

**HUGHES SPRINGS  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
AUGUST 31, 2021**

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

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CERTIFICATE OF BOARD

Hughes Springs Independent School District  
Name of School District

Cass  
County

034-903  
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, 2021 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of January 2022.

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

\_\_\_\_\_  
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)



# WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants  
Member of Private Company Practice Section  
Member of AICPA Governmental Audit Quality Center

## UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

### Independent Auditors' Report

Board of Trustees  
Hughes Springs Independent School District  
871 Taylor Street  
Hughes Springs, TX 75656

Members of the Board:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hughes Springs Independent School District as of August 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information on page 51, schedule of the District's proportionate share of the net pension liability (TRS) on page 52-53, schedule of District's contributions to TRS Pension plan on page 54-55, schedule of the District's proportionate share of the OPEB liability (TRS) on page 56, and schedule of District's contributions to TRS OPEB plan on page 57 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 Hughes Springs Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4 and L-1. 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, on our consideration of the Hughes Springs 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hughes Springs 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 the Hughes Springs Independent School District's internal control over financial reporting and compliance.



**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

January 4, 2022

## HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hughes Springs Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements, which follow this section.

### FINANCIAL HIGHLIGHTS

The District's Net Position is \$5,043,555 as a result of this year's operations.

During the year, the District had expenses that were \$60,678 less than the \$14,945,365 generated in tax and other revenues for governmental programs.

The general fund reported a positive fund balance of \$8,779,714.

### USING THIS ANNUAL REPORT

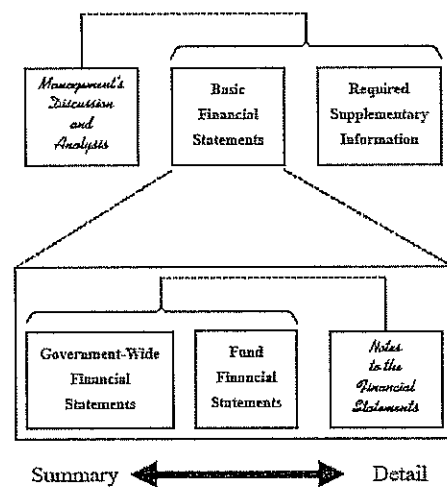
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property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

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

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Figure A-1: Required Components of The District's Annual Financial Information



## HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

### Reporting the District as a Whole

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

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the

Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

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

**Figure A-2: Major Features of the District's Government-Wide and Fund Financial Statements**

Type of Statements	Fund Statements:			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's Governmental (except Fiduciary Funds) and the Agency's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: Print shop	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 Net Position	*Statement of Fiduciary Net Position
	*Statement of Activities	*Statement of revenues, expenditures and changes in fund balances	*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	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus.
Type of asset/liability information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities 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	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
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	All revenues and expenses during year, regardless of when cash is received or paid



# HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

Proprietary funds—the internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

### **The District as Trustee**

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

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

### **Government-Wide Financial Analysis**

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental activities.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position of the District's governmental activities increased from \$4,982,877 to \$5,043,555. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$392,729 at August 31, 2021.

**Table I  
Hughes Springs Independent School District  
NET POSITION**

	Governmental Activities 2021	Governmental Activities 2020	Total % Change
Current and other assets	\$ 10,029,542	\$ 9,055,426	10.76%
Capital assets	6,009,393	6,742,869	-10.88%
Total Assets	<u>16,038,935</u>	<u>15,798,295</u>	<u>1.52%</u>
Deferred outflows of resources	<u>2,474,524</u>	<u>2,409,101</u>	<u>2.72%</u>
Other liabilities	794,150	683,615	16.17%
Long term liabilities	1,555,728	1,743,092	-10.75%
TRS net pension liability	3,117,128	2,958,139	5.37%
TRS net OPEB liability	4,392,174	5,135,832	-14.48%
Total Liabilities	<u>9,859,180</u>	<u>10,520,678</u>	<u>-6.29%</u>
Deferred inflow of resources	<u>3,610,724</u>	<u>2,703,841</u>	<u>33.54%</u>
Net Position:			
Net investment in capital assets	4,481,416	5,036,566	-11.02%
Restricted	169,410	117,576	44.09%
Unrestricted	392,729	(171,265)	329.31%
Total Net Position	<u>\$ 5,043,555</u>	<u>\$ 4,982,877</u>	<u>1.22%</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table II  
Hughes Springs Independent School District  
CHANGES IN NET POSITION**

	Governmental Activities 2021	Governmental Activities 2020	Total % Change
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 152,558	\$ 265,213	-42.48%
Operating grants and contributions	2,033,313	2,371,525	-14.26%
<b>General Revenues:</b>			
Property taxes	2,687,154	2,792,377	-3.77%
State aid - formula grants	9,678,352	9,675,666	0.03%
Investment earnings	13,516	62,222	-78.28%
Miscellaneous and Other	377,472	143,649	162.77%
Gain (Loss) on Disposal of Capital Asset	3,000	(42,606)	107.04%
<b>Total Revenues</b>	<u>14,945,365</u>	<u>15,268,046</u>	<u>-2.11%</u>
<b>Expenses:</b>			
Instruction, curriculum and media services	9,174,994	9,094,110	0.89%
Instructional and school leadership	815,946	802,251	1.71%
Guidance, counseling and evaluation services	235,783	158,247	49.00%
Social Work and Health services and student transportatio	496,227	567,065	-12.49%
Food services	532,806	568,953	-6.35%
Extracurricular activities	827,614	817,639	1.22%
General administration	599,905	650,513	-7.78%
Facilities maintenance, security & monitoring	1,575,173	2,172,348	-27.49%
Data processing	447,406	451,263	-0.85%
Debt service	26,674	102,992	-74.10%
Payments to Shared Service Arrangements	83,417	109,934	-24.12%
Other Intergovernmental Charges	68,742	73,892	-6.97%
<b>Total Expenses</b>	<u>14,884,687</u>	<u>15,569,207</u>	<u>-4.40%</u>
Increase (Decrease) in Net Position	60,678	(301,161)	120.15%
Net Position - Beginning of Year	4,982,877	5,284,038	-5.70%
Net Position - End of Year	<u>\$ 5,043,555</u>	<u>\$ 4,982,877</u>	<u>1.22%</u>

The cost of all governmental activities this year was \$14,884,687. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$2,687,154 because some of the costs were paid by those who directly benefited from the programs \$152,558 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,033,313 or by unrestricted grants, interest, or other revenue \$10,072,340.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THE DISTRICT'S FUNDS**

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

**Table III  
Hughes Springs Independent School District  
NET CHANGES IN FUND BALANCES**

	Governmental Funds 2021	Governmental Funds 2020	Total \$ Change	Total % Change
<b>Revenues:</b>				
Local and Intermediate Sources	\$ 3,255,589	\$ 3,218,150	\$ 37,439	1.2%
State Program Revenues	10,338,290	10,389,836	(51,546)	-0.5%
Federal Program Revenues	1,292,702	1,200,617	92,085	7.7%
Total Revenues	<u>14,886,581</u>	<u>14,808,603</u>	<u>77,978</u>	<u>0.5%</u>
<b>Expenditures:</b>				
Instruction	8,196,766	7,703,894	492,872	6.4%
Instructional resources & media services	111,044	99,768	11,276	11.3%
Curriculum and Instructional Staff Development	152,745	125,629	27,116	21.6%
Instructional leadership	1,619	361	1,258	348.5%
School leadership	740,656	676,143	64,513	9.5%
Guidance, counseling & evaluation services	208,824	124,131	84,693	68.2%
Social Work Services	-	68,523	(68,523)	-100.0%
Health services	123,552	112,946	10,606	9.4%
Student (pupil) transportation	333,184	306,307	26,877	8.8%
Food service	490,790	530,349	(39,559)	-7.5%
Extracurricular activities	770,735	748,093	22,642	3.0%
General administration	553,985	571,185	(17,200)	-3.0%
Facilities maintenance & operations	1,426,427	1,872,378	(445,951)	-23.8%
Security & monitoring services	124,830	162,592	(37,762)	-23.2%
Data processing services	445,093	400,116	44,977	11.2%
Debt service	205,000	531,268	(326,268)	-61.4%
Capital outlay	-	184,014	(184,014)	-100.0%
Payments to fiscal agent member districts of SSA	83,417	109,934	(26,517)	-24.1%
Other intergovernmental charges	68,742	73,892	(5,150)	-7.0%
Total Expenditures	<u>14,037,409</u>	<u>14,401,523</u>	<u>(364,114)</u>	<u>-2.5%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	849,172	407,080	442,092	108.6%
<b>Other Financing Sources (Uses):</b>				
Refunding Bonds Issued	-	1,645,000	(1,645,000)	-100%
Sale of real and personal property	3,000	3,010	(10)	-0.3%
Transfers in	262,000	252,089	9,911	3.9%
Premium or Discount on Issuance of Bonds	-	61,303	(61,303)	-100%
Transfers out	(262,000)	(252,089)	(9,911)	-3.9%
Payment to Bond Refunding Escrow Agent	-	(1,665,220)	1,665,220	100%
	<u>3,000</u>	<u>44,093</u>	<u>(41,093)</u>	<u>-93.2%</u>
Net Change in Fund Balances	852,172	451,173	400,999	88.9%
Fund Balance - Beginning of Year	8,096,779	7,645,606	451,173	5.9%
Fund Balance - End of Year	<u>\$ 8,948,951</u>	<u>\$ 8,096,779</u>	<u>\$ 852,172</u>	<u>10.5%</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As the District completed the year, its governmental funds reported a combined fund balance of \$8,948,951, which is more than last year's total of \$8,096,779. Included in this year's total change in fund balance is an increase of \$858,231 in the District's General Fund.

**BUDGET**

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2020).

The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,779,714 differs from the General Fund's budgetary fund balance of \$7,783,643 reported in the budgetary comparison schedule.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2021, the District had \$6,009,393 net invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net decrease in capital assets over last year due to current depreciation of (\$853,586). Current year additions totaling \$120,110 for fiscal year 2021 included a 2015 Chevy Silverado, a truck bed for a 2016 Dodge Ram, mower, 20 ton A/C unit for the auditorium, 7.5 ton Gaspac and a server cluster.

The District disposed of old technology equipment, two vehicles and HVAC units that were replaced. All these assets were fully depreciated. The District also sold a 2006 Dodge Ram that was fully depreciated for a gain of \$3,000.

*Debt*

Long-term debt (bonds) decreased for the year ending August 31, 2021. As of year-end, the District had outstanding bonds of \$1,527,977. The District has no capital leases. More detailed information about the District's debt is presented in Notes I, J, K and L to the financial statements.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2022. Amounts appropriated in the General Fund budget are \$13,671,255 an increase from the final 2021 actual of \$12,494,628. This increase is due to changes to the funding formula . ADA from 2021 5<sup>th</sup> six weeks was used for 2022 estimates, given that the first 4 six weeks of 2021 were skewed because of COVID-19. TEA's hold harmless ADA (due to COVID-19 pandemic) was utilized in building the budget for 2021. If these estimates are realized, the District's budgetary General Fund balance is expected to remain close to the same at the close of 2022. More importantly, however, this will have been accomplished in spite of unfunded mandates.

**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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Hughes Springs Independent School District, 871 Taylor Street. Hughes Springs, Texas.

## **BASIC FINANCIAL STATEMENTS**

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 8,593,104
1220 Property Taxes - Delinquent	323,676
1230 Allowance for Uncollectible Taxes	(85,979)
1240 Due from Other Governments	1,117,434
1250 Accrued Interest	1,366
1300 Inventories	79,941
Capital Assets:	
1510 Land	100,050
1520 Buildings and Improvements, Net	4,455,012
1530 Furniture and Equipment, Net	1,454,331
1000 Total Assets	16,038,935
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	1,276,209
1706 Deferred Outflow Related to TRS OPEB	1,198,315
1700 Total Deferred Outflows of Resources	2,474,524
<b>LIABILITIES</b>	
2110 Accounts Payable	66,506
2140 Accrued Interest Payable	1,647
2150 Payroll Deductions and Withholdings	83,711
2160 Accrued Wages Payable	642,286
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	169,000
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	1,386,728
2540 Net Pension Liability (District's Share)	3,117,128
2545 Net OPEB Liability (District's Share)	4,392,174
2000 Total Liabilities	9,859,180
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	394,527
2606 Deferred Inflow Related to TRS OPEB	3,216,197
2600 Total Deferred Inflows of Resources	3,610,724
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,481,416
Restricted:	
3820 Restricted for Federal and State Programs	10,424
3850 Restricted for Debt Service	4,045
3890 Restricted for Other Purposes	154,941
3900 Unrestricted	392,729
3000 Total Net Position	\$ 5,043,555

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



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

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 8,889,223	\$ 14,000	\$ 1,479,081	\$ (7,396,142)
12	Instructional Resources and Media Services	119,770	-	5,869	(113,901)
13	Curriculum and Instructional Staff Development	166,001	-	7,848	(158,153)
21	Instructional Leadership	1,720	-	-	(1,720)
23	School Leadership	814,226	-	47,850	(766,376)
31	Guidance, Counseling, and Evaluation Services	235,783	-	14,259	(221,524)
33	Health Services	134,811	-	7,517	(127,294)
34	Student (Pupil) Transportation	361,416	-	24,304	(337,112)
35	Food Services	532,806	97,181	335,527	(100,098)
36	Extracurricular Activities	827,614	41,377	18,091	(768,146)
41	General Administration	599,905	-	25,436	(574,469)
51	Facilities Maintenance and Operations	1,440,180	-	40,813	(1,399,367)
52	Security and Monitoring Services	134,993	-	7,752	(127,241)
53	Data Processing Services	447,406	-	18,966	(428,440)
72	Debt Service - Interest on Long-Term Debt	26,674	-	-	(26,674)
93	Payments Related to Shared Services Arrangements	83,417	-	-	(83,417)
99	Other Intergovernmental Charges	68,742	-	-	(68,742)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>		<b>\$ 14,884,687</b>	<b>\$ 152,558</b>	<b>\$ 2,033,313</b>	<b>(12,698,816)</b>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	2,687,154
SF	State Aid - Formula Grants	9,678,352
IE	Investment Earnings	13,516
MI	Miscellaneous Local and Intermediate Revenue	377,472
SI	Sale of Capital Asset	3,000
TR	Total General Revenues and Special Items	12,759,494
CN	Change in Net Position	60,678
NB	Net Position - Beginning	4,982,877
NE	Net Position - Ending	\$ 5,043,555

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	ESSER -School Emergency Relief II	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 5,014,655	\$ -	\$ 147,069	\$ 5,161,724
1120 Investments - Current	3,305,453	-	-	3,305,453
1220 Property Taxes - Delinquent	320,275	-	3,401	323,676
1230 Allowance for Uncollectible Taxes	(85,759)	-	(220)	(85,979)
1240 Due from Other Governments	694,288	221,185	201,961	1,117,434
1250 Accrued Interest	1,366	-	-	1,366
1260 Due from Other Funds	377,618	-	-	377,618
1300 Inventories	56,801	-	23,140	79,941
1000 Total Assets	<u>\$ 9,684,697</u>	<u>\$ 221,185</u>	<u>\$ 375,351</u>	<u>\$ 10,281,233</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 58,693	\$ -	\$ 7,813	\$ 66,506
2150 Payroll Deductions and Withholdings Payable	78,373	-	5,338	83,711
2160 Accrued Wages Payable	558,234	36,525	47,527	642,286
2170 Due to Other Funds	-	184,660	142,255	326,915
2000 Total Liabilities	<u>695,300</u>	<u>221,185</u>	<u>202,933</u>	<u>1,119,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	209,683	-	3,181	212,864
2600 Total Deferred Inflows of Resources	<u>209,683</u>	<u>-</u>	<u>3,181</u>	<u>212,864</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	56,801	-	23,140	79,941
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	10,424	10,424
3480 Retirement of Long-Term Debt	-	-	2,511	2,511
3490 Other Restricted Fund Balance	75,000	-	-	75,000
Committed Fund Balance:				
3510 Construction	2,500,000	-	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	-	850,000
3540 Self Insurance	17,763	-	-	17,763
3545 Other Committed Fund Balance	1,167,000	-	133,162	1,300,162
3600 Unassigned Fund Balance	4,113,150	-	-	4,113,150
3000 Total Fund Balances	<u>8,779,714</u>	<u>-</u>	<u>169,237</u>	<u>8,948,951</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,684,697</u>	<u>\$ 221,185</u>	<u>\$ 375,351</u>	<u>\$ 10,281,233</u>

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

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	8,948,951
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		75,224
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$31,816,967 and the accumulated depreciation was (\$25,074,098). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. These totaled (\$1,706,303). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		5,036,566
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.		285,110
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,276,209, a deferred resource inflow in the amount of (\$394,527), and a net pension liability in the amount of (\$3,117,128). This resulted in a (decrease) in net position.		(2,235,446)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,198,315, a deferred resource inflow in the amount of (\$3,216,197), and a net OPEB liability in the amount of (\$4,392,174). This resulted in a (decrease) in net position.		(6,410,056)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(853,586)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		196,792
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,043,555</b>

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

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

Data Control Codes	10 General Fund	ESSER -School Emergency Relief II	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 3,043,133	\$ -	\$ 212,456	\$ 3,255,589
5800 State Program Revenues	10,304,041	-	34,249	10,338,290
5900 Federal Program Revenues	2,685	221,185	1,068,832	1,292,702
5020 Total Revenues	<u>13,349,859</u>	<u>221,185</u>	<u>1,315,537</u>	<u>14,886,581</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	7,205,962	221,185	769,619	8,196,766
0012 Instructional Resources and Media Services	111,044	-	-	111,044
0013 Curriculum and Instructional Staff Development	152,745	-	-	152,745
0021 Instructional Leadership	1,619	-	-	1,619
0023 School Leadership	740,656	-	-	740,656
0031 Guidance, Counseling, and Evaluation Services	202,819	-	6,005	208,824
0033 Health Services	123,552	-	-	123,552
0034 Student (Pupil) Transportation	333,184	-	-	333,184
0035 Food Services	9,214	-	481,576	490,790
0036 Extracurricular Activities	649,339	-	121,396	770,735
0041 General Administration	553,985	-	-	553,985
0051 Facilities Maintenance and Operations	1,426,427	-	-	1,426,427
0052 Security and Monitoring Services	124,830	-	-	124,830
0053 Data Processing Services	445,093	-	-	445,093
Debt Service:				
0071 Principal on Long-Term Debt	-	-	165,000	165,000
0072 Interest on Long-Term Debt	-	-	40,000	40,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	83,417	-	-	83,417
0099 Other Intergovernmental Charges	68,742	-	-	68,742
6030 Total Expenditures	<u>12,232,628</u>	<u>221,185</u>	<u>1,583,596</u>	<u>14,037,409</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,117,231</u>	<u>-</u>	<u>(268,059)</u>	<u>849,172</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	3,000	-	-	3,000
7915 Transfers In	-	-	262,000	262,000
8911 Transfers Out (Use)	(262,000)	-	-	(262,000)
7080 Total Other Financing Sources (Uses)	<u>(259,000)</u>	<u>-</u>	<u>262,000</u>	<u>3,000</u>
1200 Net Change in Fund Balances	858,231	-	(6,059)	852,172
0100 Fund Balance - September 1 (Beginning)	<u>7,921,483</u>	<u>-</u>	<u>175,296</u>	<u>8,096,779</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,779,714</u>	<u>\$ -</u>	<u>\$ 169,237</u>	<u>\$ 8,948,951</u>

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

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

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	852,172
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		35,616
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase net position.		285,110
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(853,586)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(1,843)
 GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$243,534. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in the change in net position totaling (\$235,994). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) the change in net position by (\$331,216). The net result is a (decrease) in the change in net position.		(323,676)
 GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$85,441. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$87,550). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$68,994. The net result is an increase in the change in net position.		66,885
 <b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>60,678</b>

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

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

	Governmental Activities -
	Total Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 125,927
Total Assets	<u>125,927</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Other Funds	50,703
Total Liabilities	<u>50,703</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>75,224</u>
Total Net Position	<u>\$ 75,224</u>

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

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

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 50,891
Total Operating Revenues	50,891
OPERATING EXPENSES:	
Payroll Costs	15,275
Total Operating Expenses	15,275
Operating Income	35,616
Total Net Position - September 1 (Beginning)	39,608
Total Net Position - August 31 (Ending)	\$ 75,224

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

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

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 50,891
Cash Payments for Insurance Claims	(15,275)
Net Cash Provided by Operating Activities	35,616
Net Increase in Cash and Cash Equivalents	35,616
Cash and Cash Equivalents at Beginning of Year	90,311
Cash and Cash Equivalents at End of Year	\$ 125,927
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	\$ 35,616

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



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

	Private Purpose Trust Funds	Total Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,946	\$ 36,372
Total Assets	<u>18,946</u>	<u>\$ 36,372</u>
<b>NET POSITION</b>		
Restricted for Scholarships	17,769	-
Restricted for Other Purposes	<u>1,177</u>	<u>36,372</u>
Total Net Position	<u>\$ 18,946</u>	<u>\$ 36,372</u>

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

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

	Private Purpose Trust Funds	Total Custodial Funds
<b>ADDITIONS:</b>		
Contributions to Student Groups	\$ -	\$ 20,092
Contributions, Gifts and Donations	18,641	-
Total Additions	<u>18,641</u>	<u>20,092</u>
<b>DEDUCTIONS:</b>		
Supplies and Materials	17,403	-
Other Deductions	-	20,989
Total Deductions	<u>17,403</u>	<u>20,989</u>
Change in Fiduciary Net Position	1,238	(897)
Total Net Position - September 1 (Beginning)	<u>17,708</u>	<u>37,269</u>
Total Net Position - August 31 (Ending)	<u>\$ 18,946</u>	<u>\$ 36,372</u>

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**Note A. Summary of Significant Account Policies**

The Hughes Springs Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the state of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statements on Auditing Standards No. 76* of the American Institute of Certified Public Accountants and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**1. Reporting Entity**

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Hughes Springs Independent School District. The members of the Board of Trustees are elected by the public; have authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting unit.

**2. Government-Wide Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Hughes Springs Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis of accounting, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, the phrase "available" for exchange transactions means expected to be received within 60 days of year-end.

Non-exchange transactions in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On the government-wide financial statements, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis of accounting, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

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

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

The Proprietary and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have measurement focus. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**4. Fund Accounting**

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures or expenses.

**The District reports the following major governmental funds:**

**General Fund** – This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

**Elementary and Secondary Emergency Relief Fund ESSER II** – This fund accounts for resources restricted for a specific purpose by a grant in a Special revenue fund. ESSER II is one of multiple funding sources for school districts under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) to support the district's ability to operate, instruct its student, address learning loss, prepare schools for reopening, test, repair, and upgrading projects to improve air quality in school buildings during the Coronavirus pandemic.

**Additionally, the District reports the following fund types:**

**Governmental Fund Type:**

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

**Debt Service Fund** - This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

**Proprietary Funds:**

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded worker's compensation fund and laptop fund.

**Fiduciary Fund Type:**

**Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Fund.

**Custodial Funds** – The District utilizes Custodial Funds to account for resources held for others in a custodial capacity. The District's Custodial Fund is the Student Activity Fund

**5. Cash Equivalents**

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. Investments**

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**7. Inventories**

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

**8. Grant Fund Accounting**

The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of two years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

**9. Long-term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the government-wide financial statements and the fund financial statements, debt issuance costs are recognized during the current period. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**10. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused leave benefits. Employees who retire from Hughes Springs Independent School District are entitled to payment of their accumulated leave in a lump sum payment. The employee must provide advance written notice of intent to retire and the last three consecutive years worked by the employee before retirement must be with HSISD. Unused leave benefits are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**11. Asset Capitalization and Useful Lives**

Capital assets, which include land, buildings and improvements, furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings	20 - 50 years
Building Improvements	20 - 50 years
Vehicles	5 - 10 years
Office Equipment and Furniture	4 - 7 years
Computer Equipment	3 - 5 years

The District has no restriction on any assets.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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**12. Worker's Compensation Plan**

During the year, the District participated in a public entity risk pool for workers' compensation insurance. The plan was established pursuant to Texas Revised Code Statutes Annotated Art. 8309h and Texas Government code, Ch. 791.

**13. Interfund Transactions**

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as due to/from other funds. All balances between funds are reported as transfers.

A description of the basic types of interfund transactions and the related accounting policies are as follows:

For reporting at the government-wide financial statement level, the District eliminates direct interfund charges for services and the balances created within the same activity categories (i.e. governmental vs. business-type). This process ensures neither governmental nor business-type activities report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party. The Internal Service Fund is essentially a repository for income, expenses, assets and liabilities of the District's workers' compensation.

**14. Risk Management**

In the normal course of operations the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the Texas Educational Insurance Association to self-fund their worker's compensation plan with annual maximum limits. The District entered into an agreement with the TRS ActiveCare for their employee health insurance coverage. For insurance programs, there have been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

In Management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

**15. Fund Equity**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

*Nonspendable fund balance* – represents amounts cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivables or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated authority to assign fund balances to the Superintendent.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

As of August 31, 2021:

	General	Other	Total
<u>Nonspendable:</u>			
Inventory	\$ 56,801	\$ 23,140	\$ 79,941
 <u>Restricted:</u>			
Food Service	-	10,424	10,424
Long-Term Debt	-	2,511	2,511
Other	75,000	-	75,000
 <u>Committed:</u>			
Construction	2,500,000	-	2,500,000
Capital Equip Expenditures	850,000	-	850,000
Self Insurance	17,763	-	17,763
Other	1,167,000	133,162	1,300,162
 <u>Unassigned:</u>			
	4,113,150	-	4,113,150
	\$ 8,779,714	\$ 169,237	\$ 8,948,951

**17. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement 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.

**18. Application of Restricted or Unrestricted Assets**

During the budgeting process, allocation of expenses are determined as to whether it originated following specific guidelines related to restricted assets retained in the fund or whether for other purposes (non-restricted). Restricted assets will be used before unrestricted assets when payments are budgeted for an expenditure, which meets the specific guidelines, set forth by the granting agency.

**19. Data Control Codes**

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



**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**20. Estimates and Assumptions**

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

**21. Internal Service Funds**

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

**22. Allocation of Indirect Expenses to Functions in the Statement of Activities**

Program revenues are derived from the program itself or from parties outside the reporting government taken as a whole, with the effect of reducing the net cost of the function to be financed from the government's general revenues. The statement of activities should separately report three categories of program revenues; (a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

**Note B. Stewardship, Compliance and Accountability**

**Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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The following budget amendments were significant:

General Fund:	
Decrease in expenditures Function 11 - Instruction	117,800
(Increase) in expenditures Function 12 - Instructional Resources & Media Services	(3,000)
(Increase) in expenditures Function 13 - Curriculum Development	(23,000)
Decrease in expenditures Function 23 - School Leadership	150
(Increase) in expenditures Function 31 - Guidance, Counseling Services	(11,000)
(Increase) in expenditures - Function 33 - Health Services	(7,000)
Decrease in expenditures Function 34 - Student Transportation	159,500
(Increase) in expenditures Function 35 - Food Service	(7,000)
Decrease in expenditures Function 36 - Extracurricular Activities	15,419
(Increase) in expenditures Function 51 - Facilities Maintenance & Operations	(263,469)
(Increase) in expenditures Function 52 - Security & Monitoring Services	(7,943)
(Increase) in expenditures Function 53 - Data Processing Services	(38,457)
(Increase) in other financing uses -Transfers Out	(70,000)
	(138,000)
Food Service Fund:	
Increase in other financing uses -Transfers In	70,000
	70,000

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 33,564
Nonappropriated Budget Funds	133,162
	\$ 166,726

**Note C. Deposits and Investments**

District Policies and Legal and Contractual Provisions Governing Deposits:

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

The captions and amounts of cash and cash equivalents on the balance sheet and statements of proprietary and fiduciary net position as of August 31, 2021 consists of the following:

	General Fund	Other Governmental Funds	Balance Sheet Total	Private		Custodial Fund
				Proprietary Fund	Purpose Trust Funds	
Cash in bank	4,521,711	147,069	4,668,780	125,927	18,946	36,372
Investment pools	492,944	-	492,944	-	-	-
Total	5,014,655	147,069	5,161,724	125,927	18,946	36,372

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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The District's cash deposits and certificates of deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**The Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complies with the requirements of the PFIA and the District's investments policies.

As of August 31, 2021, Hughes Springs Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Local Government Investment Pools**					
Lone Star***	492,944	492,944	-	-	-
Certificates of Deposit	3,305,453	3,305,453	-	-	-
Total	<u>3,798,397</u>	<u>3,798,397</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 72, all investments are recorded at fair value.

\*\*Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

\*\*\* Investments in local government pool are based upon a contract and not the security itself. Therefore, these types of investments are not categorized in Categories 1-3. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

*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.

*Public Funds Investment Pools* -- Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act ("the Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Additional policies and contractual provisions governing investments for Hughes Springs Independent School District are specified below:

*Credit Risk* To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2021, the district's investments in the Lone Star Investment Pool was rated AAA by Standard and Poor.

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

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

*Interest Rate Risk* To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District monitors interest rate risk using weighted-average-maturity and specific identification.

*Foreign Currency Risk for Investments* The District does not engage in any deposit or investment in transactions involving foreign currency.

**Note D. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for real and personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2020 upon which the levy for the 2021 fiscal year was based was \$272,854,850. The tax rates levied for the year ended August 31, 2021, to finance General Fund operations was \$1.0217 per \$100 valuation.

Taxes are due upon receipt of the tax bill and are delinquent and subject to interest if not paid by February 1 of the year following the October 1 levy date. On June 30 of each year, a tax lien attaches to the property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**Note E. Delinquent Taxes Receivable**

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

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**Note F. Interfund Payables and Receivables and Transfers**

Interfund balances at August 31, 2021, consisted of the following individual fund receivables and payables:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund:		
ESSER - School Emergency Relief II	-	184,660
Nonmajor Special Revenue Funds	-	142,255
Internal Service Fund	-	50,703
ESSER - School Emergency Relief II:		
General Fund	184,660	-
Nonmajor Special Revenue Funds:		
General Fund	142,255	-
Internal Service Fund:		
General Fund	50,703	-
Total	<u>377,618</u>	<u>377,618</u>

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without requirement of repayment.” Interfund transfers at August 31, 2021, were as follows:

	<u>Transfers to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund:		
Debt Service Fund	205,000	-
Food Service Fund	57,000	-
Nonmajor Governmental Funds:		
General Fund	-	262,000
Total	<u>262,000</u>	<u>262,000</u>

The District transferred \$205,000 to the Debt Service Fund to make payments on principal and interest on debt and transferred \$57,000 to subsidize the Food Service Fund.

**Note G. Disaggregation of Receivables and Payables**

Receivables at August 31, 2021, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	320,275	694,288	377,618	1,366	1,393,547
ESSER - School Emergency Relief II	-	221,185	-	-	221,185
Other Funds	3,401	201,961	-	-	205,362
Total - Governmental Activities	<u>323,676</u>	<u>1,117,434</u>	<u>377,618</u>	<u>1,366</u>	<u>1,820,094</u>
Amounts not scheduled for collection during the subsequent year	<u>(85,979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,979)</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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Payables at August 31, 2021, were as follows:

	Accounts Payable	Salaries and Benefits	Due To Other Funds	Total Payables
<b>Governmental Activities:</b>				
General Fund	58,693	636,607	-	695,300
ESSER - School Emergency Relief II	-	36,525	184,660	221,185
Other Funds	7,813	52,865	142,255	202,933
Total - Governmental Activities	<u>66,506</u>	<u>725,997</u>	<u>326,915</u>	<u>1,119,418</u>

**Note H. Capital Asset Activity**

Capital asset activity for the District for the year ended August 31, 2021, was as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	100,050	-	-	100,050
Buildings and Improvements	26,839,208	-	-	26,839,208
Furniture and Equipment	4,877,709	120,110	(177,934)	4,819,885
Total Historical Cost	<u>31,816,967</u>	<u>120,110</u>	<u>(177,934)</u>	<u>31,759,143</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	21,778,652	605,544	-	22,384,196
Furniture and Equipment	3,295,446	248,042	(177,934)	3,365,554
Total Accumulated Depreciation	<u>25,074,098</u>	<u>853,586</u>	<u>(177,934)</u>	<u>25,749,750</u>
<b>Governmental Activities:</b>				
Land	100,050	-	-	100,050
Buildings and Improvements, Net	5,060,556	(605,544)	-	4,455,012
Furniture and Equipment, Net	1,582,263	(127,932)	-	1,454,331
Capital Assets, Net	<u>6,742,869</u>	<u>(733,476)</u>	<u>-</u>	<u>6,009,393</u>

Current year additions for fiscal year 2021 included a 2015 Chevy Silverado, a truck bed for a 2016 Dodge Ram, mower, 20 ton A/C unit for the auditorium, 7.5 ton Gaspak and a server cluster.

The District disposed of old technology equipment, two vehicles and HVAC units that were replaced. All these assets were fully depreciated. The District also sold a 2006 Dodge Ram that was fully depreciated for a gain of \$3,000.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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Depreciation expense was charged to governmental functions as follows:

Instruction	511,441
Instructional Resources and Media Services	6,929
Curriculum and Instructional Staff Development	9,530
Instructional Leadership	101
School Leadership	46,214
Guidance, Counseling, and Evaluation Services	13,030
Health Services	7,709
Student Transportation	20,789
Food Services	30,623
Extracurricular Activities	48,090
General Administration	34,566
Facilities Maintenance and Operations	89,003
Security and Monitoring Services	7,789
Data Processing Services	<u>27,772</u>
Total Depreciation Expense	<u><u>853,586</u></u>

**Note I. Bonds Payable**

Bond indebtedness and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Long-term debt includes general obligation serial bonds. Bond premiums and discounts are amortized using the effective interest method.

In 2014, the District issued Unlimited Tax Refunding Bonds, Series 2014 in the amount of \$2,153,000. In the governmental fund financial statements, bond indebtedness of the District current requirement for principal and interest expenditures are accounted for in the Debt Service Fund. The District paid \$165,000 in principal and \$40,000 in interest.

In 2020, the District issued Unlimited Tax Refunding Bonds, Series 2020 in the amount of \$1,645,000 to refund Series 2014. The escrow payment of \$1,665,220 was used to provide debt service payments on Series 2014 when called on July 16, 2020. As a result, the Series 2014 is considered defeased and the District has removed the liability from its financial statements. The refunding resulted in a gross savings of \$51,951 and a net present value benefit of \$48,756. Bond proceeds were accounted for in the Debt Service Fund as other financing sources in the amount of \$1,645,000 for refunding bonds issued and \$61,303 for premium on issuance of bonds. The District paid \$41,083 in bond issuance costs.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium on issuance of bonds, net of accumulated amortization, totaled \$47,977 at August 31, 2021. Current year amortization totals \$13,326.

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/20	Issued	Retired	Amounts Outstanding 08/31/21
Unlimited Tax Refunding, Series 2020	2.56%	\$ 1,645,000	1,645,000	-	165,000	1,480,000
Total			<u>1,645,000</u>	<u>-</u>	<u>165,000</u>	<u>1,480,000</u>

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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31	Principal	Interest	Total Requirements
2022	169,000	35,725	204,725
2023	173,000	31,347	204,347
2024	178,000	26,854	204,854
2025	182,000	22,246	204,246
2026	187,000	17,523	204,523
2027-2029	591,000	22,951	613,951
	<u>\$ 1,480,000</u>	<u>\$ 156,646</u>	<u>\$ 1,636,646</u>

Hughes Springs Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 12c2-12 to enable investors to analyze the financial condition and operations of Hughes Springs Independent School District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021.

**Note J. Accumulated Leave Benefits Payable**

The District adopted a new policy regarding the payment of accumulated leave upon retirement from Hughes Springs Independent School District. Employees earn leave, which may either be taken or accumulated until paid upon retirement. Leave benefits payable at August 31, 2021 totaled \$27,751. A summary of the changes in the accumulated leave liability follows:

Balance September 1, 2020	36,789
Additions	
Deductions	<u>9,038</u>
Balance August 31, 2021	<u>27,751</u>

**Note K. Changes in Debt**

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Unlimited Tax Refund, Series 2020	1,645,000	-	165,000	1,480,000	169,000
Bond premium	61,303	-	13,326	47,977	-
Total Bond Payable	<u>1,706,303</u>	<u>-</u>	<u>178,326</u>	<u>1,527,977</u>	<u>169,000</u>
Other Liabilities					
Compensated Absences	36,789		9,038	27,751	-
TRS Net Pension Liability	2,958,139	399,128	240,139	3,117,128	-
TRS Net OPEB Liability	5,135,832	-	743,658	4,392,174	-
Total Other Liabilities	<u>8,130,760</u>	<u>399,128</u>	<u>992,835</u>	<u>7,537,053</u>	<u>-</u>
Total Governmental Activities:					
Long Term-Liabilities	<u>9,837,063</u>	<u>399,128</u>	<u>1,171,161</u>	<u>9,065,030</u>	<u>169,000</u>



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**Note L. Commitments under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2021, as follows:

Year Ended August 31	Total Requirements
2022	18,893
2023	12,264
2024	5,283
2025	3,528
Total	<u>39,968</u>

**Note M. Defined Benefit Pension Plans**

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

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

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

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

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member (Employees)	7.7%	7.7%
Employer (District)	7.5%	7.5%
Non-Employer Contributing Entity (State)	7.5%	7.5%
HSISD Member Contributions	594,429	642,823
HSISD Employer Contributions	235,994	243,534
HSISD Measurement Year NECE On-Behalf Contributions	375,221	480,414

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, 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.

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.
- All public schools, charter school, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.

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*Actuarial Assumptions.* The pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in	
Projection Period (100) years	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and non-employer contribution entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. 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.

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Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Allocation <sup>1</sup> %	Expected Arithmetic Real Rate of Return <sup>2</sup>	Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.0%	3.9%	0.99%
Non-U.S. Development	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
<b>Stable Value</b>			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge	5.0%	1.9%	0.11%
<b>Real Return</b>			
Real Estate	15.0%	4.6%	1.01%
Energy, Natural Reserves	6.0%	6.0%	0.42%
<b>Risk Parity</b>			
Risk Parity	8.0%	3.0%	0.30%
<b>Leverage</b>			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
<b>Inflation Expectation</b>			2.00%
<b>Volatility Drag<sup>3</sup></b>			-0.67%
<b>Total</b>	<b>100.00%</b>		<b>7.33%</b>

<sup>1</sup> Target allocations are based on the FY 2020 policy manual.

<sup>2</sup> Capital Asset Market Assumptions come from Aon Hewitt (as of 8/31/2020).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one % point lower (6.25%) or one % point higher (8.25%) that the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
HSISD's proportionate share of the net pension liability:	\$ 4,806,555	\$ 3,117,128	\$ 1,744,505

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*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2021, Hughes Springs ISD reported a liability of \$3,117,128 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Hughes Springs ISD. The amount recognized by Hughes Springs ISD 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 Hughes Springs ISD were as follows:

District's Proportionate share of the collective net pension liability	\$ 3,117,128
State's proportionate share that is associated with the District	<u>6,236,034</u>
Total	<u>\$ 9,353,162</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.005820102%, which was an increase (decrease) of 0.0001295265% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation**

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

For the year ended August 31, 2021, Hughes Springs School recognized pension expense of \$1,317,266 and revenue of \$750,056 for support provided by the State.

At August 31, 2021, Hughes Springs School reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,692	\$ 86,991
Changes in actuarial assumptions	723,285	307,536
Net difference between projected and actual investment earnings	63,103	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	240,595	-
Total as of August 31, 2020 measurement date	\$ 1,032,675	\$ 394,527
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	243,534	-
Total as of August 31, 2021 fiscal year-end	\$ 1,276,209	\$ 394,527

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

Year ended August 31:	Pension Expense Amount
2022	200,086
2023	195,891
2024	186,340
2025	72,991
2026	(19,118)
Thereafter	1,958
	638,148

**Note N. Defined Other Post-Employment Benefit Plan**

*Other Post-Employment Benefits.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic 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

*Plan Description.* Hughes Springs Independent School 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 TRS-Care program was established in 1986 by the Texas Legislature.

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

*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.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

<b>TRS-Care Monthly for Retirees</b>		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1020	999
<i>*or surviving spouse</i>		

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

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Non-Employer Contributing Entity (State)	1.25%	1.25%
HSISD Member Contributions	50,179	54,264
HSISD Employer Contributions	87,550	85,441
Measurement Year NECE On-behalf Contributions	102,411	118,005

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 \$280.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

***Actuarial Assumptions***

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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.

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

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

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65,
Election Rates	25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate:** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.



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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
HSISD's proportionate share of the Net OPEB Liability	\$ 5,270,598	\$ 4,392,174	\$ 3,698,344

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2021 the District reported a liability of \$4,392,174 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	4,392,174
State's proportionate share that is associated with the District	<u>5,902,028</u>
Total	<u><u>10,294,202</u></u>

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

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.011553938%, which was an increase (decrease) of 0.0006939291% August 31, 2019.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	\$ 3,587,843	\$ 4,392,174	\$ 5,463,428

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

Change of Benefit Terms Since the Prior Measurement Date – There were not changes in benefit terms since the prior measurement date.

At August 31, 2021, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 229,972	\$ 2,010,083
Changes in actuarial assumptions	270,906	1,206,114
Net difference between projected and actual investment earnings	1,427	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	610,569	-
Total as of August 31, 2020 measurement date	\$ 1,112,874	\$ 3,216,197
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	85,441	-
Total as of August 31, 2021 fiscal year-end	\$ 1,198,315	\$ 3,216,197

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

Year ended August 31:	OPEB Expense Amount
2022	(371,736)
2023	(371,927)
2024	(372,037)
2025	(372,010)
2026	(254,692)
Thereafter	(360,921)
	<u>\$ (2,103,323)</u>

For the year ended August 31, 2021, the District recognized OPEB expense of (\$22,425) and revenue of (\$40,981) for support provided by the State.

**Note O. Medicare Part D (TRS)**

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity’s covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the “completed” report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity’s payroll contact.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District's employees were \$39,882 for the year ended August 31, 2021. State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District's employees were \$33,133 for the year ended August 31, 2020. State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District's employees were \$25,507 for the year ended August 31, 2019.

**Note P. Deferred Inflows of Resources (Governmental Funds)**

Unavailable revenue -- property taxes at August 31, 2021 consisted of the following:

	General Fund	Nonmajor Debt Service Fund	Total
Net uncollected tax revenue	209,683	3,181	212,864
	209,683	3,181	212,864

**Note Q. Due From Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 682,276	\$ -	\$ 12,012	\$ 694,288
ESSER - School Emergency Relief II	-	221,185	-	221,185
Other Funds	12	201,949	-	201,961
<b>Total</b>	<b>\$ 682,288</b>	<b>\$ 423,134</b>	<b>\$ 12,012</b>	<b>\$ 1,117,434</b>

**Note R. Revenues from Local and Intermediate Sources**

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

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total	Internal Service Fund	Private Purpose Fund	Custodial Funds	Total
Property Taxes	2,863,713	795	2,864,508	-	-	-	2,864,508
Services to Other Districts	14,000	-	14,000	-	-	-	14,000
Food Sales	-	97,181	97,181	-	-	-	97,181
Investment Income	13,493	23	13,516	43	-	-	13,559
Gifts	497	-	497	-	-	-	497
Rent	10,768	-	10,768	-	-	-	10,768
Insurance Recovery	75,000	-	75,000	-	-	-	75,000
Co-Curricular Student Activities	41,377	-	41,377	-	-	-	41,377
Other	24,285	114,457	138,742	50,848	18,641	20,092	228,323
<b>Total</b>	<b>3,043,133</b>	<b>212,456</b>	<b>3,255,589</b>	<b>50,891</b>	<b>18,641</b>	<b>20,092</b>	<b>3,345,213</b>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**Note S. Litigation and Contingencies**

Litigation – The District may be subjected to loss contingencies arising principally in the normal course of operations. As of the report date, the District was not involved in any outstanding litigation.

Contingencies - The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The Governor has issued proclamations renewing the disaster declarations for all Texas counties in each subsequent month effective through the date of this report. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

**Note T. Risk Management**

In the normal course of operation the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. For insured programs, there were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for self-insured insurance risk pool.

**Workers' Compensation**

The District maintains a self-insurance program for workers' compensation. Contributions are paid from all government funds to the Workers' Compensation Internal Service Fund from which all claims are paid. Claims administration, loss control, and consultant services are provided by a third party administrator. The District contributed fixed cost of \$12,650 to the fund for the year ended August 31, 2021. The District's loss fund maximum was \$25,748. The District maintains a catastrophic loss insurance policy for catastrophic losses exceeding \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$64,226.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

Changes in the workers' compensation claims liability amounts in fiscal year 2021 are represented below:

Statement of Change in Liability From 9/1/20 Thru 8/31/21

	01/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Total
Unpaid claims at 9/1/20	2,339	401	141	375	755	3	3,056	2,946	2,486	3,204	-	15,706
Incurred Claims:												
Provisions for insured events of the current year	-	-	-	-	-	-	-	-	-	-	6,407	6,407
Increases in provision for insured events of the prior years	(511)	(69)	(34)	1	(67)	-	(22)	17	(266)	(1,416)	-	(2,367)
Total incurred claims	(511)	(69)	(34)	1	(67)	-	(22)	17	(266)	(1,416)	6,407	4,040
Payments:												
Claims attributable to insured events of the current year	-	-	-	-	-	-	-	-	-	-	200	200
Claims attributable to insured events of the prior years	78	8	-	-	46	-	79	288	782	502	-	1,783
Total payments	78	8	-	-	46	-	79	288	782	502	200	1,983
Total unpaid claims 8/31/21	1,750	324	107	376	642	3	2,955	2,675	1,438	1,286	6,207	17,763
Minimum amount to be encumbered. Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	414	130	98	971	255	54,870	1,423	1,975	668	773	2,649	64,226

**Note U. Shared Service Arrangements**

The District participates in several Shared Service Arrangements ("SSA") described as follows:

Atlanta ISD fiscal agent: The District participates in a SSA which provides special education services to member districts. In addition to the District, other member districts include five other districts. The member districts provide funds to the fiscal agent. Although a percentage of the activity of the cooperative is attributable to the District's participation, the District does not account for revenues and expenditures in this program and does not disclose them in these financial statements. The fiscal agent is responsible for all the financial activities of the shared service arrangement.

The District has accounted for the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements. These payments totaled \$83,417 for the year ended August 31, 2021.

**Note V. Subsequent Events**

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements, which was January 4, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,916,365	\$ 2,916,365	\$ 3,043,133	\$ 126,768
5800 State Program Revenues	10,231,415	10,231,415	10,304,041	72,626
5900 Federal Program Revenues	-	-	2,685	2,685
5020 Total Revenues	13,147,780	13,147,780	13,349,859	202,079
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	7,748,095	7,630,295	7,205,962	424,333
0012 Instructional Resources and Media Services	109,608	112,608	111,044	1,564
0013 Curriculum and Instructional Staff Development	134,754	157,754	152,745	5,009
0021 Instructional Leadership	1,750	1,750	1,619	131
0023 School Leadership	743,538	743,388	740,656	2,732
0031 Guidance, Counseling, and Evaluation Services	193,699	204,699	202,819	1,880
0033 Health Services	117,198	124,198	123,552	646
0034 Student (Pupil) Transportation	552,885	393,385	333,184	60,201
0035 Food Services	3,364	10,364	9,214	1,150
0036 Extracurricular Activities	797,587	782,168	649,339	132,829
0041 General Administration	558,908	558,908	553,985	4,923
0051 Facilities Maintenance and Operations	1,282,751	1,546,220	1,426,427	119,793
0052 Security and Monitoring Services	120,843	128,786	124,830	3,956
0053 Data Processing Services	411,890	450,347	445,093	5,254
Debt Service:				
0073 Bond Issuance Cost and Fees	750	750	-	750
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	85,000	85,000	83,417	1,583
0099 Other Intergovernmental Charges	80,000	80,000	68,742	11,258
6030 Total Expenditures	12,942,620	13,010,620	12,232,628	777,992
1100 Excess of Revenues Over Expenditures	205,160	137,160	1,117,231	980,071
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	3,000	3,000
8911 Transfers Out (Use)	(205,000)	(275,000)	(262,000)	13,000
7080 Total Other Financing Sources (Uses)	(205,000)	(275,000)	(259,000)	16,000
1200 Net Change in Fund Balances	160	(137,840)	858,231	996,071
0100 Fund Balance - September 1 (Beginning)	7,921,483	7,921,483	7,921,483	-
3000 Fund Balance - August 31 (Ending)	\$ 7,921,643	\$ 7,783,643	\$ 8,779,714	\$ 996,071

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

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.005820102%	0.005690576%	0.005590179%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,117,128	\$ 2,958,139	\$ 3,076,970
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	6,236,034	5,572,945	5,987,612
Total	<u>\$ 9,353,162</u>	<u>\$ 8,531,084</u>	<u>\$ 9,064,582</u>
District's Covered Payroll	\$ 7,748,349	\$ 6,844,939	\$ 6,591,984
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	40.23%	43.22%	46.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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

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



<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.005363584%	0.005231531%	0.0055736%	0.0026508%
\$ 1,714,985	\$ 1,976,918	\$ 1,970,193	\$ 708,065
3,795,011	4,670,017	4,465,504	3,778,782
<u>\$ 5,509,996</u>	<u>\$ 6,646,935</u>	<u>\$ 6,435,697</u>	<u>\$ 4,486,847</u>
\$ 6,664,605	\$ 6,662,163	\$ 6,590,643	\$ 6,197,193
25.73%	29.67%	29.89%	11.43%
82.17%	78.00%	78.43%	83.25%

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

	2021	2020	2019
Contractually Required Contribution	\$ 243,534	\$ 235,994	\$ 197,112
Contribution in Relation to the Contractually Required Contribution	(243,534)	(235,994)	(197,112)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 8,348,387	\$ 7,748,349	\$ 6,844,939
Contributions as a Percentage of Covered Payroll	2.92%	3.05%	2.88%

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

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

	2018	2017	2016	2015
\$	187,446	\$ 175,787	\$ 166,219	\$ 165,036
	(187,446)	(175,787)	(166,219)	(165,036)
\$	-	\$ -	\$ -	\$ -
\$	6,591,984	\$ 6,664,605	\$ 6,662,163	\$ 6,590,643
	2.84%	2.64%	2.49%	2.50%

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

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.011553938%	0.010860009%	0.010491594%	0.010383898%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 4,392,174	\$ 5,135,832	\$ 5,238,549	\$ 4,515,568
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	5,902,028	6,824,371	5,587,823	5,215,114
Total	<u>\$ 10,294,202</u>	<u>\$ 11,960,203</u>	<u>\$ 10,826,372</u>	<u>\$ 9,730,682</u>
District's Covered Payroll	\$ 7,748,349	\$ 6,844,939	\$ 6,591,984	\$ 6,664,605
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.69%	75.03%	79.47%	67.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

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

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

	2021	2020	2019	2018
Contractually Required Contribution	\$ 85,441	\$ 87,550	\$ 76,840	\$ 75,332
Contribution in Relation to the Contractually Required Contribution	(85,441)	(87,550)	(76,840)	(75,332)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	-
District's Covered Payroll	\$ 8,348,387	\$ 7,748,349	\$ 6,844,939	\$ 6,591,984
Contributions as a Percentage of Covered Payroll	1.02%	1.13%	1.12%	1.14%

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

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

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

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

*Changes of Benefit terms.*

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

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

*Changes of Assumptions.*

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

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

*Changes in Benefits.*

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

*Changes in Assumptions.*

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

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

## **COMBINING SCHEDULES**

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 6,047	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	82,837	28,917	24,456	8,705
1300 Inventories	-	-	23,140	-
1000 Total Assets	<u>\$ 82,837</u>	<u>\$ 28,917</u>	<u>\$ 53,643</u>	<u>\$ 8,705</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ 7,813	\$ -
2150 Payroll Deductions and Withholdings Payable	2,413	-	916	417
2160 Accrued Wages Payable	25,512	-	11,350	5,412
2170 Due to Other Funds	54,912	28,917	-	2,876
2000 Total Liabilities	<u>82,837</u>	<u>28,917</u>	<u>20,079</u>	<u>8,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	23,140	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	10,424	-
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>33,564</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 82,837</u>	<u>\$ 28,917</u>	<u>\$ 53,643</u>	<u>\$ 8,705</u>



266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	282 ESSER School Emergency Relief III	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 133,162	\$ 139,217
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,749	29,749	22,536	-	-	-	201,949
-	-	-	-	-	-	-	23,140
<u>\$ -</u>	<u>\$ 4,749</u>	<u>\$ 29,749</u>	<u>\$ 22,536</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 133,162</u>	<u>\$ 364,306</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,813
-	-	1,584	-	-	8	-	5,338
-	-	5,253	-	-	-	-	47,527
-	4,749	22,912	22,536	-	-	-	136,902
-	4,749	29,749	22,536	-	8	-	197,580
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	23,140
-	-	-	-	-	-	-	10,424
-	-	-	-	-	-	-	-
-	-	-	-	-	-	133,162	133,162
-	-	-	-	-	-	133,162	166,726
<u>\$ -</u>	<u>\$ 4,749</u>	<u>\$ 29,749</u>	<u>\$ 22,536</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 133,162</u>	<u>\$ 364,306</u>

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

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 7,852	\$ 147,069
1220 Property Taxes - Delinquent	3,401	3,401
1230 Allowance for Uncollectible Taxes	(220)	(220)
1240 Due from Other Governments	12	201,961
1300 Inventories	-	23,140
1000 Total Assets	<u>\$ 11,045</u>	<u>\$ 375,351</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ -	\$ 7,813
2150 Payroll Deductions and Withholdings Payable	-	5,338
2160 Accrued Wages Payable	-	47,527
2170 Due to Other Funds	5,353	142,255
2000 Total Liabilities	<u>5,353</u>	<u>202,933</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue - Property Taxes	3,181	3,181
2600 Total Deferred Inflows of Resources	<u>3,181</u>	<u>3,181</u>
<b>FUND BALANCES</b>		
Nonspendable Fund Balance:		
3410 Inventories	-	23,140
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	10,424
3480 Retirement of Long-Term Debt	2,511	2,511
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	133,162
3000 Total Fund Balances	<u>2,511</u>	<u>169,237</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,045</u>	<u>\$ 375,351</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 97,181	\$ -
5800 State Program Revenues	-	-	4,702	-
5900 Federal Program Revenues	409,864	28,917	322,727	49,771
5020 Total Revenues	409,864	28,917	424,610	49,771
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	409,864	28,917	-	49,771
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0035 Food Services	-	-	481,576	-
0036 Extracurricular Activities	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	409,864	28,917	481,576	49,771
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(56,966)	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	57,000	-
1200 Net Change in Fund Balance	-	-	34	-
0100 Fund Balance - September 1 (Beginning)	-	-	33,530	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 33,564	\$ -

266	270	282	289	410	429	461	Total
ESSER -School	ESEA VI, Pt B	ESSER School	Other Federal	State	Other State	Campus	Nonmajor
Emergency	Rural & Low	Emergency	Special	Instructional	Special	Activity	Special
Relief	Income	Relief III	Revenue Funds	Materials	Revenue Funds	Funds	Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	112,847	\$ 210,028
-	-	-	-	29,169	350	-	34,221
8,712	22,963	192,942	32,936	-	-	-	1,068,832
8,712	22,963	192,942	32,936	29,169	350	112,847	1,313,081
8,712	22,963	186,937	32,936	29,169	350	-	769,619
-	-	6,005	-	-	-	-	6,005
-	-	-	-	-	-	-	481,576
-	-	-	-	-	-	121,396	121,396
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,712	22,963	192,942	32,936	29,169	350	121,396	1,378,596
-	-	-	-	-	-	(8,549)	(65,515)
-	-	-	-	-	-	-	57,000
-	-	-	-	-	-	(8,549)	(8,515)
-	-	-	-	-	-	141,711	175,241
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	133,162	\$ 166,726

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

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 2,428	\$ 212,456
5800 State Program Revenues	28	34,249
5900 Federal Program Revenues	-	1,068,832
5020 Total Revenues	<u>2,456</u>	<u>1,315,537</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	769,619
0031 Guidance, Counseling, and Evaluation Services	-	6,005
0035 Food Services	-	481,576
0036 Extracurricular Activities	-	121,396
Debt Service:		
0071 Principal on Long-Term Debt	165,000	165,000
0072 Interest on Long-Term Debt	40,000	40,000
6030 Total Expenditures	<u>205,000</u>	<u>1,583,596</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,544)	(268,059)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	205,000	262,000
1200 Net Change in Fund Balance	2,456	(6,059)
0100 Fund Balance - September 1 (Beginning)	55	175,296
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,511</u>	<u>\$ 169,237</u>

**REQUIRED T.E.A. SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.119046	0.000000	379,481,412
2014	1.119046	0.000000	366,967,669
2015	1.119046	0.000000	324,274,213
2016	1.119046	0.000000	329,645,440
2017	1.119046	0.000000	238,960,214
2018	1.119046	0.000000	226,870,803
2019	1.119046	0.000000	252,188,037
2020	1.035300	0.000000	279,595,576
2021 (School year under audit)	1.021700	0.000000	272,854,850
1000 TOTALS			

	(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$	61,851	\$ -	\$ 6,114	\$ 249	\$ (11,881)	\$ 43,607
	8,525	-	489	-	(1,048)	6,988
	11,682	-	892	-	(783)	10,007
	15,641	-	837	-	(976)	13,828
	20,702	-	5,451	-	(994)	14,257
	28,188	-	8,290	-	(937)	18,961
	36,112	-	9,861	-	(552)	25,699
	58,438	-	17,677	-	(1,670)	39,091
	91,127	-	34,158	-	(4,365)	52,604
	-	2,787,758	2,687,154	-	(1,970)	98,634
\$	<u>332,266</u>	\$ <u>2,787,758</u>	\$ <u>2,770,923</u>	\$ <u>249</u>	\$ <u>(25,176)</u>	\$ <u>323,676</u>



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 85,000	\$ 85,000	\$ 97,181	\$ 12,181
5800 State Program Revenues	2,500	2,500	4,702	2,202
5900 Federal Program Revenues	354,000	354,000	322,727	(31,273)
5020 Total Revenues	441,500	441,500	424,610	(16,890)
EXPENDITURES:				
Current:				
0035 Food Services	517,173	517,173	481,576	35,597
6030 Total Expenditures	517,173	517,173	481,576	35,597
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,673)	(75,673)	(56,966)	18,707
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	70,000	57,000	(13,000)
1200 Net Change in Fund Balances	(75,673)	(5,673)	34	5,707
0100 Fund Balance - September 1 (Beginning)	33,530	33,530	33,530	-
3000 Fund Balance - August 31 (Ending)	\$ (42,143)	\$ 27,857	\$ 33,564	\$ 5,707

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 2,428	\$ 2,428
5800 State Program Revenues	-	-	28	28
5020 Total Revenues	-	-	2,456	2,456
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	165,000	165,000	165,000	-
0072 Interest on Long-Term Debt	40,000	40,000	40,000	-
6030 Total Expenditures	205,000	205,000	205,000	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(205,000)	(205,000)	(202,544)	2,456
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	205,000	205,000	205,000	-
1200 Net Change in Fund Balances	-	-	2,456	2,456
0100 Fund Balance - September 1 (Beginning)	55	55	55	-
3000 Fund Balance - August 31 (Ending)	\$ 55	\$ 55	\$ 2,511	\$ 2,456

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

**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,119,349
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$619,713
<hr/>		

**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$21,654
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$12,283
<hr/>		

**COMPLIANCE, INTERNAL CONTROL, AND  
FEDERAL AWARDS SECTION**



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

Independent Auditor's Report

Board of Trustees  
Hughes Springs Independent School District  
871 Taylor Street  
Hughes Springs, TX 75656

Members of the Board:

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 Hughes Springs Independent School District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hughes Springs Independent School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

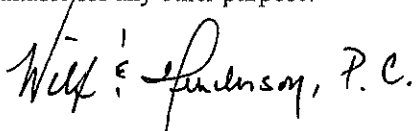
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 matter that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." The signature is written in a cursive, flowing style.

**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

**January 4, 2022**



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

Independent Auditor's Report

Board of Trustees  
Hughes Springs  
871 Taylor Street  
Hughes Springs, TX 75656

Members of the Board:

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hughes Springs 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 Hughes Springs 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 Hughes Springs Independent School District's compliance.

**Opinion on Each Major Federal Program**

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

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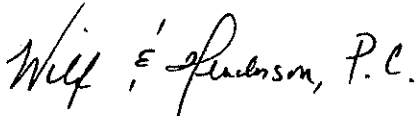
## Report on Internal Control Over Compliance

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

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

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

This purpose of this report in 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**WILF & HENDERSON, P.C.**  
Certified Public Accountants  
Texarkana, Texas

January 4, 2022



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

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

- a. The type of report issued on the financial statements of the Hughes Springs Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instance of noncompliance material to the financial statements of the Hughes Springs Independent School District was disclosed during the audit.
- d. No significant deficiency or material weakness relating to the audit of the major federal award programs are reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516(a).
- g. The program tested as major programs was:

COVID-19 CARES ACT Stimulus Grant - ESSER I	CFDA # 84.425D
COVID-19 ESSER School Emergency Relief II	CFDA # 84.425D
COVID-19 ESSER School Emergency Relief III	CFDA # 84.425U

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Hughes Springs Independent School District was determined to be a low-risk auditee.

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

No findings were required to be reported.

**III. Findings and Responses for Federal Awards Including Audit Findings as Described in I.f above.**

No findings were required to be reported.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021**

There were no prior year findings or questioned costs.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021**

There were no current year audit findings or questioned costs.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF THE TREASURY</b>			
<u>Passed Through - Texas Depart of Emergency Mgmt</u>			
Coronavirus Relief Fund	21.019	2020-CF-2019	\$ 2,685
Total Passed Through - Texas Depart of Emergency Mgmt			<u>2,685</u>
<b>TOTAL DEPARTMENT OF THE TREASURY</b>			2,685
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610141034903	5,705
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21-610141034903	378,647
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22-610141034903	25,512
Total Assistance Listing Number 84.010A			<u>409,864</u>
IDEA - Part B, Formula	84.027	21-661001034903	28,917
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20-696001034903	3,521
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21-696001034903	19,442
Total Assistance Listing Number 84.358B			<u>22,963</u>
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	21-694501034903	44,359
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	22-694501034903	5,412
Total Assistance Listing Number 84.367A			<u>49,771</u>
Title IV, Part A, Subpart I	84.424A	20-680101034903	5,873
Title IV, Part A, Subpart I	84.424A	21-680101034903	27,063
Total Assistance Listing Number 84.424A			<u>32,936</u>
COVID-19 CARES Act Stimulus Grant - ESSER I	84.425D	20-521001034903	8,712
COVID-19 ESSER School Emergency Relief II	84.425D	21-521001034903	221,185
COVID-19 ESSER School Emergency Relief III	84.425U	21-528001034903	192,942
Total Assistance Listing Number 84.425			<u>422,839</u>
Total Passed Through State Department of Education			<u>967,290</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			967,290
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	57,707
*COVID-19 Emergency Op Cost Reimb Program	10.555	N/A	4,095
*National School Lunch Program - Cash Assistance	10.555	N/A	225,867
*National School Lunch Prog - Non-Cash Assistance	10.555	N/A	35,058
Total Assistance Listing Number 10.555			<u>265,020</u>
Total Child Nutrition Cluster			<u>322,727</u>
Total Passed Through the State Department of Agriculture			<u>322,727</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			322,727
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,292,702</u>

\*Clustered Programs per Compliance Supplement 2021

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted or committed to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, Uniform Guidance.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expense are reported in the Food Service Special Revenue Fund.

## SCHOOLS FIRST QUESTIONNAIRE

Hughes Springs Independent School District

Fiscal Year 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0