements, and have issued our report thereon dated January 10, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hillsboro Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Hillsboro Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hillsboro Independent School District's internal control.

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

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

# James E. Rodgers and Company, P.C.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hillsboro Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



James E. Rodgers and Company, P.C.

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# James E. Rodgers and Company, P.C.

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January 10, 2022

### Single Audit Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance

#### Independent Auditor's Report

To the Board of Trustees  
Hillsboro Independent School District  
Hillsboro, Texas 76645

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

We have audited Hillsboro Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hillsboro Independent School District's major federal programs for the year ended August 31, 2021. Hillsboro Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

#### Opinion on Each Major Federal Program

In our opinion, Hillsboro Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

# James E. Rodgers and Company, P.C.

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## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and therefore, are not described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Hillsboro Independent School District's response is not required since noncompliance findings were not identified in our audit and are not described in the accompanying schedule of findings and questioned costs. Hillsboro Independent School District's response if required would not have been subjected to the auditing procedures applied in the audit of compliance and, accordingly, we would not have expressed an opinion on the response.

## Report on Internal Control Over Compliance


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

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

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

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

Respectfully submitted,



James E. Rodgers and Company, P.C.



# James E. Rodgers and Company, P.C.

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### HILLSBORO INDEPENDENT SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2021

#### I. Summary of the Auditor's Results:

1.	The type of auditor's report opinion on whether the financial statements of the District were prepared in accordance with GAAP (generally accepted accounting standards):	Unmodified	
2.	Internal control over financial reporting during the audit of the financial statements:		
(a)	Significant deficiencies in internal control identified that are not considered to be material weaknesses.		No
(b)	Material weaknesses identified.		No
3.	Noncompliance, which is material to the financial statements.		No
4.	Internal Control over major federal programs:		
(a)	Significant deficiencies in internal control identified that are not considered to be material weaknesses.		No
(b)	Material weaknesses identified.		No
5.	Type of auditor's report opinion on compliance with major programs.	Unmodified	
6.	Audit findings that are required to report under Uniform Guidance 2 CFR Section 200.516(a).		No
7.	Identification of programs tested as major programs: • <b>Child Nutrition Cluster</b> School Breakfast Program – CFDA 10.553 National School Lunch Program – CFDA 10.555 Child & Adult Care Food Program – Cash Assistance – CFDA 10.558 Summer Feeding Program – Cash Assistance – CFDA 10.559		
8.	Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000	
9.	District qualified as a low-risk auditee.	Yes	

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

##### Finding 2021-001:

a.	Condition:	None Identified
b.	Criteria:	N/A
c.	Cause:	N/A
d.	Effect:	N/A
e.	Recommendation:	N/A
f.	District Response:	N/A

**HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**III. Findings and Questioned Costs Related to the Federal Awards**

**Finding 2021-002:**

a.	Condition:	<b>None Identified</b>
b.	Criteria:	N/A
c.	Cause:	N/A
d.	Effect:	N/A
e.	Recommendation:	N/A
f.	District Response:	N/A

---

**SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**Finding 2020-001:** The District had no findings during the previous year.



**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021**

The name of the contact person responsible for corrective action:

**David Timmons, Assistant Superintendent of Finance or**

**Vicki Adams, Superintendent**

**District Phone Number: 254-582-8585.**

**The corrective action for Finding 2021-001:**

N/A. The District had no findings for the current year.

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610141109904	\$ 591,420
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101109904	37,640
Total Assistance Listing Number 84.010A			629,060
*IDEA - Part B, Formula	84.027	206600011099046000	2,289
*IDEA - Part B, Formula	84.027	216600011099046000	357,545
Total Assistance Listing Number 84.027			359,834
Total Special Education Cluster (IDEA)			362,834
Career and Technical - Basic Grant	84.048	21420006109904	20,591
*IDEA - Part B, Preschool	84.173	216610011099046000	3,000
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001109904	11,701
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001109904	36,697
Total Assistance Listing Number 84.358B			48,398
Title III, Part A - English Language Acquisition	84.365A	20671001109904	7,479
Title III, Part A - English Language Acquisition	84.365A	21671001109904	25,264
Total Assistance Listing Number 84.365A			32,743
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501109904	64,439
Title I SIP Academy Grant	84.377A	17610740109904	10,000
Elementary & Secondary School Emergency Relief Fd	84.425D	21521001109904	194,651
Elementary Secondary School Emergency Relief II	84.425D	21521001109904	24,543
Elementary Secondary School Emergency Relief III	84.425U	21521001109904	32,051
Total Assistance Listing Number 84.425			251,245
ESEA Title IV, Part A	84.424A	20680101109904	18,824
ESEA Title IV, Part A	84.424A	21680101109904	22,200
Total Assistance Listing Number 84.424A			41,024
Total Passed Through State Department of Education			1,460,334
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,460,334</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00072	18,555
Total Passed Through Texas Dept of Human Services			18,555
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>18,555</b>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

HILLSBORO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	270,296
*National School Lunch Program - Cash Assistance	10.555	71302101	700,270
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302101	73,278
Total Assistance Listing Number 10.555			773,548
*Summer Feeding Program - Cash Assistance	10.559	71302101	23,071
Total Child Nutrition Cluster			1,066,915
Child & Adult Care Food Program - Cash Assistance	10.558	00582	52,037
Total Passed Through the State Department of Agriculture			1,118,952
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			1,118,952

**TOTAL EXPENDITURES OF FEDERAL AWARDS**

\$ 2,597,841

\*Clustered Programs

Non-Grant federal program revenue for the current year included SHARS' receipts of \$307,310. The District did not make payments to sub-recipients during the current year.

**HILLSBORO INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2021**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.
3. The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.
4. Federal grant funds are recorded as earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
5. The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.

**6. Indirect Costs**

The District did not elect to use a de minimis cost rate of 10% as described at 2CFR §200.414(f) – Indirect (F&A) Costs.

**7. Reconciliation of Federal Awards**

The following is a reconciliation of expenditures of federal awards in the SEFA and federal program Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental funds.

Federal program revenues per Exhibit C-3	\$ <u>2,905,151</u>
School Health & Related Services (SHARS) & CARES Act Vendor Reimbursement not reported to the SEFA	\$ <u>307,310</u>
Total federal expenditures on Exhibit K-1	\$ <u>2,597,841</u>

8. The District did not make payments to subrecipients during the current year

## SCHOOLS FIRST QUESTIONNAIRE

EXHIBIT L-1

HILLSBORO INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2021

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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?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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 school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$5,431,347