

HEMPHILL INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2020*



Hemphill Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2020

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*Introductory Section*

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CERTIFICATE OF BOARD

Hemphill Independent School District  
Name of School District

Sabine  
County

202-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 17<sup>th</sup> day of December, 2020

MARTY GRIZZARD  
Signature of Board Secretary

Kym Scales  
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)

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*Financial Section*

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Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA



4000 S. Medford Drive  
Lufkin, Texas 75901

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Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hemphill Independent School District  
Hemphill, Texas

### 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 Hemphill 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### Report on the Financial Statements – Continued

#### *Auditor's Responsibility - Continued*

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

#### *Opinions*

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

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 5 through 12 and 40 through 47 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 Hemphill Independent School District's basic financial statements. The introductory and other supplementary information sections, which include the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### Report on the Financial Statements – Continued

#### *Other Matters - Continued*

#### *Other Information*

The introductory and other supplementary information sections, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory and other supplementary information sections, including the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of Hemphill Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hemphill Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hemphill Independent School District's internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
December 14, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hemphill Independent School District's (District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

The District's total combined net position was \$18,356,815 at August 31, 2020.

During the year, the District's expenses were \$1,334,683 more than the \$12,357,228 generated in taxes and other revenues for governmental activities.

The total cost of the District's programs was \$13,691,911, which is \$1,080,230 higher than the prior year.

As of the close of the current fiscal year, the District's general fund reported a fund balance of \$8,526,564, an increase of \$140,114.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**

**OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED**

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain.

Figure A-1

<b>Major Features of the District’s Government-Wide and Fund Financial Statements</b>			
Type of Statements	Government-Wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. The government-wide financial statements of the District include the governmental activities. Most of the District’s basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

The statement of net position presents all of the District’s assets, liabilities and deferred outflows/inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.



## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into two categories: governmental funds and fiduciary funds.

#### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. These funds are reported using the *modified accrual* basis of accounting, which requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each major fund of the District. All other funds are combined into a single, aggregated presentation. The District adopts an annual budget for the general fund and the National School Breakfast and Lunch Program special revenue fund.

The basic governmental funds financial statements are referenced as Exhibits C-1, C-1R, C-2, and C-3 in this report.

#### Fiduciary Funds

*Fiduciary funds* are used to account for assets and activities when the District is functioning as a trustee or an agent, *fiduciary*, for another party. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The *agency fund* accounts for resources held for the benefit of students. That fund is not reflected in the District's government-wide financial statements because the resources of the fund are not available to support the District's own operations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

#### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements and government-wide statements. The notes to financial statements immediately follow the basic financial statements in this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget information and the cost-sharing multiple-employer pension and OPEB plans in which the District participates. The required supplementary information is referenced as Exhibits G-1 through G-5, and the associated notes immediately follow the exhibits in this report. The other supplementary section immediately follows the required supplementary information and includes schedules that the Texas Education Agency requires to be included. Those schedules are referenced as J-1, J-2 and K-1 in this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$18,356,815 at August 31, 2020. The following table reflects the condensed Statement of Net Position.

Table A-1

	2020	2019
Current assets	\$ 9,945,669	\$ 9,588,393
Capital assets	16,853,527	17,806,769
Total assets	<u>26,799,196</u>	<u>27,395,162</u>
Deferred outflows of resources	<u>2,155,975</u>	<u>2,148,875</u>
Other liabilities	1,056,950	795,344
Long term liabilities	<u>6,941,511</u>	<u>7,212,283</u>
Total liabilities	<u>7,998,461</u>	<u>8,007,627</u>
Deferred inflows of resources	<u>2,599,895</u>	<u>1,844,912</u>
Net position:		
Net investment in capital assets	16,806,119	17,776,717
Restricted	165,184	241,017
Unrestricted	<u>1,385,512</u>	<u>1,673,764</u>
Total net position	<u>\$ 18,356,815</u>	<u>\$ 19,691,498</u>

- A portion of the District's net position (ninety-two percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to student; consequently, these assets are not available for future spending.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED**

- The \$1,385,511 (eight percent) of unrestricted net position represents resources available to fund the programs of the District next year.
- At the end of the current fiscal year, the District is able to report a positive balance in all categories of net position.

**Analysis of the District's Operations**

The following table provides a summary of the District's operations for the year ended August 31, 2020. Governmental activities decreased the District's net position by \$1,334,683.

	2020	2019
Program revenues:		
Charges for services	\$ 650,859	\$ 640,889
Operating grants and contributions	3,110,061	2,645,160
General revenues:		
Property taxes	5,098,655	4,924,041
State aid	3,045,336	3,959,422
Investment earnings	151,986	245,466
Miscellaneous	300,331	24,371
Total revenues	<u>12,357,228</u>	<u>12,439,349</u>
Expenses:		
Instruction, instructional resources and media services	7,564,582	7,055,107
Curriculum and staff development	109,202	123,946
Instructional leadership	162,364	153,054
School leadership	662,827	630,324
Guidance, counseling and evaluation services	701,682	658,212
Health services	166,365	136,461
Student transportation	463,490	436,750
Food service	664,764	656,952
Cocurricular/extracurricular activities	475,732	508,593
General administration	634,242	618,140
Facilities maintenance and operations	1,579,582	1,164,783
Security and monitoring services	79,003	67,829
Data processing services	30,118	30,109
Interest on long-term debt	1,352	1,855
Payments to related shared service arrangements	208,675	172,222
Other intergovernmental charges	187,931	197,344
Total expenses	<u>13,691,911</u>	<u>12,611,681</u>
Change in net position	(1,334,683)	(172,332)
Net position, beginning of year	<u>19,691,498</u>	<u>19,863,830</u>
Net position, end of year	<u>\$ 18,356,815</u>	<u>\$ 19,691,498</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

#### Analysis of the District's Operations - Continued

The District's total revenues were \$12,357,228. A significant portion, forty-one percent, of the District's revenue comes from taxes. Twenty-five percent comes from state aid, while only five percent relates to charges for services. Property tax rates decreased by seven cents for the year.

The cost of all governmental activities this year was \$13,691,911. However, the amount that our taxpayers paid for these activities through property taxes was only \$5,098,655. Those who directly benefitted from the programs paid \$650,859 and grants and contributions paid \$3,110,061.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

#### Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,691,748. One percent of the total is considered nonspendable because it is not in spendable form. Two percent or \$165,184 of this total is restricted due to external limitations on its use, which is for federal grants. Ninety-seven percent or \$8,481,384 is unassigned.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,481,384, while total fund balance was \$8,526,564. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents ninety percent of total general fund expenditures, while total fund balance represents ninety-one percent of that same amount.

Revenues from governmental fund types totaled \$11,988,785, a decrease of one percent from the preceding year. This decrease is primarily due an increase in local revenues and a decrease in state revenues. The local revenues increase is due to an increase in tax revenue while the decrease in state revenues is due to the change in state funding due to HB 3 and a decrease in ADA.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget seven times. Differences between the original budget and the final amended budget were significant for revenues and expenditures (\$498,485 decrease in projected revenues and \$362,175 increase in projected expenditures). The decrease in budgeted revenues is primarily due to a decrease of \$930,572 in local revenues and an increase of \$217,587 in state revenues. The decrease in local revenues is due to a decrease in the anticipated tax revenues while the increase in state revenues is a result of increased foundation school program revenue. The increase in budgeted expenditures is due primarily to an increase in plant maintenance and operations of \$355,599 for roof repairs as a result of Hurricane Laura in August 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS - CONTINUED

#### General Fund Budgetary Highlights - Continued

Differences between the actual results and the final amended budget were significant for revenues and expenditures (\$219,393 decrease in actual revenues and \$1,178,629 decrease in actual expenditures). The increase in actual revenues is primarily due to a decrease in state revenues resulting from a decrease in ADA. The decrease in actual expenditures is primarily due to decreases of \$642,595 in instruction and \$222,147 in plant maintenance and operations. These decreases are primarily due to the District being closed from March 2020 due to COVID-19.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

At the end of fiscal year 2020, the District had invested \$33,069,039 in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment and construction in progress. (See Table A-3). This amount represents a net decrease (including additions and deductions) of \$170,035 or less than one percent from last year.

Table A-3

DISTRICT'S CAPITAL ASSETS

	2020	2019
Land	\$ 829,362	\$ 829,362
Buildings and improvements	29,502,943	29,338,353
Furniture and equipment	2,687,875	2,892,578
Furniture and equipment under capital leases	48,859	48,859
Construction in progress		129,922
Totals at historical cost	33,069,039	33,239,074
Total accumulated depreciation	(16,215,512)	(15,432,305)
Net capital assets	<u>\$ 16,853,527</u>	<u>\$ 17,806,769</u>

The District doesn't expect to have any large capital projects in fiscal year 2021. More detailed information about the District's capital assets is presented in the notes to the financial statements.

##### Long Term Debt

At August 31, 2020, the District had \$47,408 in capital leases outstanding. The District does not anticipate the issuance of bonds or any other new debt for the year ending August 31, 2021.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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

Appraised property tax value used for the 2021 budget preparation was up from 2020. General operating fund spending per student increased in the 2021 budget. The District's 2021 refined average daily attendance is expected to decrease.

These indicators were taken into account when adopting the general fund budget for 2021. Revenue amounts available for appropriation in the general fund budget were \$10,195,474, an increase of five percent from the final 2020 budget of \$9,699,125.

Expenditures for the general fund were budgeted at \$10,195,474, a decrease of three percent from the final 2020 budget of \$10,559,785. The District has not added or removed any programs or initiatives in the 2021 budget.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Business Services Department.

*Basic Financial Statements*

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**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 8,752,117
1225	Property Taxes Receivable, Net	196,971
1240	Due from Other Governments	699,343
1290	Other Receivables, Net	252,058
1410	Prepaid Items	45,180
Capital Assets:		
1510	Land	829,362
1520	Buildings and Improvements, Net	15,494,064
1530	Furniture and Equipment, Net	511,372
1550	Capital Lease Assets, Net	18,729
1000	Total Assets	<u>26,799,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	Deferred Outflows Related to Pensions	1,696,490
	Deferred Outflows Related to OPEB	459,485
1700	Total Deferred Outflows of Resources	<u>2,155,975</u>
<b>LIABILITIES:</b>		
2165	Accrued Liabilities	1,029,162
2180	Due to Other Governments	26,009
2190	Due to Student Groups	1,779
Noncurrent Liabilities:		
2501	Due Within One Year	23,495
2502	Due in More Than One Year	23,913
2540	Net Pension Liability	3,086,340
2545	Net OPEB Liability	3,807,763
2000	Total Liabilities	<u>7,998,461</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	Deferred Inflows Related to Pensions	502,890
	Deferred Inflows Related to OPEB	2,097,005
2600	Total Deferred Inflows of Resources	<u>2,599,895</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	16,806,119
Restricted For:		
3820	State and Federal Programs	110,128
3890	Other Purposes	55,056
3900	Unrestricted	1,385,512
3000	Total Net Position	<u>\$ 18,356,815</u>

The accompanying notes are an integral part of this statement.

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## HEMPHILL INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 7,379,591	\$ 308,071	\$ 1,763,795	\$ (5,307,725)
12	Instructional Resources and Media Services	184,991	298	21,413	(163,280)
13	Curriculum and Staff Development	109,202	36	87,877	(21,289)
21	Instructional Leadership	162,364	100,959	53,631	(7,774)
23	School Leadership	662,827	1,071	81,635	(580,121)
31	Guidance, Counseling, & Evaluation Services	701,682	82,233	394,657	(224,792)
33	Health Services	166,365	43,665	22,533	(100,167)
34	Student Transportation	463,490	750	48,500	(414,240)
35	Food Service	664,764	86,926	379,551	(198,287)
36	Cocurricular/Extracurricular Activities	475,732	769	44,015	(430,948)
41	General Administration	634,242	2,170	59,830	(572,242)
51	Facilities Maintenance and Operations	1,579,582	15,694	116,722	(1,447,166)
52	Security and Monitoring Services	79,003	88	27,140	(51,775)
53	Data Processing Services	30,118	49	1,060	(29,009)
72	Interest on Long-term Debt	1,352	--	--	(1,352)
93	Payments Related to Shared Services Arrangements	208,675	8,080	7,702	(192,893)
99	Other Intergovernmental Charges	187,931	--	--	(187,931)
TG	Total Governmental Activities	<u>13,691,911</u>	<u>650,859</u>	<u>3,110,061</u>	<u>(9,930,991)</u>
TP	Total Primary Government	<u>\$ 13,691,911</u>	<u>\$ 650,859</u>	<u>\$ 3,110,061</u>	<u>(9,930,991)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				5,098,655
IE	Investment Earnings				151,986
GC	Grants and Contributions Not Restricted to Specific Programs				3,045,336
MI	Miscellaneous				300,331
TR	Total General Revenues				<u>8,596,308</u>
CN	Change in Net Position				<u>(1,334,683)</u>
NB	Net Position - Beginning				<u>19,691,498</u>
NE	Net Position - Ending				<u>\$ 18,356,815</u>

The accompanying notes are an integral part of this statement.

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**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	10 General Fund	Education Stabilization Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 8,522,837	\$ --	\$ 229,280	\$ 8,752,117
1225	Taxes Receivable, Net	196,971	--	--	196,971
1240	Due from Other Governments	287,713	286,028	125,602	699,343
1260	Due from Other Funds	367,298	--	--	367,298
1290	Other Receivables	252,058	--	--	252,058
1410	Prepaid Items	45,180	--	--	45,180
1000	Total Assets	<u>9,672,057</u>	<u>286,028</u>	<u>354,882</u>	<u>10,312,967</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 72,044	\$ --	\$ --	\$ 72,044
2160	Accrued Wages Payable	450,701	--	61,999	512,700
2170	Due to Other Funds	--	286,028	81,270	367,298
2180	Due to Other Governments	7,684	--	18,325	26,009
2190	Due to Student Groups	1,431	--	348	1,779
2200	Accrued Expenditures	416,662	--	27,756	444,418
2000	Total Liabilities	<u>948,522</u>	<u>286,028</u>	<u>189,698</u>	<u>1,424,248</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	Unavailable Property Tax Revenue	196,971	--	--	196,971
2600	Total Deferred Inflows of Resources	<u>196,971</u>	<u>--</u>	<u>--</u>	<u>196,971</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3430	Prepaid Items	45,180	--	--	45,180
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	110,128	110,128
3490	Other Restrictions of Fund Balance	--	--	55,056	55,056
3600	Unassigned	8,481,384	--	--	8,481,384
3000	Total Fund Balances	<u>8,526,564</u>	<u>--</u>	<u>165,184</u>	<u>8,691,748</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,672,057</u>	<u>\$ 286,028</u>	<u>\$ 354,882</u>	<u>\$ 10,312,967</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 8,691,748
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	16,853,527
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	196,971
Payables for capital leases which are not due in the current period are not reported in the funds.	(47,408)
District's proportionate share of the collective net pension liability is not reported in the funds.	(3,086,340)
District's proportionate share of the collective deferred inflows of resources related to pension plans is not reported in the funds.	(502,890)
District's proportionate share of the collective deferred outflows of resources related to pension plans is not reported in the funds.	1,696,490
District's proportionate share of the collective net OPEB liability is not reported in the funds.	(3,807,763)
District's proportionate share of the collective deferred inflows of resources related to OPEB plans is not reported in the funds.	(2,097,005)
District's proportionate share of the collective deferred outflows of resources related to OPEB plans is not reported in the funds.	<u>459,485</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 18,356,815</u>

The accompanying notes are an integral part of this statement.

**HEMPHILL 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			98	
	General Fund	Education Stabilization Fund	Other Governmental Funds	Total Governmental Funds	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 5,534,314	\$ --	\$ 636,130	\$ 6,170,444
5800	State Program Revenues	3,567,156	--	201,324	3,768,480
5900	Federal Program Revenues	378,262	286,028	1,385,571	2,049,861
5020	Total Revenues	<u>9,479,732</u>	<u>286,028</u>	<u>2,223,025</u>	<u>11,988,785</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,109,160	286,028	953,745	6,348,933
0012	Instructional Resources and Media Services	159,497	--	--	159,497
0013	Curriculum and Staff Development	431	--	87,084	87,515
0021	Instructional Leadership	--	--	136,744	136,744
0023	School Leadership	563,502	--	--	563,502
0031	Guidance, Counseling, & Evaluation Services	136,515	--	437,235	573,750
0033	Health Services	99,268	--	44,709	143,977
0034	Student Transportation	404,342	--	--	404,342
0035	Food Service	--	--	592,146	592,146
0036	Cocurricular/Extracurricular Activities	437,912	--	--	437,912
0041	General Administration	543,981	--	1,158	545,139
0051	Facilities Maintenance and Operations	1,402,226	--	13,529	1,415,755
0052	Security and Monitoring Services	47,824	--	24,508	72,332
0053	Data Processing Services	27,670	--	--	27,670
0071	Principal on Long-term Debt	24,182	--	--	24,182
0072	Interest on Long-term Debt	1,352	--	--	1,352
0081	Facilities Acquisition and Construction	34,688	--	--	34,688
0093	Payments to Shared Service Arrangements	200,675	--	8,000	208,675
0099	Other Intergovernmental Charges	187,931	--	--	187,931
6030	Total Expenditures	<u>9,381,156</u>	<u>286,028</u>	<u>2,298,858</u>	<u>11,966,042</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>98,576</u>	<u>--</u>	<u>(75,833)</u>	<u>22,743</u>
Other Financing Sources and (Uses):					
7913	Issuance of Capital Leases	41,538	--	--	41,538
7080	Total Other Financing Sources and (Uses)	<u>41,538</u>	<u>--</u>	<u>--</u>	<u>41,538</u>
1200	Net Change in Fund Balances	140,114	--	(75,833)	64,281
0100	Fund Balances - Beginning	8,386,450	--	241,017	8,627,467
3000	Fund Balances - Ending	<u>\$ 8,526,564</u>	<u>\$ --</u>	<u>\$ 165,184</u>	<u>\$ 8,691,748</u>

The accompanying notes are an integral part of this statement.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2020

Net change in fund balances - total governmental funds	\$ 64,281
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	65,169
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,018,411)
Certain property tax revenues are unavailable; therefore, they are deferred inflows of resources in the funds. This is the change in these amounts this year.	31,389
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	24,182
Proceeds of capital leases do not provide revenue in the SOA, but are reported as current resources in the fun	(41,538)
Pension contributions made after the measurement date, August 31, 2019, are required to be reported as deferred outflows of resources in the SOA.	224,800
District's recognition of its proportional share of collective net pension expense is recorded in the SOA, but not in the funds.	(703,957)
OPEB contributions made after the measurement date, August 31, 2019, are required to be reported as deferred outflows of resources in the SOA.	60,770
District's recognition of its proportional share of collective net OPEB expense is recorded in the SOA, but not in the funds.	(41,368)
Change in net position of governmental activities - Statement of Activities	<u>\$ (1,334,683)</u>

The accompanying notes are an integral part of this statement.



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

Data Control Codes		Agency Funds
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 105,428
1000	Total Assets	105,428
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	105,428
2000	Total Liabilities	105,428
<b>NET POSITION:</b>		
3000	Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

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# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### A. Summary of Significant Accounting Policies

The basic financial statements of Hemphill Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has 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 ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

**Education Stabilization Fund:** This fund is used to account for Elementary and Secondary School Emergency Relief funds received through the CARES Act.

In addition, the District reports the following fund types:

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

### 3. Financial Statement Amounts

#### a. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon 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. The allowance for uncollectible taxes was \$590,913 as of August 31, 2020.

#### b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	12 - 30
Furniture and equipment	5 - 20

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

For the year ended August 31, 2020, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reports the deferred outflows and deferred inflows related to the Teacher Retirement System of Texas (TRS) net pension and net OPEB liabilities only on the government-wide Statement of Net Position. Those items are detailed in Notes I and J. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is not provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, disclosure is provided to disaggregate significant balances in Note F.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

### j. Net Position Flow Assumption

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

### k. Fund Balance Flow Assumptions

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

## 4. Pensions

The fiduciary net position of the TRS pension 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 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 the TRS pension plan'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.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

5. Other Post-Employment Benefits

The fiduciary net position of the TRS OPEB plan, known as TRS-Care has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

6. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements to the periods beginning after the dates shown below.

- The effective dates for the following pronouncements are postponed:
- Statement No. 84, *Fiduciary Activities* (December 15, 2019)
  - Statement No. 87, *Leases* (June 15, 2021)
  - Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (December 15, 2020)
  - Statement No. 90, *Majority Equity Interests* (December 15, 2019)
  - Statement No. 91, *Conduit Debt Obligations* (December 15, 2021)
  - Statement No. 92, *Omnibus 2020* (June 15, 2021)
  - Statement No. 93, *Replacement of Interbank Offered Rates* (June 15, 2021)

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities or letters of credit in amounts sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,857,545 and the bank balance was \$8,923,922. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by a letter of credit held by the District's agent bank in the District's name.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### 2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The PFIA requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The District is in compliance with the requirements of the PFIA and with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, 10) commercial paper and 11) interest-bearing deposits.

### Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

### D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 829,362	\$ --	\$ --	\$ 829,362
Construction in progress	129,922	13,668	143,590	--
Total capital assets not being depreciated	<u>959,284</u>	<u>13,668</u>	<u>143,590</u>	<u>829,362</u>
Capital assets being depreciated:				
Buildings and improvements	29,338,353	164,590	--	29,502,943
Furniture and equipment	2,892,578	30,501	235,204	2,687,875
Furniture and equipment under capital leases	48,859	--	--	48,859
Total capital assets being depreciated	<u>32,279,790</u>	<u>195,091</u>	<u>235,204</u>	<u>32,239,677</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,157,953)	(850,926)	--	(14,008,879)
Furniture and equipment	(2,253,994)	(157,713)	(235,204)	(2,176,503)
Furniture and equipment under capital leases	(20,358)	(9,772)	--	(30,130)
Total accumulated depreciation	<u>(15,432,305)</u>	<u>(1,018,411)</u>	<u>(235,204)</u>	<u>(16,215,512)</u>
Total capital assets being depreciated, net	<u>16,847,485</u>	<u>(823,320)</u>	<u>--</u>	<u>16,024,165</u>
Governmental activities capital assets, net	<u>\$ 17,806,769</u>	<u>\$ (809,652)</u>	<u>\$ 143,590</u>	<u>\$ 16,853,527</u>



# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Depreciation was charged to functions as follows:

Instruction	\$	561,798
Instructional Resources and Media Services		14,113
Curriculum and Staff Development		7,744
Instructional Leadership		12,100
School Leadership		49,862
Guidance, Counseling, & Evaluation Services		50,769
Health Services		12,740
Student Transportation		35,779
Food Services		52,397
Extracurricular Activities		38,749
General Administration		48,237
Plant Maintenance and Operations		125,275
Security and Monitoring Services		6,400
Data Processing Services		2,448
	\$	<u>1,018,411</u>

### E. Interfund Balances and Activities

#### 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>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 81,270	Short-term advances
General Fund	Education Stabilization Fund	<u>286,028</u>	Short-term advances
	Total	<u>\$ 367,298</u>	

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

#### 2. Transfers To and From Other Funds

There were no transfers to or from other funds at August 31, 2020.

### F. Due From/Due To Other Governments

Due from other governments consisted of the following at August 31, 2020:

	<u>General Fund</u>	<u>Education Stabilization Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due from State - Days of instruction \$	221,201	\$ --	\$ --	\$ 221,201
Due from State - Grants	--	286,028	125,602	411,630
Due from other governments	<u>66,512</u>	<u>--</u>	<u>--</u>	<u>66,512</u>
Total	<u>\$ 287,713</u>	<u>\$ 286,028</u>	<u>\$ 125,602</u>	<u>\$ 699,343</u>

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, due to other governments consisted of the following:

	General Fund	Education Stabilization Fund	Other Governmental Funds	Total
Due to State - Foundation	\$ 7,684	\$ --	\$ --	\$ 7,684
Due to other governments	--	--	18,325	18,325
<b>Total</b>	<b>\$ 7,684</b>	<b>\$ --</b>	<b>\$ 18,325</b>	<b>\$ 26,009</b>

### G. Long-Term Obligations

#### 1. Long-Term Obligation Activity

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>					
Capital leases	\$ 30,052	\$ 41,538	\$ (24,182)	\$ 47,408	\$ 23,495
<b>Total governmental activities</b>	<b>\$ 30,052</b>	<b>\$ 41,538</b>	<b>\$ (24,182)</b>	<b>\$ 47,408</b>	<b>\$ 23,495</b>

#### 2. Capital Leases

The District entered into capital leases with Canon Financial Services to finance the purchase of copiers. The interest rate on these leases is 5.28%.

In fiscal year 2020, the District financed technology equipment through a capital lease with Apple Financial Services. The interest rate on the lease is 4.99%. The assets acquired through this lease did not exceed the District's capitalization threshold.

Interest expense on capital leases for the year ended August 31, 2020 totaled \$1,352.

The capital assets acquired through capital leases are as follows:

Asset	Governmental Activities
Furniture and equipment	\$ 48,859
Less: Accumulated depreciation	(30,130)
<b>Total</b>	<b>\$ 18,729</b>

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2020, as follows:

<u>Year Ending August 31:</u>	
2021	\$ 25,665
2022	24,736
<b>Total minimum rentals</b>	<b>50,401</b>
Less amount representing interest	(2,993)
<b>Present value of minimum lease payments</b>	<b>\$ 47,408</b>

Amortization of leased equipment under capital leases is included with depreciation expense.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 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.

The District is a member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The District participates in the Property, Liability, Auto, Unemployment Compensation and Workers' Compensation Programs.

For the Property, Liability, and Auto programs, the Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

The Unemployment Compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation program.

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims liability. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's retention of \$2,000,000. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. The estimated discounted amount for claims incurred but not yet reported at August 31, 2020 is included in the table below.

For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions and/or reimbursable aggregate deductibles for all programs in which it participates.

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

In 1991, the District joined with other school districts in the East Texas area to form a risk pool arrangement called the East Texas Educational Insurance Association (the Association) for workers' compensation insurance. The District ended its participation in the Association in 2002.

The \$4,494 balance shown in the following table consists of the estimated discounted amount of claims incurred but not yet reported of \$91 and \$4,403 for the Association (prior to 2002) and the TASB workers' compensation program, previously described, respectively. This balance is included in accrued liabilities on the Statement of Net Position and accrued expenditures on the governmental funds balance sheet.

Fiscal Year	Beginning of Year Balance	Current Claims	Claim Payments	End of Year Balance
2018	\$ 867	\$ 31,039	\$ 22,734	9,172
2019	9,172	19,591	18,862	9,901
2020	9,901	6,888	12,295	4,494

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### I. Pension Plan

#### 1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. 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.

#### 2. Pension Plan Fiduciary Net Position

Detail information about the TRS' 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 <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

#### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) 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.

#### 4. 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.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

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	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	7.5%
Employers	6.8%	7.5%
Employer Contributions (fiscal year)		\$ 224,800
Member Contributions (fiscal year)		\$ 537,639
NECE On-Behalf Contributions (measurement year)	\$ 307,463	

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

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

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

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 or charter school 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 explained above.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The source for the municipal bond rate as of August 2019 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.

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 descriptions of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% 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%. 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% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

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 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
<b>Global Equity</b>			
USA	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%
<b>Stable Value</b>			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
<b>Leverage</b>			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	-6.0%	2.7%
<b>Expected Return</b>	<u>100.0%</u>	<u>100.0%</u>	<u>7.23%</u>
* Target allocations are based on the Strategic Asset Allocation as of FY2019			
** New allocations are based on the Strategic Asset Allocation to be implemented FY2020			
*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%			
**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds			
***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility			

## 7. 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.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 4,744,153	\$ 3,086,340	\$ 1,743,191

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

8. 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 \$3,086,340 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,086,340
State's proportionate share that is associated with District	<u>4,566,570</u>
 Total	 <u>\$ 7,652,910</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0059371956%, which was an increase (decrease) of .0003974801% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of 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 \$717,344 and revenue of \$717,344 for support provided by the State. The District also recognized their proportionate share of pension expense of \$703,957.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 12,965	\$ 107,163
Changes in actuarial assumptions	957,534	395,698
Difference between projected and actual investment earnings	30,991	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	470,200	29
Contributions paid to TRS subsequent to the measurement date	<u>224,800</u>	<u>--</u>
Total	<u>\$ 1,696,490</u>	<u>\$ 502,890</u>



# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

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

Measurement Year Ended August 31,	Pension Expense Amount
2020	\$ 248,968
2021	212,505
2022	237,329
2023	209,812
2024	80,037
Thereafter	(19,851)

### J. Defined Other Post-Employment Benefit Plans

#### 1. 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 TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

#### 2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

#### 3. 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 plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

#### 4. 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.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

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

	Contribution Rates	
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Employer Contributions (fiscal year)		\$ 60,770
Member Contributions (fiscal year)		\$ 45,384
NECE On-Behalf Contributions (measurement year)	\$ 75,928	

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 hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

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

### 5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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

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

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

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

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
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
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.
Ad Hoc Post-Employment Benefit Changes	None

The healthcare trend rates consist of separate medical and prescription rates. The initial medical trend rates were 10.25% and 7.5% for Medicare retirees and non-Medicare retirees, respectively. The initial prescription trend rate was 10.25% for all retirees. These initial trend rates decrease to an ultimate trend rate of 4.5% over a period of 13 years.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at 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.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 4,597,191	\$ 3,807,763	\$ 3,190,191

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2020, the District reported a liability of \$3,807,763 for its proportionate share of the TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,807,763
State's proportionate share that is associated with the District	<u>5,059,664</u>
Total	<u>\$ 8,867,427</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.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

The District's proportion of the net OPEB liability was based on the District's contributions to OPEB 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 District's proportion of the collective net OPEB liability was 0.0080517307%, which is an increase (decrease) of -0.0002257811% 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 in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 3,106,239	\$ 3,807,763	\$ 4,747,481

### 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 was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the 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% to 65%. The participation rate for post-55 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In, addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$133,352 and revenue of \$133,352 for support provided by the State. The District also recognized their proportionate share of OPEB expense of \$41,368.

At August 31, 2020, the District reported its proportionate share of the TRS' 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 economic experience	\$ 186,803	\$ 623,100
Changes in actuarial assumptions	211,491	1,024,195
Differences between projected and actual investment earnings	411	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	10	449,710
Contributions paid to TRS subsequent to the measurement date	60,770	
Total	<u>\$ 459,485</u>	<u>\$ 2,097,005</u>

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

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

Measurement Year Ended August 31,	OPEB Expense Amount
2020	\$ (271,786)
2021	(271,786)
2022	(271,919)
2023	(271,997)
2024	(271,977)
Thereafter	(338,825)

### K. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a statewide health insurance coverage plan for public school employees. It was established by Chapter 1579, "Texas School Employees Uniform Health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by Aetna and CVS Caremark.

The District paid premiums of \$225 per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

### L. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2020, the subsidy payments received by TRS-Care on behalf of the District were \$33,319.

### M. Commitments and Contingencies

#### 1. Contingencies

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable 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 basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2020.

### N. Shared Services Arrangements

#### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for four Shared Services Arrangements ("SSAs"). They provide IDEA - Part B, Preschool, IDEA - Part B, Formula, Vocational Education/Carl Perkins, and Special Education services to the member districts below.

The IDEA - Part B Preschool and Formula SSAs and the Vocational Education/Carl Perkins SSA are Model 2 SSAs. The Special Education SSA is accounted for using Model 3 in the SSA section of TEA's Resource Guide. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent for the Special Education SSA. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in special revenue funds.

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Expenditures, excluding indirect costs, of the SSAs are summarized below:

Member Districts	Model 2 SSA Expenditures			
	IDEA - Part B, Preschool	IDEA - Part B, Formula	Vocational Education/ Carl Perkins	Special Education
Hemphill ISD	\$ 5,743	\$ 193,041	\$ 15,442	\$ 228,606
West Sabine ISD	2,662	147,320	8,235	156,415
Broadus ISD	3,502	86,360	8,235	114,303
Brookeland ISD	2,101	81,280	6,691	102,271
San Augustine ISD	--	--	12,868	--
<b>Total</b>	<b>\$ 14,008</b>	<b>\$ 508,001</b>	<b>\$ 51,471</b>	<b>\$ 601,595</b>

O. Insurance Recovery

During the year ended August 31, 2020, the District sustained damage from Hurricane Laura. The damage was covered by insurance less the District's deductible of \$25,000. The insurance recovery is \$252,058 and is included in local and intermediate sources. Since the hurricane occurred close to August 31, 2020, the insurance amount had not been received as of August 31, 2020. It is included in other receivables in the general fund.

P. Risks and Uncertainties

The COVID-19 pandemic developed rapidly early in 2020. Measures taken by various governments to contain the virus have affected economic activity. Various safety and health measures have been implemented by the District to monitor and mitigate the effects of the virus on its students and employees. The District closed its campuses in March 2020 to students and transitioned to virtual/online education for the remainder of the 2019-2020 school year. The District continued to provide breakfast and lunch to students through the Child Nutrition program; however, the operation of the program changed after campuses were closed. Parents were able to pick up meals at designated locations and on designated days. As a result, the number of students that participated in the program during the closure decreased which led to decreased federal reimbursements for meals served during that time. The District reopened campuses to staff and students in August 2020 for the start of the 2020-2021 school year; however, they continued to offer a virtual/online learning option.

As of the date that these financial statements were available to issued, the COVID-19 pandemic is ongoing in the United States as well as around the world. As the spread of COVID-19 continues, the potential impact is difficult to assess.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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# HEMPHILL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 6,516,202	\$ 5,585,630	\$ 5,534,314	\$ (51,316)
5800	State Program Revenues	3,521,408	3,738,995	3,567,156	(171,839)
5900	Federal Program Revenues	160,000	374,500	378,262	3,762
5020	Total Revenues	10,197,610	9,699,125	9,479,732	(219,393)
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,681,172	5,751,755	5,109,160	642,595
0012	Instructional Resources and Media Services	159,798	159,816	159,497	319
0013	Curriculum and Staff Development	3,836	3,836	431	3,405
	Total Instruction & Instr. Related Services	5,844,806	5,915,407	5,269,088	646,319
Instructional and School Leadership:					
0023	School Leadership	589,086	593,486	563,502	29,984
	Total Instructional & School Leadership	589,086	593,486	563,502	29,984
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	176,670	176,670	136,515	40,155
0033	Health Services	92,614	107,670	99,268	8,402
0034	Student (Pupil) Transportation	578,598	478,598	404,342	74,256
0036	Cocurricular/Extracurricular Activities	557,957	532,957	437,912	95,045
	Total Support Services - Student (Pupil)	1,405,839	1,295,895	1,078,037	217,858
Administrative Support Services:					
0041	General Administration	598,763	590,763	543,981	46,782
	Total Administrative Support Services	598,763	590,763	543,981	46,782
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,268,774	1,624,373	1,402,226	222,147
0052	Security and Monitoring Services	62,923	62,923	47,824	15,099
0053	Data Processing Services	27,671	27,671	27,670	1
	Total Support Services - Nonstudent Based	1,359,368	1,714,967	1,477,720	237,247
Debt Service:					
0071	Principal on Long-Term Debt	9,788	24,314	24,182	132
0072	Interest on Long-Term Debt	1,353	1,353	1,352	1
	Total Debt Service	11,141	25,667	25,534	133
Facilities Acquisition and Construction:					
0081	Facilities Acquisition and Construction	--	34,993	34,688	305
	Total Facilities Acquisition and Construction	--	34,993	34,688	305
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	200,675	200,675	200,675	--
0099	Other Intergovernmental Charges	187,932	187,932	187,931	1
	Total Intergovernmental Charges	388,607	388,607	388,606	1
6030	Total Expenditures	10,197,610	10,559,785	9,381,156	1,178,629
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(860,660)	98,576	959,236

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2020

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
7913	Issuance of Capital Leases	--	41,538	41,538	--
7080	Total Other Financing Sources and (Uses)	--	41,538	41,538	--
1200	Net Change in Fund Balance	--	(819,122)	140,114	959,236
0100	Fund Balance - Beginning	8,386,450	8,386,450	8,386,450	--
3000	Fund Balance - Ending	<u>\$ 8,386,450</u>	<u>\$ 7,567,328</u>	<u>\$ 8,526,564</u>	<u>\$ 959,236</u>

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0059371956%	0.0055397155%	0.0053744162%	0.0048454%	0.0047427%	0.0027008%
District's proportionate share of the net pension liability (asset)	\$ 3,086,340	\$ 3,049,194	\$ 1,718,449	\$ 1,830,997	\$ 1,676,481	\$ 721,421
State's proportionate share of the net pension liability (asset) associated with the District	4,566,570	4,911,989	2,952,488	3,652,637	3,520,012	3,177,977
<b>Total</b>	<b>\$ 7,652,910</b>	<b>\$ 7,961,183</b>	<b>\$ 4,670,937</b>	<b>\$ 5,483,634</b>	<b>\$ 5,196,493</b>	<b>\$ 3,899,398</b>
District's covered payroll	\$ 6,347,678	\$ 5,974,856	\$ 5,738,709	\$ 5,595,928	\$ 5,287,217	\$ 5,348,362
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.62%	51.03%	29.94%	32.72%	31.71%	13.49%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

Note: Only six years of data are presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**HEMPHILL INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-3**

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 224,800	\$ 207,808	\$ 186,620	\$ 176,142	\$ 153,950	\$ 139,847
Contributions in relation to the contractually required contribution	(224,800)	(207,808)	(186,620)	(176,142)	(153,950)	(139,847)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 6,982,313	\$ 6,347,678	\$ 5,974,856	\$ 5,738,709	\$ 5,595,928	\$ 5,287,217
Contributions as a percentage of covered payroll	3.22%	3.27%	3.12%	3.07%	2.75%	2.65%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2018 - August 31, 2019.

Note: Only six years of data are presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**HEMPHILL INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-4**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.0080517307%	0.0082775118%	0.0089534334%
District's proportionate share of the net OPEB liability (asset)	\$ 3,807,763	\$ 4,133,037	\$ 3,893,512
State proportionate share of the collective net OPEB liability (asset) associated with the District	<u>5,059,664</u>	<u>4,874,017</u>	<u>4,283,980</u>
Total	<u>\$ 8,867,427</u>	<u>\$ 9,007,054</u>	<u>\$ 8,177,492</u>
District's covered payroll	\$ 6,347,678	\$ 5,974,856	\$ 5,738,709
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	59.99%	69.17%	67.85%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

Note: Only three years of data are presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**HEMPHILL INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-5**

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 60,770	\$ 57,145	\$ 57,103
Contributions in relation to the contractually required contribution	<u>(60,770)</u>	<u>(57,145)</u>	<u>(57,103)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 6,982,313	\$ 6,347,678	\$ 5,975,019
Contributions as a percentage of covered payroll	0.87%	0.90%	0.96%

Note: GASB 75, Paragraph 97 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

Note: Only three years of data are presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

# HEMPHILL INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

## Budget

The official budget was prepared for adoption for the general fund in accordance with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment 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.

There is not a legal requirement to adopt a budget for the Education Stabilization Fund; therefore, the District did not adopt a budget for that fund.

## Defined Benefit Pension and OPEB Plans

### Changes of benefit terms

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

### Changes of assumptions and other inputs

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

- The single discount rate as of August 31, 2019 was a blended rate of 6.907 percent and that has been 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.

### Changes of assumptions and other inputs

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019.
- The health care trend rates were reset to better reflect the plan's anticipated experience.

## **HEMPHILL INDEPENDENT SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED AUGUST 31, 2020

### Defined Benefit Pension and OPEB Plans - Continued

#### Changes of assumptions and other inputs - Continued

- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent while the same 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.
- The percentage of retirees that 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.



## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2011 and Prior Years	\$ Various	\$ Various	\$ Various
2012	1.0374	--	390,619,251
2013	1.04	--	424,062,060
2014	1.04	--	425,295,425
2015	1.04	--	418,264,757
2016	1.04	--	430,265,521
2017	1.04	--	461,828,190
2018	1.04	--	483,292,766
2019	1.04	--	498,904,349
2020 (School Year Under Audit)	.97	--	534,717,545

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 124,683	\$ --	\$ 3,382	\$ --	\$ (37,095)	\$ 84,206
21,106	--	1,080	--	(316)	19,710
22,489	--	938	--	(313)	21,238
29,454	--	2,739	--	(313)	26,402
42,179	--	4,428	--	(526)	37,225
50,278	--	6,294	--	(941)	43,043
75,051	--	15,349	--	(531)	59,171
107,819	--	29,761	--	(955)	77,103
189,270	--	66,525	--	(5,185)	117,560
--	<u>5,186,760</u>	<u>4,832,832</u>	<u>--</u>	<u>(51,702)</u>	<u>302,226</u>
<u>\$ 662,329</u>	<u>\$ 5,186,760</u>	<u>\$ 4,963,328</u>	<u>\$ --</u>	<u>\$ (97,877)</u>	<u>\$ 787,884</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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**HEMPHILL INDEPENDENT SCHOOL DISTRICT**  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2020

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 167,000	\$ 90,038	\$ (76,962)
5800 State Program Revenues	12,200	12,464	264
5900 Federal Program Revenues	408,460	358,755	(49,705)
5020 Total Revenues	<u>587,660</u>	<u>461,257</u>	<u>(126,403)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	661,884	592,146	69,738
Total Support Services - Student (Pupil)	<u>661,884</u>	<u>592,146</u>	<u>69,738</u>
6030 Total Expenditures	<u>661,884</u>	<u>592,146</u>	<u>69,738</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(74,224)</u>	<u>(130,889)</u>	<u>(56,665)</u>
1200 Net Change in Fund Balance	<u>(74,224)</u>	<u>(130,889)</u>	<u>(56,665)</u>
0100 Fund Balance - Beginning	241,017	241,017	--
3000 Fund Balance - Ending	<u>\$ 166,793</u>	<u>\$ 110,128</u>	<u>\$ (56,665)</u>

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Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA



4000 S. Medford Drive  
Lufkin, Texas 75901

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Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)

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

Board of Trustees  
Hemphill Independent School District  
Hemphill, Texas

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

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hemphill 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander, Lankford & Hiers, Inc.*

ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
December 14, 2020



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

Board of Trustees  
Hemphill Independent School District  
Hemphill, Texas

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hemphill 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 Hemphill Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, Hemphill 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 Hemphill 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 Hemphill Independent School District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hemphill Independent School District’s internal control over compliance.

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

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

**Report on Internal Control Over Compliance - Continued**

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

*Alexander, Lankford & Hiers, Inc.*

ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
December 14, 2020

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2020

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior audit findings related to federal awards; therefore, the summary schedule of prior audit findings is not required.		

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2020

There are no current year findings; therefore, a corrective action plan is not required.

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

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture Programs</u>				
Passed Through Texas Education Agency:				
School Breakfast Program	10.553	71401901	\$ --	\$ 9,486
School Breakfast Program	10.553	71402001	--	50,991
Total CFDA Number 10.553			<u>--</u>	<u>60,477</u>
National School Lunch Program	10.555	52302001	--	4,576
National School Lunch Program	10.555	71301901	--	40,778
National School Lunch Program	10.555	71302001	--	221,372
Passed Through Texas Department of Agriculture:				
National School Lunch Program (Non-cash)	10.555	958	--	31,552
Total CFDA Number 10.555			<u>--</u>	<u>298,278</u>
Total Child Nutrition Cluster			<u>--</u>	<u>358,755</u>
<b>FOREST SERVICE SCHOOLS AND ROADS CLUSTER:</b>				
<u>U. S. Department of Agriculture Programs</u>				
Passed Through Sabine County:				
Schools and Roads - Grants to Counties	10.666	N/A	--	129,798
Total Forest Service Schools and Roads Cluster			<u>--</u>	<u>129,798</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA):</b>				
<u>U. S. Department of Education Programs</u>				
Passed Through Texas Education Agency:				
SSA IDEA - Part B, Formula	84.027	206600012029036600	--	508,001
SSA IDEA - Part B, Formula	84.027	216600012029036600	--	18,571
Total CFDA Number 84.027			<u>--</u>	<u>526,572</u>
SSA IDEA - Part B, Preschool	84.173	206610012029036000	--	14,008
Total Special Education Cluster (IDEA)			<u>--</u>	<u>540,580</u>
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education Programs</u>				
Passed Through Texas Education Agency:				
ESEA, Title I, Part A - Improving Basic Programs	84.010	20610101202903	--	323,401
ESEA, Title I, Part A - Improving Basic Programs	84.010	21610101202903	--	7,443
Total CFDA Number 84.010			<u>--</u>	<u>330,844</u>
Career & Technical - Basic Grant	84.048	20420006202903	--	51,471
ESEA, Title VI, Part B, Subpart 2 - Rural & Low Income School Grant Program	84.358	20696001202903	--	16,757
ESEA, Title II, Part A - Teacher & Principal Training & Recruiting	84.367	20694501202903	--	20,494

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients
			Federal Expenditures
ESEA, Title IV, Part A, Subpart 1 - Student Support & Academic Enrichment Program	84.424	20680101202903	--
COVID-19 - Education Stabilization Fund	84.425	20521001202903	--
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ --</b>
			<b>\$ 1,759,235</b>

The accompanying notes are an integral part of this schedule.

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hemphill Independent School District (District) under programs of the federal government for the year ended August 31, 2020. The information in the Schedule is presented in accordance with the 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).

Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Reconciliation to Exhibit C-2

The reconciliation of the Schedule to federal program revenues reported in Exhibit C-2 is as follows:

Total federal awards per the Schedule	\$	1,759,235
Other Federal Revenue:		
Mineral Right Receipts		211,741
School Health and Related Services (SHARS)		<u>78,885</u>
Total federal program revenues per Exhibit C-2	\$	<u><u>2,049,861</u></u>

**HEMPHILL INDEPENDENT SCHOOL DISTRICT**  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered <b>to not have made</b> timely payments.)  Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.  Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --