

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2020

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Hallsville Independent School District
Name of School District

Harrison
County

102-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 19th day of January, 2021.

(s) Troy Crafton
Signature of Board Secretary

(s) Jay Nelson
Signature of Board President

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

Members of the Board:

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 Hallsville Independent School District (the District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 14 and Exhibits G-1 to G-5 on pages 53 to 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules, Exhibits J-1, J-2, and J-3, 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 Regulation, 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 nonmajor fund financial statements, TEA required schedules, and the schedule of expenditures of federal awards (SEFA) 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 nonmajor fund financial statements, TEA required schedules, and the SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ameyres, Johnson, Ameyres & Co. LLP
Certified Public Accountants

Tyler, Texas
January 19, 2021

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hallsville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditor's report, and the District's financial statements that follow this section.

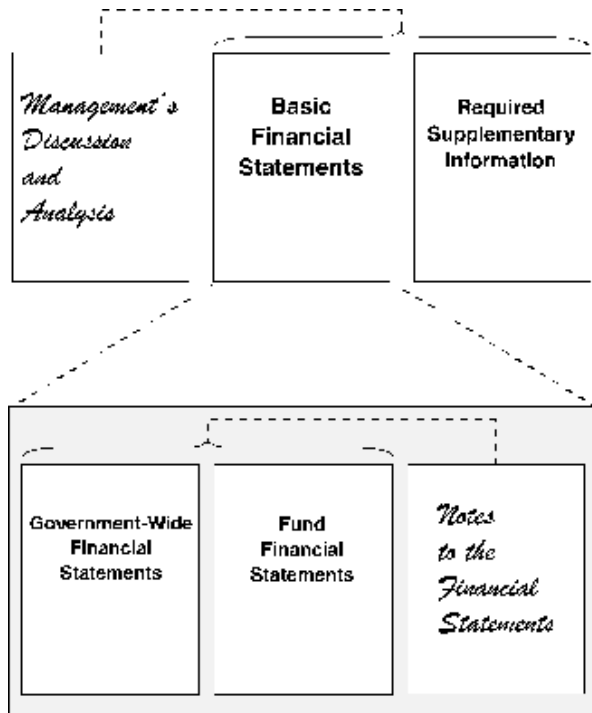
FINANCIAL HIGHLIGHTS

- The District's net position as of 8-31-2020 was \$46,833,399.
- During the year, the District had general fund expenditures of \$91,284,705 and revenues of \$96,514,639 for a net excess of \$5,229,934.
- The General Fund ended the year with a fund balance of \$18,715,061.

USING THIS ANNUAL REPORT

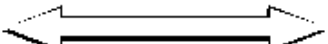
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property 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. The 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 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.

Summary  Detail

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities – Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position includes all the District's assets, liabilities, and deferred outflows and inflows of resources 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 statements 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 various sources to assist certain segments of children (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 it. The District's net position (the difference between assets/deferred outflows and liabilities/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.

The District only has governmental activities to report in the government wide financial statements. The District has no business-type activities and no component units for which it is financially accountable.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds and the District's administration establishes other funds to help it control and manage money for particular purposes.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These 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 reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and administrative personnel. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. 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

Comparative government-wide financial information serves as a useful indicator of the government's financial position. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The District has no business-type activities.

Net Position

Table I shows the comparative Net Position of Hallsville ISD as of August 31, 2020 and August 31, 2019. Net Position of the District's governmental activities is \$46,833,399, an increase of 22.3%. Of the Net Position amount, \$53,415,171 is net investment in capital assets. The increase in the net investment in capital assets category is due to the acquisition of capital assets in excess of the amount of depreciation during the year. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The resources to repay the related debt are acquired through taxes. The restricted asset balance of \$2,499,520 represents amounts in the debt service, campus activities, state grants, and school nutrition accounts that are legally restricted for specific purposes.

Unrestricted net position totaled (\$9,081,292) at August 31, 2020 compared to (\$12,291,696) at August 31, 2019. These assets represent resources available for future operations, long-term commitments and emergencies of the District. Unrestricted net position reflects a deficit, which is primarily due to reporting the District's proportionate share of the net OPEB liability, related to GASB Statement 75 implemented in the prior year. The total liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Table I
NET POSITION
Governmental Funds

| | <u>2020</u> | <u>2019</u> | <u>% Change</u> |
|---|-----------------------------|-----------------------------|-----------------|
| Current and Other Assets | \$ 115,709,789 | \$ 46,525,804 | 149% |
| Capital Assets | 110,802,480 | 109,661,638 | 1% |
| Deferred Outflows of Resources | 6,685,033 | 7,575,877 | -12% |
| Total Assets/Deferred Outflows of Resources | <u>\$ 233,197,302</u> | <u>\$ 163,763,319</u> | 42% |
| Long-term Liabilities | \$ 125,563,036 | \$ 85,735,108 | 46% |
| Other Liabilities | 49,971,746 | 32,710,438 | 53% |
| Deferred Inflows of Resources | 10,829,121 | 7,033,817 | 54% |
| Total Liabilities/Deferred Inflows of Resources | <u>\$ 186,363,903</u> | <u>\$ 125,479,363</u> | 49% |
| Net Investment in Capital Assets | \$ 53,415,171 | \$ 46,021,456 | 16% |
| Restricted | 2,499,520 | 4,554,196 | -45% |
| Unrestricted | (9,081,292) | (12,291,696) | -26% |
| Total Net Position | <u><u>\$ 46,833,399</u></u> | <u><u>\$ 38,283,956</u></u> | 22% |

Changes in Net Position

Table II presents a comparative summary of the revenues, expenses, and changes in net position for the year ended August 31, 2020 and August 31, 2019.

Table II
CHANGES IN NET POSITION
Governmental Funds

| | <u>2020</u> | <u>2019</u> | <u>% Change</u> |
|--|-----------------------|----------------------|-----------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 5,133,920 | \$ 4,657,263 | 10% |
| Operating grants and contributions | 8,440,517 | 7,337,124 | 15% |
| General revenues: | | | |
| Maintenance and operations taxes | 25,995,664 | 26,504,503 | -2% |
| Debt service taxes | 8,846,093 | 8,410,093 | 5% |
| State Aid and grants and contributions not restricted to specific functions | 64,725,300 | 38,658,374 | 67% |
| Investment earnings | 906,582 | 553,523 | 64% |
| Miscellaneous local and intermediate revenue and special items | 717,079 | 603,062 | 19% |
| Total Revenue | <u>\$ 114,765,155</u> | <u>\$ 86,723,942</u> | <u>32%</u> |
| Expenses: | | | |
| Instruction, curriculum and media services | \$ 79,614,486 | \$ 56,890,916 | 40% |
| Instructional and school leadership | 3,965,393 | 3,485,984 | 14% |
| Student support services | 4,786,329 | 4,208,064 | 14% |
| Child nutrition | 1,683,666 | 1,996,817 | -16% |
| Extracurricular activities | 1,752,986 | 2,186,612 | -20% |
| General Administration | 2,422,649 | 2,004,515 | 21% |
| Plant maintenance, security & data processing | 6,589,948 | 5,720,292 | 15% |
| Community services | 4,405 | 8,356 | -47% |
| Debt service | 3,501,180 | 3,552,598 | -1% |
| Capital Outlay | 1,261,977 | - | 0% |
| Payments to member districts | - | 331,603 | -100% |
| Other intergovernmental charges | 632,693 | 639,570 | -1% |
| Total Expenses | <u>\$ 106,215,712</u> | <u>\$ 81,025,327</u> | <u>31%</u> |
| Increase/(Decrease) in net position | <u>\$ 8,549,443</u> | <u>\$ 5,698,615</u> | |

The main sources of revenue for the District are property taxes and state funds. Property taxes for the general operations and debt service operations represent 30.36% of the government wide resources. The percentage of total funding provided by property taxes decreased by 9.89%, down from 40.25% in 2018-19 to 30.36% in 2019-20. This percentage decrease was due to an increase in funding from state revenue and operating grants and contributions, which was generated primarily by the \$5,650,831 virtual school ADA earned in 2019-20, which was an increase of \$1,893,082 over the virtual ADA earned in 2018-19. The total tax rate for 2019-20 was \$1.30, with \$0.97 for maintenance and operations and \$0.33 for debt service. This tax rate was down \$0.07 from the previous year 2018-19, which was \$1.37, with \$1.04 for maintenance and operations and \$0.33 for debt service. This decrease was caused primarily by the compression of the maintenance and operations rate, as mandated by the HB3 legislation passed and effective for the 2019-20 fiscal year.

As shown in Table II, the cost of all governmental activities this year was \$106,215,712. This is an overall increase from the previous year. The district expenses increased in most areas due to the continued growth of the virtual school campus, which began in 2018-19, as well as several capital expenditure projects being completed during the year.

The largest expenses of the District were for instruction, curriculum and media services. Expenses for these areas constitute over 74.96% of the total expenses of the district, an increase of 4.76%. This increase is primarily due to the expenses related to the virtual school campus, the enrollment and operations of which grew from the prior year.

Other expenditure categories which had increases from the prior year due to the new virtual school campus were Instructional and School Leadership, Student Support Services and General Administration.

The 100% decrease in Payments to Member Districts is due to the district's final distribution in 2018-19 of fund balance to its membership of the Special Education Shared Services Arrangement, which ended at the end of 2017-18.

For 2019-20 the statements reflect an increase in net position of \$8,549,443.

THE DISTRICT'S FUNDS

Governmental fund reporting focuses primarily on the sources, uses and balances of current financial resources. The general fund and the debt service fund are the major funds of the District. All other governmental funds are combined in the statements. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance use the modified accrual basis of accounting for the governmental funds of the District.

As the District completed the year, its governmental funds reported a combined fund balance of \$71,569,290, which is an increase from last year's total of \$17,780,680. The increase included a decrease of \$1,930,437 in the debt service fund, a decrease in other funds of \$124,239, and an increase in the general fund of \$5,488,577. The most significant increase of fund balance compared to the prior year was in the Capital Projects Fund, which had fund balance of \$50,354,709, generated in 2019-20 from the bonds issued and sold during the year, following the successful bond election in November 2019. The total unassigned fund balance in the general fund is \$16,448,427. Other fund balances to note in the report include \$366,583 restricted for federal and state grant funds, \$1,491,782 restricted for debt service, \$1,948,496 committed for construction and capital expenditures for equipment, and \$563,674 committed to campus activity and other groups.

Total governmental funds expenditures for the year ended August 31, 2020 increased to \$115,245,057. Table III shows a comparison of the expenditures for the years ended August 31, 2020 and August 31, 2019.

Table III
GOVERNMENTAL FUND (MODIFIED ACCRUAL BASIS) EXPENDITURES

| | <u>2020</u> | <u>2019</u> | <u>% Change</u> |
|---|-----------------------|----------------------|-----------------|
| Instruction, curriculum and media services | \$ 75,136,819 | \$ 54,623,247 | 38% |
| Instructional and school leadership | 3,369,803 | 3,155,372 | 7% |
| Student support services | 5,931,912 | 4,805,162 | 23% |
| School Nutrition | 1,592,636 | 1,984,381 | -20% |
| Cocurricular activities | 1,718,600 | 2,107,444 | -18% |
| General administration | 2,126,547 | 1,833,136 | 16% |
| Plant maintenance, security & data processing | 6,933,384 | 5,940,188 | 17% |
| Community services | 4,405 | 8,356 | -47% |
| Debt service | 14,245,684 | 8,521,564 | 67% |
| Facilities acquisition and construction | 3,552,574 | 1,484,282 | 139% |
| Payments to fiscal agent | - | 331,603 | -100% |
| Other Intergovernmental Charges | 632,693 | 639,570 | -1% |
| Total Expenditures | <u>\$ 115,245,057</u> | <u>\$ 85,434,305</u> | 35% |

The overall change in expenditures in the governmental fund financial statements was 35% for the 2019-20 year.

A major difference between the expenditures as reported on Table II and Table III is the treatment of expenditures related to fixed assets and debt service. On the modified accrual basis (Table III) long-term assets show up as expenditures. When these records are converted to full accrual (Table II) these items are de-expended and capitalized as assets on the balance sheet and depreciation is recorded to expense the items over the useful life of the asset. For long-term debt, on the modified accrual basis, debt principal and interest are recorded as expenditures while on the full accrual basis the principal payments are de-expended during the conversion, leaving only interest as an expenditure.

The difference in the treatment of fixed asset purchases between the two methods accounts for many of the differences between the absolute and percentage changes among the various categories on Tables II and III.

The explanation for the changes in the other categories mirror the explanations in the government wide section of the report and therefore the explanations contained in that section of this report are applicable to this section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. The budget was amended to:

- Provide for additional district security and emergency response expenditures.
- Provide for payroll allocations between functions.
- Provide for the receipt of monetary and in-kind donations and related expenditures of pavilions at the tennis court and cross country trail locations, and for athletic storage container.
- Provide for the receipt of insurance claim proceeds and related expenditure to replace damaged band instruments.
- Provide for additional transportation costs and bus A/C upgrades, from bus auction proceeds.
- Provide for funds to purchase 0.6 acre parcel of land adjacent to new elementary construction site.
- Provide for costs for lease agreements for white fleet vehicles and Chromebooks devices, the latter of which were subsequently delayed into the 2020-21 year, due to COVID-19 global supply and delivery delays.
- Provide for budgeted funds for food service revenues and related expenditures from the Summer Seamless Option for accounting for Child Nutrition operations during the COVID-19 school closure period.
- To provide for budgeted revenues and expenditures for the capital projects fund, following the successful November 2019 bond election, and the bond sale and receipt of bond proceeds in February 2020, for projects established by and in accordance with terms of the bond approved by the tax payers.
- To provide increased FSP state funding and related contracted services expenditures generated by the TVAH Virtual Academy final 2019-20 student completions.
- To provide for additional costs in the debt service fund, related to bond sale and issuance transactions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019-20, the District had \$165,283,706 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, technology, and maintenance. This amount represents a net increase of \$4,356,520. This increase primarily includes the purchase of 18 new school buses, band instruments, 0.6 acre land purchase, parking lot and road paving, new football turf and track, and construction in progress costs related to the two bond construction projects for a new Elementary School and High School Auditorium, both of which are scheduled for completion in the 2021-22 fiscal year. More detailed information about the District's capital assets is presented in Note III, Section E to the financial statements.

Debt

At year-end, the District had \$94,325,000 in bonds outstanding versus \$63,410,000 last year. Debt activity for the year included bond premium amortization. Other obligations include \$62,626 in outstanding notes payable. More detailed information about the District's long-term liabilities is presented in Note III, Section F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2020-21 budget and tax rates. The funding formula implemented by the 86th Legislature's passage of HB3 was used for developing the 2020-21 budget.

The District adopted, as of August 2020, a general fund expenditure budget of \$111,965,822. This is an increase of \$12,939,752 from the 2019-20 expenditure budget. This increase is largely attributed to the \$12,287,716 increase in the enrollment and contracted services expenditures related to the virtual school operations expected. Consideration was made to conservatively, yet realistically, budget for the revenues to be generated by the 2020-21 virtual school operations and these related expenditures. The 2020-21 year will be the third year of the contract with K12 Virtual Schools LLC, and during 2019-20, this contract was renewed for a ten year period. As in the previous years, and as the 2020-21 year progresses, virtual school enrollment and related ADA levels will be closely monitored to determine any budget amendments that may be necessary.

The District's budgeting approach will remain conservative, but excellence for all students will remain the primary goal.

The refined average daily attendance used for estimating 2020-21 revenues was 12,160. The District's average daily attendance has increased, with stable attendance over the past 5 years for the resident student ADA remaining around 4,700, and with significant growth expected from the virtual student ADA to be 7,500, up from 5,700 in 2019-20. The ADA of the district will be closely monitored during the 2020-21 school year and appropriate budget adjustments will be made for any increase or decrease during the year, especially as it relates to virtual school ADA. The District will also continue to accept transfer students during the 2020-21 fiscal year.

The certified appraisal rolls, as determined by Harrison Central Appraisal District for Hallsville ISD, indicated a 0.95% increase for the 2020-21 school year. The district assessed a maintenance and operations (M&O) tax rate of \$0.9664 and a debt service tax rate of \$0.284 for the 2020-21 budget. A budget with general fund revenues of \$111,806,377 was adopted for the maintenance and operations of the district for 2020-21.

Every effort was made during the budget process to provide for an excellent education to the students of Hallsville ISD, and to ensure the education they receive is a source of pride for the staff, parents, students and community. The dedicated employees of Hallsville ISD will continue to strive to provide a high quality of education to the students of the District.

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 Hallsville Independent School District, P.O. Box 810, Hallsville, Texas, 75650.

BASIC FINANCIAL STATEMENTS

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

| Data | Primary Government |
|--|-----------------------------|
| Control | Governmental |
| Codes | Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 102,816,841 |
| 1120 Current Investments | 2,132,035 |
| 1220 Property Taxes - Delinquent | 1,257,524 |
| 1230 Allowance for Uncollectible Taxes | (40,057) |
| 1240 Due from Other Governments | 9,178,124 |
| 1290 Other Receivables, Net | 12,128 |
| 1300 Inventories | 226,148 |
| 1410 Prepayments | 127,046 |
| Capital Assets: | |
| 1510 Land | 4,939,321 |
| 1520 Buildings, Net | 100,118,240 |
| 1530 Furniture and Equipment, Net | 4,172,762 |
| 1580 Construction in Progress | 1,572,157 |
| 1000 Total Assets | <u>226,512,269</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge for Refunding | 120,728 |
| 1705 Deferred Outflow Related to TRS Pension | 4,815,786 |
| 1706 Deferred Outflow Related to TRS OPEB | 1,748,519 |
| 1700 Total Deferred Outflows of Resources | <u>6,685,033</u> |
| LIABILITIES | |
| 2110 Accounts Payable | 1,094,831 |
| 2140 Interest Payable | 182,451 |
| 2150 Payroll Deductions and Withholdings | 356,688 |
| 2160 Accrued Wages Payable | 2,684,276 |
| 2200 Accrued Expenses | 38,548,754 |
| 2300 Unearned Revenue | 238,482 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 6,866,264 |
| 2502 Due in More Than One Year | 102,022,070 |
| 2540 Net Pension Liability (District's Share) | 9,148,166 |
| 2545 Net OPEB Liability (District's Share) | 14,392,800 |
| 2000 Total Liabilities | <u>175,534,782</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 2,327,890 |
| 2606 Deferred Inflow Related to TRS OPEB | 8,501,231 |
| 2600 Total Deferred Inflows of Resources | <u>10,829,121</u> |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 53,415,171 |
| 3820 Restricted for Federal and State Programs | 444,064 |
| 3850 Restricted for Debt Service | 1,491,782 |
| 3870 Restricted for Campus Activities | 563,674 |
| 3900 Unrestricted | (9,081,292) |
| 3000 Total Net Position | <u><u>\$ 46,833,399</u></u> |

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------|------------------|-----------------------------|--|
| | | 3 | 4 | |
| | | Charges for | Operating | Primary Gov. |
| | Expenses | Services | Grants and Contributions | Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 78,682,501 | \$ 3,789,059 | \$ 4,828,926 | \$ (70,064,516) |
| 12 Instructional Resources and Media Services | 696,782 | 35,047 | 60,080 | (601,655) |
| 13 Curriculum and Instructional Staff Development | 235,203 | - | 144,056 | (91,147) |
| 21 Instructional Leadership | 1,355,201 | 75,234 | 167,230 | (1,112,737) |
| 23 School Leadership | 2,610,192 | 55,635 | 251,836 | (2,302,721) |
| 31 Guidance, Counseling and Evaluation Services | 2,017,716 | 79,514 | 700,678 | (1,237,524) |
| 32 Social Work Services | 99,394 | - | 8,135 | (91,259) |
| 33 Health Services | 595,101 | - | 67,555 | (527,546) |
| 34 Student (Pupil) Transportation | 2,074,118 | - | 367,742 | (1,706,376) |
| 35 Food Services | 1,683,666 | 421,364 | 1,078,841 | (183,461) |
| 36 Extracurricular Activities | 1,752,986 | 372,849 | 75,620 | (1,304,517) |
| 41 General Administration | 2,422,649 | 305,218 | 166,213 | (1,951,218) |
| 51 Facilities Maintenance and Operations | 5,288,836 | - | 290,708 | (4,998,128) |
| 52 Security and Monitoring Services | 616,179 | - | 177,941 | (438,238) |
| 53 Data Processing Services | 684,933 | - | 50,901 | (634,032) |
| 61 Community Services | 4,405 | - | 4,055 | (350) |
| 72 Debt Service - Interest on Long-Term Debt | 2,591,046 | - | - | (2,591,046) |
| 73 Debt Service - Bond Issuance Cost and Fees | 910,134 | - | - | (910,134) |
| 81 Capital Outlay | 1,261,977 | - | - | (1,261,977) |
| 99 Other Intergovernmental Charges | 632,693 | - | - | (632,693) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 106,215,712 | \$ 5,133,920 | \$ 8,440,517 | (92,641,275) |

| Data Control Codes | | General Revenues: Taxes: | |
|--------------------------|--|-----------------------------|---------------|
| | | | |
| MT | Property Taxes, Levied for General Purposes | | 25,995,664 |
| DT | Property Taxes, Levied for Debt Service | | 8,846,093 |
| SF | State Aid - Formula Grants | | 63,793,574 |
| GC | Grants and Contributions not Restricted | | 931,726 |
| IE | Investment Earnings | | 906,582 |
| MI | Miscellaneous Local and Intermediate Revenue | | 576,019 |
| SI | Special Item - | | 141,060 |
| TR | Total General Revenues and Special Items | | 101,190,718 |
| CN | Change in Net Position | | 8,549,443 |
| NB | Net Position - Beginning | | 38,283,956 |
| NE | Net Position - Ending | | \$ 46,833,399 |

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 49,406,758 | \$ 1,379,871 | \$ 50,917,810 |
| 1120 Investments - Current | 2,132,035 | - | - |
| 1220 Property Taxes - Delinquent | 957,024 | 300,500 | - |
| 1230 Allowance for Uncollectible Taxes | (30,715) | (9,342) | - |
| 1240 Due from Other Governments | 8,561,636 | 125,401 | - |
| 1260 Due from Other Funds | 329,686 | - | - |
| 1290 Other Receivables | - | - | - |
| 1300 Inventories | 141,092 | - | - |
| 1410 Prepayments | 127,046 | - | - |
| 1000 Total Assets | <u>\$ 61,624,562</u> | <u>\$ 1,796,430</u> | <u>\$ 50,917,810</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 353,869 | \$ - | \$ 555,101 |
| 2150 Payroll Deductions and Withholdings Payable | 343,359 | - | - |
| 2160 Accrued Wages Payable | 2,591,381 | - | - |
| 2170 Due to Other Funds | - | 13,489 | 8,000 |
| 2200 Accrued Expenditures | 38,548,754 | - | - |
| 2300 Unearned Revenue | 145,829 | - | - |
| 2000 Total Liabilities | <u>41,983,192</u> | <u>13,489</u> | <u>563,101</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 926,309 | 291,159 | - |
| 2600 Total Deferred Inflows of Resources | <u>926,309</u> | <u>291,159</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | 141,092 | - | - |
| 3430 Prepaid Items | 127,046 | - | - |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3470 Capital Acquisition and Contractual Obligation | - | - | 50,354,709 |
| 3480 Retirement of Long-Term Debt | - | 1,491,782 | - |
| Committed Fund Balance: | | | |
| 3510 Construction | 1,899,387 | - | - |
| 3530 Capital Expenditures for Equipment | 49,109 | - | - |
| 3545 Other Committed Fund Balance | 50,000 | - | - |
| 3600 Unassigned Fund Balance | 16,448,427 | - | - |
| 3000 Total Fund Balances | <u>18,715,061</u> | <u>1,491,782</u> | <u>50,354,709</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 61,624,562</u> | <u>\$ 1,796,430</u> | <u>\$ 50,917,810</u> |

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

| | | Total | |
|-------|-----------|--------------|-------------|
| Other | | Governmental | |
| Funds | | Funds | |
| \$ | 1,112,402 | \$ | 102,816,841 |
| | - | | 2,132,035 |
| | - | | 1,257,524 |
| | - | | (40,057) |
| | 491,087 | | 9,178,124 |
| | - | | 329,686 |
| | 12,128 | | 12,128 |
| | 85,056 | | 226,148 |
| | - | | 127,046 |
| \$ | 1,700,673 | \$ | 116,039,475 |
| \$ | 185,861 | \$ | 1,094,831 |
| | 13,329 | | 356,688 |
| | 92,895 | | 2,684,276 |
| | 308,197 | | 329,686 |
| | - | | 38,548,754 |
| | 92,653 | | 238,482 |
| | 692,935 | | 43,252,717 |
| | - | | 1,217,468 |
| | - | | 1,217,468 |
| | 77,481 | | 218,573 |
| | - | | 127,046 |
| | 366,583 | | 366,583 |
| | - | | 50,354,709 |
| | - | | 1,491,782 |
| | - | | 1,899,387 |
| | - | | 49,109 |
| | 563,674 | | 613,674 |
| | - | | 16,448,427 |
| | 1,007,738 | | 71,569,290 |
| \$ | 1,700,673 | \$ | 116,039,475 |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020

| | |
|--|-----------------------------|
| Total Fund Balances - Governmental Funds (from Exhibit C-1) | \$ 71,569,290 |
| Capital assets used in governmental activities are not reported in the funds. | 110,802,480 |
| Net property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 1,217,468 |
| Payables for bond principal which are not due in the current period are not reported in the funds | (94,325,000) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (182,451) |
| Payables for notes which are not due in the current period are not reported in the funds. | (62,626) |
| Payables for contracts which are not due in the current period are not reported in the funds. | (14,500,708) |
| The deferred loss on defeasance of debt is not reported in the funds. | 120,728 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (9,148,166) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (14,392,800) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (2,327,890) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (8,501,231) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 4,815,786 |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 1,748,519 |
| Net Position of Governmental Activities - Statement of Net Position (see Exhibit A-1) | <u><u>\$ 46,833,399</u></u> |

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 31,258,307 | \$ 8,935,140 | \$ 274,371 |
| 5800 State Program Revenues | 64,325,665 | 1,854,804 | - |
| 5900 Federal Program Revenues | 930,667 | - | - |
| 5020 Total Revenues | 96,514,639 | 10,789,944 | 274,371 |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 71,848,271 | - | 205,638 |
| 0012 Instructional Resources and Media Services | 596,852 | - | - |
| 0013 Curriculum and Instructional Staff Development | 90,343 | - | - |
| 0021 Instructional Leadership | 1,089,474 | - | - |
| 0023 School Leadership | 2,217,308 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 1,120,127 | - | - |
| 0032 Social Work Services | 83,416 | - | - |
| 0033 Health Services | 513,731 | - | - |
| 0034 Student (Pupil) Transportation | 2,278,072 | - | 1,161,450 |
| 0035 Food Services | 4,772 | - | - |
| 0036 Extracurricular Activities | 1,254,152 | - | - |
| 0041 General Administration | 2,126,547 | - | - |
| 0051 Facilities Maintenance and Operations | 5,763,406 | - | - |
| 0052 Security and Monitoring Services | 422,376 | - | - |
| 0053 Data Processing Services | 619,642 | - | - |
| 0061 Community Services | 350 | - | - |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 566,130 | 9,075,000 | - |
| 0072 Interest on Long-Term Debt | 56,322 | 3,672,498 | - |
| 0073 Bond Issuance Cost and Fees | 721 | 875,013 | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | - | - | 3,552,574 |
| Intergovernmental: | | | |
| 0099 Other Intergovernmental Charges | 632,693 | - | - |
| 6030 Total Expenditures | 91,284,705 | 13,622,511 | 4,919,662 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 5,229,934 | (2,832,567) | (4,645,291) |
| OTHER FINANCING SOURCES (USES): | | | |
| 7901 Refunding Bonds Issued | - | 39,325,000 | - |
| 7911 Capital Related Debt Issued | - | - | 55,000,000 |
| 7912 Sale of Real and Personal Property | 135,657 | - | - |
| 7915 Transfers In | 12,698 | - | - |
| 7916 Premium or Discount on Issuance of Bonds | - | 15,576,925 | - |
| 7949 Other Resources | 110,288 | - | - |
| 8911 Transfers Out (Use) | - | - | - |
| 8940 Payment to Bond Refunding Escrow Agent (Use) | - | (53,999,795) | - |
| 7080 Total Other Financing Sources (Uses) | 258,643 | 902,130 | 55,000,000 |
| 1200 Net Change in Fund Balances | 5,488,577 | (1,930,437) | 50,354,709 |
| 0100 Fund Balance - September 1 (Beginning) | 13,226,484 | 3,422,219 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 18,715,061 | \$ 1,491,782 | \$ 50,354,709 |

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

| | Other Funds | Total Governmental Funds |
|----|----------------|--------------------------------|
| \$ | 1,138,593 | \$ 41,606,411 |
| | 1,060,759 | 67,241,228 |
| | 3,107,286 | 4,037,953 |
| | 5,306,638 | 112,885,592 |
| | 2,240,290 | 74,294,199 |
| | 13,847 | 610,699 |
| | 141,578 | 231,921 |
| | 62,300 | 1,151,774 |
| | 721 | 2,218,029 |
| | 589,136 | 1,709,263 |
| | - | 83,416 |
| | - | 513,731 |
| | 185,980 | 3,625,502 |
| | 1,587,864 | 1,592,636 |
| | 464,448 | 1,718,600 |
| | - | 2,126,547 |
| | - | 5,763,406 |
| | 127,960 | 550,336 |
| | - | 619,642 |
| | 4,055 | 4,405 |
| | - | 9,641,130 |
| | - | 3,728,820 |
| | - | 875,734 |
| | - | 3,552,574 |
| | - | 632,693 |
| | 5,418,179 | 115,245,057 |
| | (111,541) | (2,359,465) |
| | - | 39,325,000 |
| | - | 55,000,000 |
| | - | 135,657 |
| | - | 12,698 |
| | - | 15,576,925 |
| | - | 110,288 |
| | (12,698) | (12,698) |
| | - | (53,999,795) |
| | (12,698) | 56,148,075 |
| | (124,239) | 53,788,610 |
| | 1,131,977 | 17,780,680 |
| \$ | 1,007,738 | \$ 71,569,290 |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
AUGUST 31, 2020

| | |
|--|----------------------------|
| Net Change in Fund Balances - Governmental Funds (from Exhibit C-3) | \$ 53,788,610 |
| Capital outlays are not reported as expenses in the Statement of Activities (SOA). | 5,088,807 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (3,843,080) |
| The gain or loss on the sale of capital assets is not reported in the funds. | (104,885) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (142,490) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 9,580,000 |
| Bond issuance costs and similar items in the SOA but not in the funds. | (34,400) |
| New general obligation bond issuance, premiums on the issuance, and prepaid interest in the amount of \$109,901,925 and the refunding of a bond issue in the amount of \$53,999,795 are not recognized in the fund financial statements. The net effect is a decrease in net position in the amount of \$55,902,130. | (55,902,130) |
| Bond premiums and deferred loss are amortized in the SOA but not in the funds. | 1,167,976 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | (30,202) |
| Repayment of note is an expenditure in the funds but is not an expense in the SOA. | 61,130 |
| Pension contributions made after the measurement date but in current FY were de-expended and reduced Net Pension. | 755,335 |
| OPEB contributions made after the measurement date but in current FY were de-expended and reduced Net OPEB. | 241,419 |
| Pension expenditures relating to GASB 68 is recorded in the SOA but not in the funds. | (1,981,847) |
| OPEB expenditures relating to GASB 75 is recorded in the SOA but not in the funds. | (94,800) |
| Change in Net position of Governmental Activities - Statement of Activities (see Exhibit B-1) | \$ <u>8,549,443</u> |

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

| | Total Custodial Funds |
|---------------------------|-----------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 62,137 |
| Total Assets | <u>62,137</u> |
| LIABILITIES | |
| Due to Student Groups | <u>62,137</u> |
| Total Liabilities | <u>\$ 62,137</u> |

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

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hallsville 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 (GAAP) in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. As of August 31, 2020, the District has granted no tax abatements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, and there are no component units included within the reporting entity. The combined financial statements of the District include all activities for which the Board exercises these governance responsibilities.

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 Hallsville Independent School District nonfiduciary activities with most of the interfund 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 District has no business type activities.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

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 a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund 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 interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

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

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

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, 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 unmatured 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.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

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 unearned 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.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Funds** – These governmental funds are established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

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The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

2. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

1. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no internal service funds.

Fiduciary Funds:

1. **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. The District has no Private Purpose Trust Funds.
2. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
3. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Funds for each campus.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.
2. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.
4. 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.

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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.

5. The District does not have a policy to pay any amounts when employees separate from service with the district; therefore, there is no liability for unpaid accumulated sick leave.
6. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 30-50 |
| Building Improvements | 10-20 |
| Vehicles | 5 |
| Office Equipment | 10 |
| Computer Equipment | 10 |

Land and Construction in Progress are not depreciated.

7. Internal Service Funds support the operations of governmental funds and 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. The District has no Internal Service Funds.
8. In the fund financial statements, governmental funds report fund balances in the following classifications:
 - a. *Nonspendable fund balance* – amounts that are not in spendable form, such as fund balances associated with inventories, prepaids, and long-term loans and notes receivable.
 - b. *Restricted fund balance* – amounts that can be spent only for the specific purposes stipulated by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or enabling legislation.
 - c. *Committed fund balance* – amounts that can only be used for the specific purposes determined by a formal action of the District’s Board of Trustees (the District’s highest level of decision-making authority). These amounts cannot be used for any other purpose unless the District’s Board of Trustees takes the same level of action to remove or change the constraint.
 - d. *Assigned fund balance* – amounts intended to be used by the government for a specific purpose but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District’s Board of Trustees or by the Superintendent or the Superintendent’s designee to whom the Board of Trustees has delegated the authority to assign fund balances.
 - e. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

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9. When the District incurs an expense for which it may use assets available in more than one classification, the District uses restricted assets first, followed by committed, assigned and finally unassigned, unless unassigned assets will have to be returned because they were not used.
10. Management's use of estimates in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
11. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources, for its proportionate share of TRS's deferred outflow related to pensions as described in Note III G, its proportionate share of TRS's deferred outflow related to OPEB as described in Note III H, and for deferred charges for bond refunding.
12. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of the Teacher Retirement System of Texas' (TRS) deferred inflow related to pensions as described in Note III G and related to OPEB as described in Note III H. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
13. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.
14. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity. The extent of the impact of Covid-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's students, employees, and vendors, all of which at the present time cannot be determined. As a result of the COVID-19 pandemic, in March 2020, the District asked students not to return to campus after spring break and converted the remainder of the school year to virtual learning.

The District's operations are heavily dependent on the its ability to collect property taxes as levied. Access to grants and contracts from federal and state governments may decrease or not be available depending on appropriations determined at those levels. As such, this could hinder the District's ability to meet the needs of its constituents at the same level as in past years. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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II. 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 Exhibit J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:
 - Provide for additional district security and emergency response expenditures.
 - Provide for payroll allocations between functions.
 - Provide for the receipt of monetary and in-kind donations and related expenditures of pavilions at the tennis court and cross country trail locations, and for athletic storage container.
 - Provide for the receipt of insurance claim proceeds and related expenditure to replace damaged band instruments.
 - Provide for additional transportation costs and bus A/C upgrades, from bus auction proceeds.
 - Provide for funds to purchase 0.6 acre parcel of land adjacent to new elementary construction site.
 - Provide for costs for lease agreements for white fleet vehicles and Chromebooks devices, the latter of which were subsequently delayed into the 2020-21 year, due to COVID-19 global supply and delivery delays.
 - Provide for budgeted funds for food service revenues and related expenditures from the Summer Seamless Option for accounting for Child Nutrition operations during the COVID-19 school closure period.
 - To provide for budgeted revenues and expenditures for the capital projects fund, following the successful November 2019 bond election, and the bond sale and receipt of bond proceeds in February 2020, for projects established by and in accordance with terms of the bond approved by the tax payers.
 - To provide increased FSP state funding and related contracted services expenditures generated by the TVAH Virtual Academy final 2019-20 student completions.
 - To provide for additional costs in the debt service fund, related to bond sale and issuance transactions.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

| | August 31, 2020 <u>Fund Balance</u> |
|---|--|
| Appropriated Budget Funds – Food Service Special Revenue Fund | \$ 444,064 |
| Non-appropriated Budget Funds | <u>563,674</u> |
| All Special Revenue Funds | <u>\$ 1,007,738</u> |

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Deposits

District Policies and Legal and Contractual Provisions Governing Deposits

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

Foreign Currency Risk The District does not have any deposits or investments denominated in a foreign currency.

As of August 31, 2020, the following are the District's cash and cash equivalents with respective maturities and credit rating:

| <u>Type of Deposit</u> | <u>Fair Value</u> | <u>Percent</u> | <u>Maturity in Less than 1 year</u> | <u>Maturity in 1-10 Years</u> | <u>Maturity in Over 10 Years</u> | <u>Credit Rating</u> |
|---|-----------------------|----------------|---|---------------------------------------|--|--------------------------|
| Cash | \$ 2,403,370 | 2.289% | \$ 2,403,370 | - | - | N/A |
| Money Markets | 1,022 | 0.001% | 1,022 | - | - | N/A |
| Investment Pools: | | | | | | |
| Lone Star | 100,456,500 | 95.663% | 100,456,500 | - | - | AAA |
| TexPool | 12,863 | 0.012% | 12,863 | - | - | AAA |
| TexSTAR | <u>5,223</u> | <u>0.005%</u> | <u>5,223</u> | - | - | AAA |
| Total Cash and Cash Equivalents | <u>\$ 102,878,978</u> | <u>97.970%</u> | <u>\$ 102,878,978</u> | - | - | |
| Certificates of Deposit | <u>2,132,035</u> | <u>2.030%</u> | <u>2,132,035</u> | - | - | AAA |
| Total Cash, Deposits in Investment Pools, and Money Market Accounts | <u>\$ 105,011,013</u> | <u>100.00%</u> | <u>\$ 105,011,013</u> | - | - | |
| Total Cash and Cash Equivalents - Primary Government | | | \$ 102,816,841 | | | |
| Total Cash and Cash Equivalents - Fiduciary Funds | | | <u>62,137</u> | | | |
| Total Cash and Cash Equivalents | | | <u>\$ 102,878,978</u> | | | |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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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 the District 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 deposits and investments for Hallsville Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those covered by the Public Funds Investment Act. As of August 31, 2020, the District's investments in investment pools was rated AAA by Standard & Poor's.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and are 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 requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2020 had a maturity of one year or less.

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Foreign Currency Risk for Investments The District does not have any 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 District's investments are held in First Public Lone Star Corporate Overnight Plus Fund, TexPool Texas Local Government Investment Pool, TexSTAR, and Certificates of Deposit, which are classified as cash and cash equivalents as they are exempt from Fair Value Measurement under GASB 72 as they qualify as 2a-7 like investment pools.

B. PROPERTY TAXES

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real estate 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 and subject to interest 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 taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, however, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

The tax rates assessed for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.97 and \$0.33 per \$100 valuation, respectively, for a total of \$1.30 per \$100 valuation. The assessed value of the property tax roll on July 18, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$2,703,888,336.

Current tax collections for the year ended August 31, 2020 were 98.97% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes 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. As of August 31, 2020, unavailable revenue, net of estimated uncollectible taxes, totaled \$926,309 and \$291,159 for the General and Debt Service Funds, respectively.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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C. INTERFUND BALANCES AND TRANSFERS

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

| <u>Due to Fund</u> | <u>Due From Fund</u> | <u>Amount</u> |
|--------------------|-----------------------|-------------------|
| General Fund | Debt Service Fund | \$ 13,489 |
| General Fund | Capital Projects Fund | 8,000 |
| General Fund | Special Revenue Funds | 308,197 |
| | Total | <u>\$ 329,686</u> |

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|--------------------|-----------------------|------------------|
| General Fund | Special Revenue Funds | \$ 12,698 |
| | Total | <u>\$ 12,698</u> |

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020
were as follows:

| | <u>Property Taxes</u> | <u>Other Governments</u> | <u>Due From Other Funds</u> | <u>Other</u> | <u>Total Receivables</u> |
|---|---------------------------|------------------------------|---------------------------------|------------------|------------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 957,024 | \$ 8,561,636 | \$ 329,686 | \$ - | \$ 9,848,346 |
| Debt Service Fund | 300,500 | 125,401 | - | - | 425,901 |
| Nonmajor Governmental Fund | - | 491,087 | - | 12,128 | 503,215 |
| Total – Governmental Activities | <u>\$ 1,257,524</u> | <u>\$ 9,178,124</u> | <u>\$ 329,686</u> | <u>\$ 12,128</u> | <u>\$ 10,777,462</u> |
| Amounts not scheduled for collection during the subsequent year | <u>\$ 40,057</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,057</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Payables at August 31, 2020
were as follows:

| | <u>Accounts</u> | <u>Salaries and Benefits</u> | <u>Due to Other Funds</u> | <u>Other</u> | <u>Total Payments</u> |
|---------------------------------|--------------------|--------------------------------------|-----------------------------------|------------------|---------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 353,869 | \$2,934,740 | \$ - | \$ - | \$ 3,288,609 |
| Debt Service Fund | - | - | 13,489 | - | 13,489 |
| Capital Projects | 555,101 | - | 8,000 | - | 563,101 |
| Nonmajor Governmental Fund | <u>185,861</u> | <u>106,224</u> | <u>308,197</u> | <u>-</u> | <u>600,282</u> |
| Total-Governmental Activities | <u>\$1,094,831</u> | <u>\$3,040,964</u> | <u>\$ 329,686</u> | <u>\$ -</u> | <u>\$ 4,465,481</u> |
| Fiduciary Funds: | | | | | |
| Agency Funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 62,137</u> | <u>\$ 62,137</u> |

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2020, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Adjustments & Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|--|---------------------------|
| Governmental Activities: | | | | |
| Assets Not Being Depreciated: | | | | |
| Land | \$ 4,887,492 | \$ 51,829 | \$ - | \$ 4,939,321 |
| Construction in Progress | - | 1,572,157 | - | 1,572,157 |
| Assets with Depreciation: | | | | |
| Buildings and Improvements | 143,755,306 | 1,411,148 | - | 145,166,454 |
| Vehicles | 5,745,784 | 1,827,219 | (732,287) | 6,840,716 |
| Equipment | <u>6,538,604</u> | <u>226,454</u> | <u>-</u> | <u>6,765,058</u> |
| Totals at Historic Cost | <u>160,927,186</u> | <u>5,088,807</u> | <u>(732,287)</u> | <u>165,283,706</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (41,883,574) | (3,164,640) | - | (45,048,214) |
| Vehicles | (4,654,905) | (404,422) | 627,402 | (4,431,925) |
| Equipment | <u>(4,727,069)</u> | <u>(274,018)</u> | <u>-</u> | <u>(5,001,087)</u> |
| Total Accumulated Depreciation | <u>(51,265,548)</u> | <u>(3,843,080)</u> | <u>627,402</u> | <u>(54,481,226)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 109,661,638</u> | <u>\$ 1,245,727</u> | <u>\$ (104,885)</u> | <u>\$ 110,802,480</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| Instruction | \$ 2,493,131 |
| Instructional Resources and Media Services | 49,622 |
| Curriculum Development and Instructional Staff Development | 1,893 |
| Instructional Leadership | 111,370 |
| School Leadership | 221,351 |
| Guidance, Counseling and Evaluation Services | 163,293 |
| Social Work Services | 8,388 |
| Health Services | 46,815 |
| Student (Pupil) Transportation | 151,854 |
| Food Services | 68,015 |
| Cocurricular/Extracurricular Activities | 68,711 |
| General Administration | 156,286 |
| Facilities Maintenance and Operations | 224,144 |
| Security and Monitoring Service | 39,286 |
| Data Processing Services | 38,921 |
| | <u>\$ 3,843,080</u> |

F. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---------------------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Unlimited tax & refunding bonds | \$ 63,410,000 | \$ 94,325,000 | \$ 63,410,000 | \$ 94,325,000 | \$ 4,695,000 |
| Notes payable | 123,756 | - | 61,130 | 62,626 | 62,626 |
| Unamortized bond premium | 168,862 | 15,576,925 | 1,245,079 | 14,500,708 | 2,108,638 |
| TRS Net Pension Liability | 10,648,103 | - | 1,499,937 | 9,148,166 | - |
| TRS Net OPEB Liability | 16,557,410 | - | 2,164,610 | 14,392,800 | - |
| Total governmental activities | <u>\$ 90,908,131</u> | <u>\$ 109,901,925</u> | <u>\$ 68,380,756</u> | <u>\$ 132,429,300</u> | <u>\$ 6,866,264</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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Bond Payable

The following is a summary of changes in the general obligation bonds for the fiscal year:

| Series | Interest Rate | Maturity Date | Beginning Balance | Additions | Reductions | Ending Balance |
|--|---------------|---------------|----------------------|----------------------|----------------------|----------------------|
| 2010B - Unlimited Tax School Building Bonds | 4.72-5.97% | 2030 | \$ 60,125,000 | \$ - | \$ 60,125,000 | \$ - |
| 2014 - Unlimited Tax Refunding Bonds | 3.00-3.65% | 2025 | 3,285,000 | - | 3,285,000 | - |
| 2020 - Unlimited Tax School Building & Refunding Bonds | 3.00-5.00% | 2040 | - | 91,335,000 | - | 91,335,000 |
| 2020 - Unlimited Tax Refunding Bonds | 1.80-2.05% | 2025 | - | 2,990,000 | - | 2,990,000 |
| Totals | | | <u>\$ 63,410,000</u> | <u>\$ 94,325,000</u> | <u>\$ 63,410,000</u> | <u>\$ 94,325,000</u> |

Changes in debt-related deferred outflows of resources for the fiscal year ended August 31, 2020 were:

| | Balance at August 31, 2019, <u>As Adjusted</u> | Issued/ <u>Increases</u> | Retired/ <u>Refunded</u> | Balance at <u>August 31, 2020</u> |
|---|--|-----------------------------|-----------------------------|--------------------------------------|
| Deferred Loss on Defeasance of Bonds | \$ 62,436 | 135,395 | \$ 77,103 | \$ 120,728 |

Debt service requirements on long-term bond debt at August 31, 2020, are as follows:

| <u>Year Ending August 31,</u> | <u>Governmental Activities</u> | | |
|-------------------------------|--------------------------------|----------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | \$ 4,695,000 | \$ 3,993,003 | \$ 8,688,003 |
| 2022 | 4,920,000 | 3,771,041 | 8,691,041 |
| 2023 | 5,155,000 | 3,537,680 | 8,692,680 |
| 2024 | 5,400,000 | 3,292,408 | 8,692,408 |
| 2025 | 5,655,000 | 3,034,480 | 8,689,480 |
| 2026-2030 | 32,935,000 | 10,558,875 | 43,493,875 |
| 2031-2035 | 16,280,000 | 4,479,075 | 20,759,075 |
| 2036-2040 | 19,285,000 | 1,480,875 | 20,765,875 |
| Totals | <u>\$ 94,325,000</u> | <u>\$ 34,147,437</u> | <u>\$ 128,472,437</u> |

The District issued one series of refunding bonds during the year ended August 31, 2020. The bonds were issued to reduce its total debt service payments to obtain an economic gain (difference between the present value of the old and new debt service payments). Amounts received from the issuance of refunding debt (and any required District contribution) were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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The District issued \$2,990,000 in Unlimited Tax Refunding Bonds, Taxable Series 2020 in a current refunding of \$2,780,000 of outstanding debt. The proceeds of \$2,915,963 (net of \$74,037 in underwriting fees and issuance costs) were used to purchase state and local government securities. The District completed the refunding to increase its total debt service payments over the next 5 years by \$99,081 and to obtain an economic loss (difference between the present value of the old and new debt service payments) of \$83,941. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$135,395. The difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2025.

Note Payable

Notes payable currently outstanding are as follows:

Governmental Capital Corporation: Principal balance of \$62,626, interest rate of 2.45%, maturing 8/1/2021.

Debt service requirements on long-term notes payable at August 31, 2020, are as follows:

| <u>Year Ending August 31,</u> | <u>Governmental Activities</u> | | <u>Total</u> |
|-------------------------------|--------------------------------|-----------------|--------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2021 | \$ 62,626 | \$ 1,534 | \$ 64,160 |
| Totals | \$ 62,626 | \$ 1,534 | \$ 64,160 |

G. DEFINED BENEFIT PENSION PLAN

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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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,

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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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 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.

In May, 2019, the 86th 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 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions – Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of 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 86th 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 can be found in the TRS 2019 CAFR, Note 11, on page 76.*

| | Contribution Rates | |
|---|--------------------|--------------|
| | 2019 | 2020 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.5% |
| District's FY 2020 Employer Contributions | | \$ 755,335 |
| District's FY 2020 Member Contributions | | \$ 2,353,019 |
| Measurement Year NECE On-behalf Contributions | | \$ 1,612,163 |

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

As the non-employer contributing entity for public education 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 including public 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 or from a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution.

Actuarial Assumptions - The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2019 TRS CAFR, Note 11, page 77.

| | |
|---|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Rate | 7.25% |
| Municipal Bond Rate as of August, 2019 | 2.63% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index." |
| Last year ending August 31 in Projection Period (100 years) | 2116 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc Post Employment Benefit Changes | None |

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

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.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 (see page 52 of the TRS CAFR) are summarized below:

| Asset Class | Target Allocation ¹ | New Target Allocation ² | Long-Term Expected Geometric Real Rate of Return ³ |
|---|--------------------------------|------------------------------------|---|
| Global Equity | | | |
| U.S. | 18.0% | 18.0% | 6.4% |
| Non-U.S. Developed | 13.0% | 13.0% | 6.3% |
| Emerging Markets | 9.0% | 9.0% | 7.3% |
| Directional Hedge Funds | 4.0% | - | - |
| Private Equity | 13.0% | 14.0% | 8.4% |
| Stable Value | | | |
| U.S. Treasuries ⁴ | 11.0% | 16.0% | 3.1% |
| Stable Value Hedge Funds | 4.0% | 5.0% | 4.5% |
| Absolute Return | 0.0% | 0.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds ⁴ | 3.0% | - | - |
| Real Assets | 14.0% | 15.0% | 8.5% |
| Energy, Natural Resources, and Infrastructure | 5.0% | 6.0% | 7.3% |
| Commodities | 0.0% | 0.00 | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5.0% | 8.0% | 5.8/6.5% ⁵ |
| Leverage | | | |
| Cash | 1.0% | 2.0% | 2.50% |
| Asset Allocation Leverage | | -6.0% | 2.70% |
| Expected Returns | 100% | 100% | 7.23% |

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2019 TRS CAFR, Note 11, page 78.

| | 1% Decrease in Discount Rate (6.25%) | Current Single Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--|---|---|---|
| District's proportionate share of the net pension liability: | \$ 14,062,060 | \$ 9,148,166 | \$ 5,166,963 |

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NOTES TO THE FINANCIAL STATEMENTS
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2020, the District reported a liability of \$9,148,166 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|----------------------|
| District’s Proportionate share of the collective net pension liability | \$ 9,148,166 |
| State’s proportionate share that is associated with District | 23,944,545 |
| Total | <u>\$ 33,092,711</u> |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer’s proportion of the collective net pension liability was .0175983369% which was a decrease of .0017469270% from its proportion measured as of August 31, 2018.

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$5,743,198 and revenue of \$3,761,351 for support provided by the State in the Government-Wide Statement of Activities.

At August 31, 2020, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 38,430 | \$ 317,639 |
| Changes in actuarial assumptions | 2,838,210 | 1,172,883 |
| Difference between projected and actual investment earnings | 91,859 | - |
| Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions | 1,091,952 | 837,368 |
| Contributions paid to TRS subsequent to the measurement date | 755,335 | - |
| Total | \$ 4,815,786 | \$ 2,327,890 |

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

| | Pension Expense |
|-----------------------|-----------------|
| Year ended August 31: | Amount |
| 2021 | \$ 631,679 |
| 2022 | 503,143 |
| 2023 | 387,936 |
| 2024 | 324,537 |
| 2025 | 7,194 |
| Thereafter | (121,928) |

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

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

Benefits Provided – TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension system. 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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic COLAs.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

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

TRS-Care Monthly Premium rates

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

Contributions – Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. 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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public school 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

| | <u>2019</u> | <u>2020</u> |
|---|-------------|-------------|
| Active Employee | 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% |

| | |
|---|------------|
| District's 2020 FY Employer Contributions | \$ 241,419 |
| District's 2020 FY Member Contributions | \$ 198,632 |
| Measurement Year NECE On-Behalf Contributions | \$ 286,998 |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions – The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

HALLSVILLE INDEPENDENT SCHOOL DISTRICT

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

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% - as of August 31, 2019 |
| Aging Factors | Based on plan specific experience |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Projected Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc Post Employment Benefit Changes | None |

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate – A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2019 TRS CAFR on page 70.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
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| | 1% Decrease in Discount Rate (1.63%) | Current Single Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|--|--|--|
| District's proportionate share of the Net OPEB Liability: | \$ 17,376,729 | \$ 14,392,800 | \$ 12,058,471 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At August 31, 2020, the District reported a liability of \$14,392,800 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 District were as follows:

| | |
|---|----------------------|
| District's Proportionate share of the collective net OPEB liability | \$ 14,392,800 |
| State's proportionate share that is associated with the District | <u>19,124,813</u> |
| Total | <u>\$ 33,517,613</u> |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was .0304344007%, which was a decrease of .0027262366% from its proportion measured as of August 31, 2018.

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 assumed 8.5% rate is used.

| | 1% Decrease Healthcare Trend Rate | Current Single Healthcare Trend Rate | 1% Increase Healthcare Trend Rate |
|--|---|--|---|
| District's proportionate share of the Net OPEB Liability: | \$ 11,741,142 | \$ 14,392,800 | \$ 17,944,806 |

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

For the year ended August 31, 2020, District recognized OPEB expense of \$598,852 and revenue of \$504,052 for support provided by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual actuarial experience | \$ 706,089 | \$ 2,355,229 |
| Changes in actuarial assumptions | 799,408 | 3,871,310 |
| Net Difference between projected and actual investment earnings | 1,553 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 50 | 2,274,692 |
| Contributions paid to TRS subsequent to the measurement date [to be calculated by employer] | 241,419 | - |
| Total | \$ 1,748,519 | \$ 8,501,231 |

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

| Year ended August 31: | OPEB Expense Amount |
|-----------------------|---------------------|
| 2021 | \$ (1,090,731) |
| 2022 | (1,090,731) |
| 2023 | (1,091,233) |
| 2024 | (1,091,521) |
| 2025 | (1,091,442) |
| Thereafter | (1,538,473) |

I. HEALTH CARE & MEDICARE PART D COVERAGE - ACTIVE EMPLOYEES

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

Medicare Part D The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2020, 2019, and 2018 the subsidy payments received by TRS-Care on-behalf of the District were \$145,990, \$106,955, and \$87,080 respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

J. WORKERS' COMPENSATION

The District joined together with other districts in the East Texas area to form the Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2019-20 school year, the District paid a fixed cost in the amount of \$53,438 for administration of claims, loss control, recordkeeping, and the cost of stop-loss insurance.

Total workers' compensation claims and loss funding sharing payments were \$65,798 for the year. The District may be required to pay and retains the risk of loss for workers' compensation claims up to its loss fund maximum. When and if schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. A reconciliation of claims activity for the past two fiscal years is provided below:

| | | Beginning Balance | Claims Incurred | Claims Paid | Ending Balance |
|----------------------------|----|----------------------|--------------------|----------------|-------------------|
| Year ended August 31, 2020 | \$ | 207,101 | \$ 67,143 | \$ (65,798) | \$ 208,446 |
| Year ended August 31, 2019 | | 205,906 | 85,068 | (83,873) | 207,101 |

K. OPERATING LEASES

The term of the lease for copiers started September 2017 and ends September 2022 for \$12,375 per month. The district also leases a postage meter for five years beginning November 2017 and ending 2022 for \$3,882 per quarter. New portable buildings were leased for \$1,775 per month starting July of 2020 through June 2021, with an option to renew for an additional twelve months. Six vehicles were leased starting at various times from July 2020 and ending August 2023 at an average cost of \$2,916 per month.

The future lease payments at August 2020 are as follows:

| | Postage Meter | Copiers | Portable Buildings | Vehicle Lease | Total |
|------|------------------|-------------------|-----------------------|-------------------|-------------------|
| 2021 | \$ 15,528 | \$ 148,500 | \$ 21,295 | \$ 34,995 | \$ 220,318 |
| 2022 | 15,528 | 148,500 | 17,746 | 34,995 | 216,769 |
| 2023 | 3,882 | - | - | 34,549 | 38,431 |
| | <u>\$ 34,938</u> | <u>\$ 297,000</u> | <u>\$ 39,041</u> | <u>\$ 104,539</u> | <u>\$ 475,518</u> |

Total lease expense (including operating leases noted above) amounted to \$224,695 and \$220,711 in 2020 and 2019, and respectively.

L. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

| | General Fund | Debt Service Fund |
|--------------------------------------|-------------------|----------------------|
| Unavailable Revenue – Property Taxes | <u>\$ 926,309</u> | <u>\$ 291,159</u> |
| Total Unavailable Revenue | <u>\$ 926,309</u> | <u>\$ 291,159</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

Unearned revenue at year end consisted of the following:

| | General Fund | Debt Service Fund |
|--------------------------------|-------------------|-------------------|
| Tuition from Transfer Students | \$ 143,679 | \$ - |
| Tickets for Athletic Activity | - | - |
| Unearned School Nutrition | - | 73,183 |
| Texas Education Agency | - | 19,470 |
| K12 Virtual Academy | - | - |
| Other | 2,150 | - |
| Total Unearned Revenue | <u>\$ 145,829</u> | <u>\$ 92,653</u> |

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 as of August 31, 2020, are summarized below. There were no amounts due from federal grants as of August 31, 2020.

| Fund | Other | State Entitlements | Total |
|-----------------------|------------------|---------------------|---------------------|
| General Fund | \$ 12,361 | \$ 8,549,275 | \$ 8,561,636 |
| Debt Service Fund | 4,193 | 121,208 | 125,401 |
| Special Revenue Funds | <u>-</u> | <u>491,087</u> | <u>491,087</u> |
| Total | <u>\$ 16,554</u> | <u>\$ 9,161,570</u> | <u>\$ 9,178,124</u> |

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as shown on the governmental activities financials consisted of the following:

| | General Fund | Debt Service Fund | Special Revenue Funds | Capital Projects Fund | Total |
|--|---------------------|--------------------|-----------------------|-----------------------|---------------------|
| Property Taxes | \$26,109,630 | \$8,874,250 | \$ - | \$ - | \$34,983,880 |
| Food Sales | - | - | 421,364 | - | 421,364 |
| Investment Income | 563,150 | 60,890 | 8,170 | 274,371 | 906,581 |
| Penalties, Interest and Other Tax Related Income | 380,693 | - | - | - | 380,693 |
| Campus Activity | - | - | 175,234 | - | 175,234 |
| Athletics | 70,917 | - | - | - | 70,917 |
| Virtual School | 3,734,105 | - | - | - | 3,734,105 |
| Other | 399,812 | - | 533,825 | - | 933,637 |
| | <u>\$31,258,307</u> | <u>\$8,935,140</u> | <u>\$1,138,593</u> | <u>\$274,371</u> | <u>\$41,606,411</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

O. LITIGATION AND CONTINGENCIES

The District is not a party to any legal action and is not aware of any potential litigations. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingency.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2020, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| 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 | \$ 29,733,243 | \$ 31,159,658 | \$ 31,258,307 | \$ 98,649 |
| 5800 | State Program Revenues | 58,105,330 | 64,614,422 | 64,325,665 | (288,757) |
| 5900 | Federal Program Revenues | 1,495,124 | 926,622 | 930,667 | 4,045 |
| 5020 | Total Revenues | 89,333,697 | 96,700,702 | 96,514,639 | (186,063) |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 67,291,029 | 74,321,720 | 71,848,271 | 2,473,449 |
| 0012 | Instructional Resources and Media Services | 630,259 | 630,259 | 596,852 | 33,407 |
| 0013 | Curriculum and Instructional Staff Development | 139,124 | 139,124 | 90,343 | 48,781 |
| 0021 | Instructional Leadership | 1,131,372 | 1,131,372 | 1,089,474 | 41,898 |
| 0023 | School Leadership | 2,338,883 | 2,338,883 | 2,217,308 | 121,575 |
| 0031 | Guidance, Counseling, and Evaluation Services | 1,285,889 | 1,285,889 | 1,120,127 | 165,762 |
| 0032 | Social Work Services | 84,685 | 86,685 | 83,416 | 3,269 |
| 0033 | Health Services | 530,291 | 580,291 | 513,731 | 66,560 |
| 0034 | Student (Pupil) Transportation | 2,469,779 | 2,527,895 | 2,278,072 | 249,823 |
| 0035 | Food Services | 5,000 | 5,000 | 4,772 | 228 |
| 0036 | Extracurricular Activities | 1,528,025 | 1,548,525 | 1,254,152 | 294,373 |
| 0041 | General Administration | 2,430,165 | 2,313,165 | 2,126,547 | 186,618 |
| 0051 | Facilities Maintenance and Operations | 7,988,986 | 7,988,986 | 5,763,406 | 2,225,580 |
| 0052 | Security and Monitoring Services | 406,139 | 442,139 | 422,376 | 19,763 |
| 0053 | Data Processing Services | 633,593 | 698,977 | 619,642 | 79,335 |
| 0061 | Community Services | 2,910 | 2,910 | 350 | 2,560 |
| Debt Service: | | | | | |
| 0071 | Principal on Long-Term Debt | 566,130 | 805,431 | 566,130 | 239,301 |
| 0072 | Interest on Long-Term Debt | 101,286 | 64,305 | 56,322 | 7,983 |
| 0073 | Bond Issuance Cost and Fees | 2,000 | 2,281 | 721 | 1,560 |
| Capital Outlay: | | | | | |
| 0081 | Facilities Acquisition and Construction | - | 1,462,233 | - | 1,462,233 |
| Intergovernmental: | | | | | |
| 0099 | Other Intergovernmental Charges | 650,000 | 650,000 | 632,693 | 17,307 |
| 6030 | Total Expenditures | 90,215,545 | 99,026,070 | 91,284,705 | 7,741,365 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (881,848) | (2,325,368) | 5,229,934 | 7,555,302 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7912 | Sale of Real and Personal Property | - | 33,116 | 135,657 | 102,541 |
| 7913 | Capital Leases | - | 1,410,404 | - | (1,410,404) |
| 7915 | Transfers In | - | - | 12,698 | 12,698 |
| 7949 | Other Resources | - | - | 110,288 | 110,288 |
| 7080 | Total Other Financing Sources (Uses) | - | 1,443,520 | 258,643 | (1,184,877) |
| 1200 | Net Change in Fund Balances | (881,848) | (881,848) | 5,488,577 | 6,370,425 |
| 0100 | Fund Balance - September 1 (Beginning) | 13,226,484 | 13,226,484 | 13,226,484 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 12,344,636 | \$ 12,344,636 | \$ 18,715,061 | \$ 6,370,425 |

HALLSVILLE 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, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.017598337% | 0.0193453% | 0.0204799% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 9,148,166 | \$ 10,648,103 | \$ 6,548,363 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 23,944,545 | 25,892,006 | 15,969,935 |
| Total | <u>\$ 33,092,711</u> | <u>\$ 36,540,109</u> | <u>\$ 22,518,298</u> |
| District's Covered Payroll | \$ 27,850,783 | \$ 27,638,153 | \$ 27,834,688 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 32.85% | 38.53% | 23.53% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

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, 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 2017 Plan Year 2016 | | FY 2016 Plan Year 2015 | | FY 2015 Plan Year 2014 | |
|---------------------------|------------|---------------------------|------------|---------------------------|------------|
| 0.0198844% | | 0.020431% | | 0.0089279% | |
| \$ | 7,514,046 | \$ | 7,222,087 | \$ | 2,384,766 |
| 19,851,808 | | 19,225,141 | | 15,748,323 | |
| \$ | 27,365,854 | \$ | 26,447,228 | \$ | 18,133,089 |
| \$ | 27,932,831 | \$ | 27,057,260 | \$ | 24,972,750 |
| 26.90% | | 26.69% | | 9.55% | |
| 78.00% | | 78.43% | | 83.25% | |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 755,335 | \$ 617,499 | \$ 641,146 |
| Contribution in Relation to the Contractually Required Contribution | (755,335) | (617,499) | (641,146) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 30,564,777 | \$ 27,850,783 | \$ 27,638,153 |
| Contributions as a Percentage of Covered Payroll | 2.47% | 2.22% | 2.32% |

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.

| 2017 | 2016 | 2015 | | | |
|---------------|---------------|---------------|--|--|--|
| \$ 632,354 | \$ 631,695 | \$ 597,887 | | | |
| (632,354) | (631,695) | (597,887) | | | |
| \$ - | \$ - | \$ - | | | |
| | | | | | |
| \$ 27,834,688 | \$ 27,932,831 | \$ 27,057,260 | | | |
| 2.27% | 2.26% | 2.21% | | | |

HALLSVILLE 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, 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 | 0.030434401% | 0.033160637% | 0.034754301% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 14,392,800 | \$ 16,557,410 | \$ 15,113,342 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 19,124,813 | 23,869,858 | 21,838,769 |
| Total | <u>\$ 33,517,613</u> | <u>\$ 40,427,268</u> | <u>\$ 36,952,111</u> |
| District's Covered Payroll | \$ 27,850,783 | \$ 27,638,153 | \$ 27,834,688 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 51.68% | 59.91% | 54.30% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 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 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.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 241,419 | \$ 217,856 | \$ 229,746 |
| Contribution in Relation to the Contractually Required Contribution | (241,419) | (217,856) | (229,746) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 30,564,777 | \$ 27,850,783 | \$ 27,638,153 |
| Contributions as a Percentage of Covered Payroll | 0.79% | 0.78% | 0.83% |

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.

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool | 240 National Breakfast and Lunch Program |
|----------------------------|---|--|---------------------------------|-----------------------------------|---|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ 548,729 |
| 1240 | Due from Other Governments | 163,873 | 145,648 | 4,404 | 51,136 |
| 1290 | Other Receivables | - | - | - | 12,127 |
| 1300 | Inventories | - | - | - | 85,056 |
| 1000 | Total Assets | <u>\$ 163,873</u> | <u>\$ 145,648</u> | <u>\$ 4,404</u> | <u>\$ 697,048</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 9,805 | \$ - | \$ 168,526 |
| 2150 | Payroll Deductions and Withholdings Payable | 5,168 | 6,731 | 24 | 1,014 |
| 2160 | Accrued Wages Payable | 53,080 | 29,554 | - | 10,261 |
| 2170 | Due to Other Funds | 105,625 | 99,558 | 4,380 | - |
| 2300 | Unearned Revenue | - | - | - | 73,183 |
| 2000 | Total Liabilities | <u>163,873</u> | <u>145,648</u> | <u>4,404</u> | <u>252,984</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance: | | | | | |
| 3410 | Inventories | - | - | - | 77,481 |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | 366,583 |
| Committed Fund Balance: | | | | | |
| 3545 | Other Committed Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>444,064</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 163,873</u> | <u>\$ 145,648</u> | <u>\$ 4,404</u> | <u>\$ 697,048</u> |

| 242 Summer Feeding Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 288 Title IV Part A SSAEP | 289 CARES Act Provider Relief Fund | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Instructional Materials |
|-------------------------------------|---|--|------------------------------------|---|-------------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 3,668 | 34,795 | 7,409 | - | - | - | 80,154 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 3,668</u> | <u>\$ 34,795</u> | <u>\$ 7,409</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 80,154</u> |
| \$ - | \$ - | \$ 1,620 | \$ - | \$ - | \$ - | \$ - | \$ 5,910 |
| - | - | - | 330 | - | - | - | 62 |
| - | - | - | - | - | - | - | - |
| - | 3,668 | 33,175 | 7,079 | - | - | - | 54,712 |
| - | - | - | - | - | - | - | 19,470 |
| <u>-</u> | <u>3,668</u> | <u>34,795</u> | <u>7,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,154</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 3,668</u> | <u>\$ 34,795</u> | <u>\$ 7,409</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 80,154</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

| Data Control Codes | | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | Total Nonmajor Governmental Funds |
|----------------------------|---|--|------------------------------------|--|
| ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ 563,673 | \$ 1,112,402 |
| 1240 | Due from Other Governments | - | - | 491,087 |
| 1290 | Other Receivables | - | 1 | 12,128 |
| 1300 | Inventories | - | - | 85,056 |
| 1000 | Total Assets | <u>\$ -</u> | <u>\$ 563,674</u> | <u>\$ 1,700,673</u> |
| LIABILITIES | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ 185,861 |
| 2150 | Payroll Deductions and Withholdings Payable | - | - | 13,329 |
| 2160 | Accrued Wages Payable | - | - | 92,895 |
| 2170 | Due to Other Funds | - | - | 308,197 |
| 2300 | Unearned Revenue | - | - | 92,653 |
| 2000 | Total Liabilities | <u>-</u> | <u>-</u> | <u>692,935</u> |
| FUND BALANCES | | | | |
| Nonspendable Fund Balance: | | | | |
| 3410 | Inventories | - | - | 77,481 |
| Restricted Fund Balance: | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | 366,583 |
| Committed Fund Balance: | | | | |
| 3545 | Other Committed Fund Balance | - | 563,674 | 563,674 |
| 3000 | Total Fund Balances | <u>-</u> | <u>563,674</u> | <u>1,007,738</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 563,674</u> | <u>\$ 1,700,673</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool | 240 National Breakfast and Lunch Program |
|---|--|---------------------------------|-----------------------------------|---|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ 421,364 |
| 5800 State Program Revenues | - | - | - | 12,527 |
| 5900 Federal Program Revenues | 693,103 | 1,053,811 | 15,490 | 945,724 |
| 5020 Total Revenues | 693,103 | 1,053,811 | 15,490 | 1,379,615 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 587,551 | 372,568 | - | - |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | - | - |
| 0021 Instructional Leadership | 12,922 | 31,774 | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 88,575 | 463,489 | 15,490 | - |
| 0034 Student (Pupil) Transportation | - | 185,980 | - | - |
| 0035 Food Services | - | - | - | 1,472,231 |
| 0036 Extracurricular Activities | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0061 Community Services | 4,055 | - | - | - |
| 6030 Total Expenditures | 693,103 | 1,053,811 | 15,490 | 1,472,231 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | (92,616) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 8911 Transfers Out (Use) | - | - | - | - |
| 1200 Net Change in Fund Balance | - | - | - | (92,616) |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | 536,680 |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ 444,064 |

| 242 Summer Feeding Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 288 Title IV Part A SSAEP | 289 CARES Act Provider Relief Fund | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Instructional Materials |
|-------------------------------------|---|--|------------------------------------|---|-------------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,010 | \$ - | \$ - |
| - | - | - | - | - | - | 331 | 918,191 |
| 115,633 | 88,400 | 135,922 | 48,586 | 10,617 | - | - | - |
| 115,633 | 88,400 | 135,922 | 48,586 | 10,617 | 6,010 | 331 | 918,191 |
| - | 82,744 | - | 27,004 | - | 6,010 | - | 918,191 |
| - | - | - | - | - | - | - | - |
| - | 5,656 | 135,922 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 21,582 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 115,633 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 115,633 | 88,400 | 135,922 | 48,586 | - | 6,010 | - | 918,191 |
| - | - | - | - | 10,617 | - | 331 | - |
| - | - | - | - | (10,617) | - | (331) | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | Total Nonmajor Governmental Funds |
|---|--|------------------------------------|--|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ 711,219 | \$ 1,138,593 |
| 5800 State Program Revenues | 129,710 | - | 1,060,759 |
| 5900 Federal Program Revenues | - | - | 3,107,286 |
| 5020 Total Revenues | 129,710 | 711,219 | 5,306,638 |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | - | 246,222 | 2,240,290 |
| 0012 Instructional Resources and Media Services | - | 13,847 | 13,847 |
| 0013 Curriculum and Instructional Staff Development | - | - | 141,578 |
| 0021 Instructional Leadership | - | 17,604 | 62,300 |
| 0023 School Leadership | - | 721 | 721 |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 589,136 |
| 0034 Student (Pupil) Transportation | - | - | 185,980 |
| 0035 Food Services | - | - | 1,587,864 |
| 0036 Extracurricular Activities | - | 464,448 | 464,448 |
| 0052 Security and Monitoring Services | 127,960 | - | 127,960 |
| 0061 Community Services | - | - | 4,055 |
| 6030 Total Expenditures | 127,960 | 742,842 | 5,418,179 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,750 | (31,623) | (111,541) |
| OTHER FINANCING SOURCES (USES): | | | |
| 8911 Transfers Out (Use) | (1,750) | - | (12,698) |
| 1200 Net Change in Fund Balance | - | (31,623) | (124,239) |
| 0100 Fund Balance - September 1 (Beginning) | - | 595,297 | 1,131,977 |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ 563,674 | \$ 1,007,738 |

T.E.A. REQUIRED SCHEDULES

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.040000 | 0.383000 | 2,170,797,892 |
| 2013 | 1.040000 | 0.350000 | 2,260,174,748 |
| 2014 | 1.040000 | 0.353000 | 2,276,705,675 |
| 2015 | 1.040000 | 0.343000 | 2,386,180,356 |
| 2016 | 1.040000 | 0.330000 | 2,415,217,007 |
| 2017 | 1.040000 | 0.330000 | 2,414,245,444 |
| 2018 | 1.040000 | 0.330000 | 2,501,858,263 |
| 2019 | 1.040000 | 0.330000 | 2,580,996,080 |
| 2020 (School year under audit) | 0.970000 | 0.330000 | 2,703,888,336 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2020 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 218,913 | \$ - | \$ 121,127 | \$ 38,990 | \$ 94,560 | \$ 153,356 |
| 77,063 | - | 7,117 | 2,621 | (4,496) | 62,829 |
| 70,860 | - | 6,397 | 2,153 | (4,498) | 57,812 |
| 76,531 | - | 7,944 | 2,697 | (5,364) | 60,526 |
| 88,082 | - | 10,981 | 3,622 | (5,546) | 67,933 |
| 104,123 | - | 11,293 | 3,583 | (5,859) | 83,388 |
| 208,112 | - | 49,439 | 15,687 | (1,091) | 141,895 |
| 177,635 | - | 53,065 | 16,838 | 838 | 108,570 |
| 383,003 | - | 159,032 | 50,462 | (11,514) | 161,995 |
| - | 34,841,556 | 25,683,235 | 8,737,597 | (61,504) | 359,220 |
| <u>\$ 1,404,322</u> | <u>\$ 34,841,556</u> | <u>\$ 26,109,630</u> | <u>\$ 8,874,250</u> | <u>\$ (4,474)</u> | <u>\$ 1,257,524</u> |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2020

| 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 | \$ 667,500 | \$ 667,500 | \$ 421,364 | \$ (246,136) |
| 5800 State Program Revenues | 9,482 | 9,482 | 12,527 | 3,045 |
| 5900 Federal Program Revenues | 1,325,000 | 1,325,000 | 945,724 | (379,276) |
| 5020 Total Revenues | 2,001,982 | 2,001,982 | 1,379,615 | (622,367) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 2,032,969 | 2,032,969 | 1,472,231 | 560,738 |
| 6030 Total Expenditures | 2,032,969 | 2,032,969 | 1,472,231 | 560,738 |
| 1200 Net Change in Fund Balances | (30,987) | (30,987) | (92,616) | (61,629) |
| 0100 Fund Balance - September 1 (Beginning) | 536,680 | 536,680 | 536,680 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 505,693 | \$ 505,693 | \$ 444,064 | \$ (61,629) |

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| 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 | \$ 8,794,106 | \$ 8,894,106 | \$ 8,935,140 | \$ 41,034 |
| 5800 State Program Revenues | 1,250,000 | 1,750,000 | 1,854,804 | 104,804 |
| 5020 Total Revenues | 10,044,106 | 10,644,106 | 10,789,944 | 145,838 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 9,275,000 | 9,075,000 | 9,075,000 | - |
| 0072 Interest on Long-Term Debt | 3,203,961 | 3,672,498 | 3,672,498 | - |
| 0073 Bond Issuance Cost and Fees | 1,000 | 882,463 | 875,013 | 7,450 |
| 6030 Total Expenditures | 12,479,961 | 13,629,961 | 13,622,511 | 7,450 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,435,855) | (2,985,855) | (2,832,567) | 153,288 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7901 Refunding Bonds Issued | - | - | 39,325,000 | 39,325,000 |
| 7911 Capital Related Debt Issued | - | 39,325,000 | - | (39,325,000) |
| 7916 Premium or Discount on Issuance of Bonds | - | 15,576,925 | 15,576,925 | - |
| 8940 Payment to Bond Refunding Escrow Agent (Use) | - | - | (53,999,795) | (53,999,795) |
| 8949 Other (Uses) | - | (53,999,795) | - | 53,999,795 |
| 7080 Total Other Financing Sources (Uses) | - | 902,130 | 902,130 | - |
| 1200 Net Change in Fund Balances | (2,435,855) | (2,083,725) | (1,930,437) | 153,288 |
| 0100 Fund Balance - September 1 (Beginning) | 3,422,219 | 3,422,219 | 3,422,219 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 986,364 | \$ 1,338,494 | \$ 1,491,782 | \$ 153,288 |

FEDERAL AWARDS SECTION



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

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

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hallsville Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hallsville 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hallsville 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.

Aguyes, Johnson, Aguyes & Co. LLP
Certified Public Accountants

Tyler, Texas
January 19, 2021



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

Board of Trustees
Hallsville Independent School District
PO Box 810
Hallsville, Texas 75650

Report on Compliance for Each Major Program

We have audited Hallsville Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of 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 Hallsville 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 Hallsville 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 for each major federal program. However, our audit does not provide a legal determination of Hallsville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hallsville 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, 2020.

Report on Internal Control Over Compliance

Management of Hallsville 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Aguirre, Johnson, Aguirre & Co. LLP
Certified Public Accountants

Tyler, Texas
January 19, 2021

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Federal Awards

Noncompliance material to financial statements noted? _____ yes X no

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ? _____ yes X no

Identification of major federal programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number(s)</u> |
|---|-----------------------|
| Special Education Cluster: | |
| IDEA B, Formula | 84.027 |
| IDEA B, Preschool | 84.173 |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

There are no findings to report.

Section III—Federal Award Findings and Questioned Costs

None.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

There were no findings in the prior year.

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education:</u> | | | |
| Title I Grants to Local Educational Agencies | | | |
| ESEA Title I Part A - Improving Basic Programs | 84.010A | 20610101102904 | \$ 693,103 |
| Total CFDA Number 84.010A | | | <u>693,103</u> |
| Special Education Grants to States | | | |
| *LEA IDEA-B Formula | 84.027 | 206600011029046600 | 1,053,811 |
| Total CFDA Number 84.027 | | | <u>1,053,811</u> |
| Special Education Preschool Grants | | | |
| *LEA IDEA-B Preschool | 84.173 | 206610011029046610 | 15,490 |
| Total CFDA Number 84.173 | | | <u>15,490</u> |
| Total Special Education Cluster (IDEA) | | | <u>1,069,301</u> |
| Career and Technical Education - Basic Grants to States | | | |
| Career and Technical - Basic Grant | 84.048 | 20420006102904 | 88,400 |
| Total CFDA Number 84.048 | | | <u>88,400</u> |
| Improving Teacher Quality State Grants | | | |
| ESEA Title II Part A - Teacher & Principal Training & Recruiting | 84.367A | 20694501102904 | 135,922 |
| Total CFDA Number 84.367A | | | <u>135,922</u> |
| Student Support and Academic Enrichment Program | | | |
| Title IV, Part A, Subpart 1 | 84.424A | 20680101102904 | 48,586 |
| Total CFDA Number 84.424A | | | <u>48,586</u> |
| Total Passed Through State Department of Education | | | <u>2,035,312</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>2,035,312</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 00536 | 191,551 |
| *School Breakfast Program (Summer Seamless Option) | 10.553 | 00536 | 44,156 |
| Total CFDA Number 10.553 | | | <u>235,707</u> |
| *National School Lunch Program | 10.555 | 00536 | 620,614 |
| *National School Lunch Program (Summer Seamless Option) | 10.555 | 00536 | 71,477 |
| *National School Lunch Program (Non-cash) | 10.555 | 00536 | 133,559 |
| Total CFDA Number 10.555 | | | <u>825,650</u> |
| Total Child Nutrition Cluster | | | <u>1,061,357</u> |
| Total Passed Through State Department of Agriculture | | | <u>1,061,357</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>1,061,357</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 3,096,669</u> |

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

HALLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

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 the General Fund or a Special Revenue Fund which are Governmental Fund types.

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

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

3. The period of availability 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 the requirements of Title 2 U.S. *Code of Federal Regulation*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
4. Federal revenues in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

| | |
|--|---------------------|
| Total Federal Expenditures, Exhibit K-1 | \$ 3,096,669 |
| Other Federal Revenues: | |
| Federal E-Rate Revenue | 39,900 |
| Build America Bonds – Interest Subsidy | 556,722 |
| Coronavirus Provider Relief Fund (HHS) | 10,617 |
| School Health and Related Services (SHARS) | 334,045 |
| Total Federal Revenues, Exhibit C-3 | <u>\$ 4,037,953</u> |

5. Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed. At August 31, 2020, the District had food commodities totaling \$7,575 in inventory.