

HIGHLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2021

HIGHLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED AUGUST 31, 2021
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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Highland Independent School District

Name of School District

Nolan

County

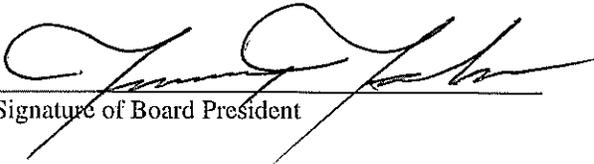
177-905

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 18th day of November, 2021.



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)

FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602
INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Highland Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland 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 of material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, the District adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 9 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Independent School District's basic financial statements. The introductory section, combining and nonmajor fund financial statements, and the TEA required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and the required TEA schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of Highland Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Highland Independent School District's internal control over financial reporting and compliance.



MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
October 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF TRUSTEES
BRENT ALLEN, PRES
BRAD THOMPSON, VP
JIMMY JOHNS, SEC
BRANDON BANKHEAD
ALLEN HOELSCHER
JIMMY JOHNS
CODY MUNCY
KEVIN GILLESPIE

Highland I.S.D.

6625 FM 608
ROSCOE, TEXAS 79545
(325) 766-3652

DUANE HYDE
SUPERINTENDENT
KARRY OWENS
SECONDARY PRINCIPAL
DAVID ACEVEDO
ELEMENTARY PRINCIPAL
SHAHALAH HOELSCHER
COUNSELOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Highland Independent School District (the "District"), discuss and analyze the District's financial performance for the twelve months ended August 31, 2021. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$20,072,542 at August 31, 2021 which was an increase of 2.0%, after the prior period adjustment, from the previous year.
- The District's expenses were \$5,471,264 versus revenue at \$5,874,311, for a net gain of \$403,047.
- The total cost of the District's programs increased \$176,960 from last year.
- The general fund reported a fund balance this year of \$14,661,668.

USING THIS ANNUAL REPORT

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

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

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

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency (TEA). The sections labeled TEA Required Schedules and Other Information Required by Government Accountability Office (GAO) contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). Its primary purpose is to show whether the District is in a better or worse position as a result of the year's activities. The Statement of Net Position includes all the District's assets, liabilities, and deferred inflows and outflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These 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 or children 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.

The District's net position (the difference between assets and deferred outflows, and liabilities and 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 non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we have presented the District as one kind of activity (governmental activities).

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as federal 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 a reconciliation schedule following each of the fund financial statements.
- Proprietary fund – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds which the District does not have at present) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities – the District does not have proprietary funds at present.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and prior student scholarship programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (Exhibit E-1) and Statement of Changes in Fiduciary Fund Net Position (Exhibit E-2). 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

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

Net position of the District's governmental activities increased from \$19,669,495, after the prior period adjustment, to \$20,072,542. 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 \$12,910,084 at August 31, 2021.

Table A-1
Highland Independent School District's Net Position

	Governmental Activities		Percentage Change
	2021	2020	
Current and Other Assets	\$ 14,969,347	\$ 14,391,230	4.02%
Capital and Non-Current Assets	14,808,718	15,561,213	-4.84%
Total Assets	29,778,065	29,952,443	-0.58%
Deferred Outflows of Resources	446,717	509,608	-12.34%
Current Liabilities	269,444	268,216	0.46%
Long Term Liabilities	9,168,848	9,993,454	-8.25%
Total Liabilities	9,438,292	10,261,670	-8.02%
Deferred Inflows of Resources	713,948	565,941	26.15%
Net Position			
Net Investment in Capital Assets	6,222,437	5,867,436	6.05%
Restricted	940,021	1,380,276	-31.90%
Unrestricted	12,910,084	12,386,728	4.23%
Total Net Position	\$ 20,072,542	\$ 19,634,440	2.23%

At the end of the 2020-2021 school year, the enrollment for the District was 218, a decrease of 20 from the prior year. The average daily attendance was (ADA) was 205.379 which was a decrease of 8.541 from the previous year.

The District's Maintenance & Operations (M&O) tax rate decreased from \$1.0619 per \$100 to \$0.9944 per \$100 of valuation and the Debt Service (I&S) tax rate decreased from \$0.147 to \$0.143 per \$100 of valuation.

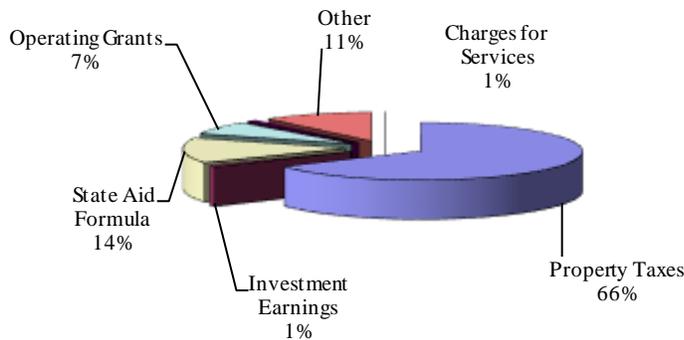
The cost of all governmental activities for the current fiscal year was \$5,471,264. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$3,869,341 which is \$166,394 more than last year's total of \$3,702,947. The District's total revenues were \$5,874,311. A significant portion, 66%, of the District's revenue comes from taxes. (See Figure A-3.) \$825,267 (14%) comes from state aid – formula, and 7% from operating grants, while 1% relates to charges for services.

Table A-2
Changes in Highland Independent School District's Net Position

	Governmental Activities		Total % Change
	2021	2020	
Revenues			
<u>Program Revenues</u>			
Charges for services	\$ 57,300	59,874	-4.30%
Operating grants and contributions	426,697	445,268	-4.17%
<u>General Revenues</u>			
Property taxes	3,869,341	3,702,947	4.49%
State aid - formula	825,267	982,735	-16.02%
Investment earnings	49,596	192,595	-74.25%
Other	646,110	387,773	66.62%
Total Revenues	5,874,311	5,771,192	

Expenses			
Instruction and instructional related	2,354,066	2,394,337	-1.68%
Instructional and school leadership	269,531	266,267	1.23%
Guidance, social work, health, transportation	228,107	206,688	10.36%
Food Services	231,155	226,602	2.01%
Extracurricular activities	309,341	193,482	59.88%
General administration	509,262	425,968	19.55%
Plant maintenance and operations	847,265	1,032,113	-17.91%
Security and monitoring	14,797	36,348	-59.29%
Data processing service	51,102	46,596	9.67%
Debt service	168,809	185,460	-8.98%
Intergovernmental	487,829	280,443	73.95%
Total Expenses	<u>5,471,264</u>	<u>5,294,304</u>	
Change in Net Position	403,047	476,888	
Beginning Net Position	19,634,440	19,157,552	
Prior Period Adjustment	35,055		
Ending Net Position	<u>\$ 20,072,542</u>	<u>\$ 19,634,440</u>	

Figure A-3 District Sources of Revenue for Fiscal Year 2021



THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$5,856,788, an increase of 4.0% from the preceding year. Local revenue increased \$311,418 as a result of funds from a new Chapter 313 agreement in the previous year. The state aid revenue decreased approximately 15%. Federal revenues increased approximately \$93,000 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three 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 31, 2020). The second category includes changes that the Trustees made during the year to take into account the changes in operations. The third category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. With these adjustments, actual expenditures in the General Fund were \$164,701 under final budget amounts. The budget was amended, and increased 4.9% for increases in instructional resources and media services, school leadership, health services, student (pupil) transportation, food services, extracurricular activities, facilities maintenance and operations, security and monitoring services, data processing services, and contracted instructional services between schools. The District decreased their budget in curriculum and instructional staff development, general administration, and payments to fiscal agent/member districts of SSA.

Resources were \$200,295 over the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$13,859,018 in a broad range of capital assets, including land, equipment, buildings, and vehicles, net of accumulated depreciation. (See Table A-4). This amount represents a net decrease (including additions, deletions and depreciation expense) of 2.2% over last year.

**Table A-4
District's Capital Assets**

	Governmental Activities		Total % Change
	2021	2020	
Land	\$ 16,719	\$ 16,719	
Construction in progress	100,000		100.00%
Buildings and improvements	21,414,272	21,102,962	1.48%
Furniture and equipment	1,203,019	1,118,094	7.60%
Capital leases	169,445	169,445	
Total at historical cost	<u>22,903,455</u>	<u>22,407,220</u>	2.21%
Total accumulated depreciation	9,044,437	8,237,115	9.80%
Net capital assets	<u>\$ 13,859,018</u>	<u>\$ 14,170,105</u>	-2.20%

Debt

At year-end, the District had \$7,636,581 in bonds and premium on bond. See Table A-5.

**Table A-5
District's Long Term Debt**

	2021	2020
Unlimited Tax		
Refunding Bonds, Series 2011	\$ 880,000	\$ 1,300,000
School Building Bonds, Series 2016	6,090,000	6,250,000
Premium		
Series 2011	48,578	72,865
Series 2016	618,003	679,804
Total	<u>\$ 7,636,581</u>	<u>\$ 8,302,669</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021-2022 budget preparation increased \$62,210,704 or 18.3% from the previous year. M&O tax rate will decrease to \$0.9538 and the I&S tax rate will decrease to \$0.1252. The increase in property values is expected to be partially offset by the decrease in tax rates resulting in property tax revenue to increase from 2021.
- General operating fund spending per student increased in the 2022 budget to \$22,053, a \$2,309 per student increase.

The district's 2022 refined average daily attendance is expected to be 200.

These indicators were taken into account when adopting the general fund budget for 2022. Property taxes will increase due to increasing property values. State revenue will decrease with the decrease in ADA.

Expenditures are budgeted at \$4,410,632, which is an increase of 8.8% compared to prior year expenditures.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase by \$98,739, by the close of 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate 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 Highland Independent School District, 6625 FM 608, Roscoe, Texas 79545, or by calling (325) 766-3652.

BASIC FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2021

10

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	\$ 4,059,707
1120	Investments - current	10,856,569
1220	Property taxes receivable (delinquent)	30,800
1230	Allowance for uncollectible taxes	(14,038)
1240	Due from other governments	36,309
	Capital assets:	
1510	Land	16,719
1520	Buildings, net	13,398,293
1530	Furniture and equipment, net	301,646
1540	Other Capital Assets, Nets	42,360
1580	Construction in Progress	100,000
1800	Restricted assets	949,700
1000	Total Assets	<u>29,778,065</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflow related to TRS pension	280,125
1706	Deferred outflow related to TRS OPEB	166,592
1700	Total Deferred Outflow of Resources	<u>446,717</u>
	LIABILITIES	
2110	Accounts payable	11,685
2140	Interest payable	10,208
2160	Accrued wages payable	132,711
2200	Accrued expenses	3,109
2300	Unearned revenue	111,731
	Noncurrent liabilities:	
2501	Due within one year	600,000
2502	Due in more than one year	7,036,581
2540	Net pension liability (District's share)	692,874
2545	Net OPEB liability (District's share)	839,393
2000	Total Liabilities	<u>9,438,292</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to TRS pension	91,401
2606	Deferred inflow related to TRS OPEB	622,547
2600	Total Deferred Inflows of Resources	<u>713,948</u>
	NET POSITION	
3200	Net investments in capital assets	6,222,437
3850	Restricted for debt service	241,456
3860	Restricted for capital projects	698,565
3900	Unrestricted	12,910,084
3000	Total Net Position	<u>\$ 20,072,542</u>

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			<u>Program Revenues</u>		
					<u>Governmental Activities</u>
	Government Activities:				
11	Instruction	\$ 2,336,641	\$	\$ 275,558	\$ (2,061,083)
12	Instructional Resources & Media Services	13,636			(13,636)
13	Curriculum and Staff Development	3,789			(3,789)
23	School Leadership	269,531		19,166	(250,365)
31	Guidance, Counseling, & Evaluation Services	81,633		6,035	(75,598)
33	Health Services	24,918		1,879	(23,039)
34	Student (Pupil) Transportation	121,556		887	(120,669)
35	Food Service	231,155	53,546	71,827	(105,782)
36	Extracurricular Activities	309,341	3,754	4,434	(301,153)
41	General Administration	509,262		17,775	(491,487)
51	Facilities Maintenance & Operations	847,265		17,387	(829,878)
52	Security & monitoring services	14,797		9,622	(5,175)
53	Data Processing Services	51,102		2,127	(48,975)
72	Debt Service - Interest on Long-Term Debt	167,116			(167,116)
73	Debt Service - Bond Issuance Cost & Fees	1,693			(1,693)
91	Contracted Instructional Services between Schools	465,782			(465,782)
93	Pmts Related to Shared Service Arrangement	22,047			(22,047)
TP	Total Primary Government	<u>5,471,264</u>	<u>57,300</u>	<u>426,697</u>	<u>(4,987,267)</u>
			General Revenues:		
	MT	Property Taxes, Levied for General Purposes			3,032,426
	DT	Property Taxes, Levied for Debt Service			836,915
	SF	State Aid-formula Grants			825,267
	GC	Grants and contributions not restricted			26
	IE	Investment Earnings			49,596
	MI	Miscellaneous			646,084
	TR	Total General Revenues and Transfers			<u>5,390,314</u>
	CN	Change in Net Position			403,047
	NB	Net Position - Beginning			19,634,440
	PA	Prior Period Adjustments			35,055
	NE	Net Position - Ending			<u>\$ 20,072,542</u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes		10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 4,038,997	\$	\$ 20,710	\$ 4,059,707
1120	Investments - current	10,856,569			10,856,569
1220	Taxes receivable (delinquent)	27,555	3,245		30,800
1230	Allowance for uncollectible taxes	(12,559)	(1,479)		(14,038)
1240	Receivable from other governments	3,686	529	32,094	36,309
1800	Restricted assets		251,135	698,565	949,700
1000	Total Assets	\$ 14,914,248	\$ 253,430	\$ 751,369	\$ 15,919,047
LIABILITIES					
2110	Accounts payable	\$ 1,785	\$	\$ 9,900	\$ 11,685
2160	Accrued wages payable	121,491		11,220	132,711
2200	Accrued expenditures	2,577		532	3,109
2300	Unearned revenue	111,731			111,731
2000	Total Liabilities	237,584		21,652	259,236
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	\$ 14,996	\$ 1,766	\$	\$ 16,762
2600	Total Deferred Inflows of Resources	14,996	1,766		16,762
FUND BALANCES					
Restricted for:					
3470	Capital acquisition and contractual obligation			698,565	698,565
3480	Retirement of long-term debt		251,664		251,664
Committed:					
3510	Construction	3,700,000			3,700,000
Assigned Fund Balance:					
3590	Other Assigned Fund Balance			31,152	31,152
3600	Unassigned fund balance	10,961,668			10,961,668
3000	Total Fund Balance	14,661,668	251,664	729,717	15,643,049
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,914,248	\$ 253,430	\$ 751,369	\$ 15,919,047

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2021

Total fund balances - governmental funds balance sheet (from C-1)	\$	15,643,049
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>		
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 were \$22,407,220 and the accumulated depreciation was \$8,237,115.		14,170,105
Capital asset additions are expenditures in the fund financial statements but an increase to capital assets in the SNP.		496,235
Depreciation expense decreases net position in SNP.		(807,322)
Long-term liabilities, including bonds payable of \$7,550,000, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		(8,302,669)
Payments on debt are expenditures in the fund financial statements and reduce liabilities in the SNP.		580,000
Bond premiums must be amortized over the life of the bond. The bond amortization is recorded in the SNP.		86,088
Interest payable is recorded in SNP.		(10,208)
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 \$280,125, a deferred resource inflow in the amount of \$91,401 and a net pension liability in the amount of \$692,874. This resulted in a decrease in net position.		(504,150)
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 \$166,592, a deferred resource inflow in the amount of \$622,547, and a net OPEB liability in the amount of \$839,393. This resulted in a decrease in net position.		(1,295,348)
Various other reclassifications including eliminating unavailable revenue for property taxes from the government-wide financial statements as revenue is recognized. This increases net position in the government-wide financial statements.		16,762
Net position of governmental activities - statement of net position (see A-1)	\$	20,072,542

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 3,688,660	\$ 842,153	\$ 110,774	\$ 4,641,587
5800	State program revenues	1,004,966	26	11,099	1,016,091
5900	Federal program revenues	6,128		192,982	199,110
5020	Total Revenues	<u>4,699,754</u>	<u>842,179</u>	<u>314,855</u>	<u>5,856,788</u>
EXPENDITURES					
Current:					
0011	Instruction	1,781,624		132,932	1,914,556
0012	Instructional resources & media services	13,636			13,636
0013	Curriculum & instructional staff development	3,789			3,789
0023	School Leadership	261,157			261,157
0031	Guidance, counseling, & evaluation services	79,066			79,066
0033	Health services	24,181			24,181
0034	Student (Pupil) transportation	108,626			108,626
0035	Food service	8,711		218,156	226,867
0036	Extracurricular activities	173,034		58,277	231,311
0041	General administration	497,567			497,567
0051	Facilities maintenance & operations	538,158			538,158
0052	Security & monitoring services	5,175		9,622	14,797
0053	Data processing services	50,268			50,268
Debt service					
0071	Principal on long term debt		580,000		580,000
0072	Interest on long term debt		253,950		253,950
0073	Bond issuance cost and fees		1,693		1,693
Capital outlay					
0081	Facilities acquisition and construction			450,391	450,391
Intergovernmental					
0091	Contracted instructional services btwn schools	465,782			465,782
0093	Pmts to fiscal agent/member districts of SSA	22,047			22,047
6030	Total Expenditures	<u>4,032,821</u>	<u>835,643</u>	<u>869,378</u>	<u>5,737,842</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>666,933</u>	<u>6,536</u>	<u>(554,523)</u>	<u>118,946</u>
OTHER FINANCING SOURCES AND (USES)					
7915	Transfers in			103,083	103,083
8911	Transfers out	<u>(103,083)</u>			<u>(103,083)</u>
7080	Total Other Financing Sources and (Uses)	<u>(103,083)</u>		<u>103,083</u>	
1200	Net Change in Fund Balances	563,850	6,536	(451,440)	118,946
0100	Fund Balance - Beginning	14,097,818	245,128	1,146,102	15,489,048
1300	Increase (Decrease) in Fund Balance			35,055	35,055
3000	Fund Balance - Ending	<u>\$ 14,661,668</u>	<u>\$ 251,664</u>	<u>\$ 729,717</u>	<u>\$ 15,643,049</u>

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

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

Total change in fund balances - total governmental funds (from C-3)	\$	118,946
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Capital asset additions are expenditures in the fund financial statements but an increase to capital assets in the SNP.		496,235
The depreciation of capital assets used in governmental activities is not reported in the funds.		(807,322)
Long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		580,000
Premiums increase the liability in the SNP. The premium must be amortized over the life of the bond.		86,088
Interest payable is recorded in SNP.		746
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 the ending net position to increase by \$55,569. 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 \$53,383. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$76,794. The net result is to decrease the change in net position.		(74,608)
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 the ending net position to increase by \$17,118. 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 \$16,608. The proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$21,718. The net result is to decrease the change in net position.		22,228
Various other reclassifications and eliminations including recognizing unearned revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>(19,266)</u>
Change in Net Position of governmental activities	\$	<u><u>403,047</u></u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

AUGUST 31, 2021

	<u>Custodial Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 72,470
Total Assets	<u>72,470</u>
NET POSITIONS:	
Unrestricted Net Positions	<u>72,470</u>
Total Net Positions	<u>\$ 72,470</u>

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Custodial Fund</u>
ADDITIONS:	
Enterprising Services Revenue	\$ <u>115,675</u>
Total Additions	<u>115,675</u>
DEDUCTIONS:	
Supplies and Materials	<u>138,137</u>
Total Deductions	\$ <u>138,137</u>
Change In Fiduciary Net Position	\$ (22,462)
Total Net Position - September 1 (Beginning)	129,987
Prior Period Adjustment	(35,055)
Total Net Position - August 31 (Ending)	\$ <u><u>72,470</u></u>

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highland Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* 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 “FASRG”) and the requirements of contracts and grants of agencies from which it receives funds.

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

Other Post-Employment Benefits: The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefit, 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.

Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the executive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District’s basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District’s reporting entity is set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, Highland Independent School District has no component units.

Basis of Presentation

The statement of net position and the statement of activities are government-wide financial statements and report information on all of the nonfiduciary activities of the District. The effect of interfund activity within the governmental activities columns has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate, self-balancing funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions typically are financed. The District has presented the following major governmental funds:

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

Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

In addition, the District reports the following fund types:

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

Capital Projects Fund accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisition.

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

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do internal service fund financial statements and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. The property taxes received after the end of the year are recorded as revenue and receivables. A one-year availability period is used for recognition of all other governmental fund revenue. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, expenditures incurred but not yet reimbursed are shown as receivables. Funds received before time requirements are met but after all other eligibility requirements have been met will be reported as a deferred inflow of resources.

In accordance with the FASRG, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG.

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

Budgetary Control

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

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

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. 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 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

The District had no negative budget variances at August 31, 2021.

Cash and cash equivalent

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

Investments

Investments are recorded 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.

Inventory

The costs of inventory are recorded as expenditures when purchased (purchase method).

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 as they are constructed.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	30
Furniture and equipment	5-15

Deferred Outflows/Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The District has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$446,717 recognized as deferred outflow of resources in the government-wide financial statements.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$16,762 is considered a deferred inflow of resources in the governmental financial statements while \$713,948 of deferred inflows related to TRS is considered deferred inflow of resources in the government-wide financial statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The District has no funds classified as nonspendable at August 31, 2021.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The District has \$251,664 restricted for debt service, and \$698,565 for capital projects fund at August 31, 2021.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been officially committed for use in satisfying those contractual requirements. The District has \$3,700,000 committed for construction at August 31, 2021.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has \$31,152 assigned at August 31, 2021.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the current period

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

Data Control Codes

The Data control codes refer to the account code structure prescribed by TEA in the FASRG. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with GAAP required the use of management’s estimates. Accordingly, actual results could differ from those estimates.

Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

NOTE 2: DEPOSITS AND INVESTMENTS

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

Cash Deposits

At August 31, 2021, the carrying amount of the District’s deposits (cash and interest-bearing accounts) was \$15,938,446 and the bank balance was \$14,416,161. The District’s cash deposits at August 31, 2021 and during the year ended 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.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (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 Act also requires the entity to have independent auditors perform procedures related to investment practices as provided by the Act.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the District's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level 1 inputs for investments at LoneStar and Level II inputs for the CDs at Texas National Bank.

As of August 31, 2021, Highland Independent School District has the following investments:

	<u>Cost</u>	<u>Book Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Investments				
Certificates of deposit maturities < 1 year	\$ 5,948,712	\$ 5,948,712	35 Days	
LoneStar	4,907,857	4,907,857	75 Days	AAAm
Total investments	<u>\$ 10,856,569</u>	<u>\$ 10,856,569</u>		

Analysis of Specific Deposit and Investment Risks

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect fair value of an investment. At August 31, 2021, the District was not exposed to foreign currency risk.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). The District’s investment policy is to reduce the risk of loss resulting from over concentration of assets in a specific class of investments; however, the District’s policy places no specific limit on the amount which the District may invest in any one issuer.

NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 16,719	\$	\$	\$ 16,719
Construction in progress		100,000		100,000
Total capital assets not being depreciated	<u>16,719</u>	<u>100,000</u>		<u>116,719</u>
Capital assets being depreciated				
Buildings and improvements	21,102,962	311,310		21,414,272
Furniture and equipment	1,118,094	84,925		1,203,019
Capital leases	<u>169,445</u>			<u>169,445</u>
Total capital assets being depreciated	22,390,501	396,235		22,786,736
Less accumulated depreciation for:				
Buildings and improvements	(7,291,596)	(724,383)		(8,015,979)
Furniture and equipment	(835,378)	(65,995)		(901,373)
Capital leases	<u>(110,141)</u>	<u>(16,944)</u>		<u>(127,085)</u>
Total accumulated depreciation	(8,237,115)	(807,322)		(9,044,437)
Total capital assets being depreciated, net	<u>14,153,386</u>	<u>(411,087)</u>		<u>13,742,299</u>
Governmental activities capital assets, net	<u>\$ 14,170,105</u>	<u>\$ (311,087)</u>		<u>\$ 13,859,018</u>
Depreciation was charged to functions as follows:				
Instruction	\$ 363,271			
Student (Pupil) Transportation	62,483			
Cocurricular/Extracurricular activities	76,081			
General Administration	3,199			
Plant Maintenance and Operations	<u>302,288</u>			
Total depreciation expense - governmental activities	<u>\$ 807,322</u>			

NOTE 4: LONG-TERM DEBT

In December 2011, the District issued \$4,514,993 in Unlimited Tax Refunding Bonds, Series 2011. The bonds refunded \$4,515,000 of General Obligation Bonds, Series 2008. The rates on the Series 2011 bonds range from 2.0% to 3.5%. Current requirements for principle and interest expenditures are accounted for in the Debt Service Fund. The bonds mature on February 15, 2023.

On August 8, 2016, the District issued \$6,745,000 in Unlimited Tax School Building Bonds, Series 2016. The proceeds from the sale of the Bonds will be used for the purposes of 1) construction, renovation, acquisition of school buildings and equipment and the purchase of necessary sites therefore, and 2) paying the costs of the issuance of the Bonds. Interest on the Bonds will be payable on February 15 and August 15 of each year at interest rates ranging from 2.0% to 4.0%. The Bonds mature on February 15, 2031.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4: LONG-TERM DEBT - continued

A summary of the changes in bonds payable for the year ended August 31, 2021 is as follows:

Description	Balance September 1, 2020	Issued	Retired	Balance August 31, 2021	Due Within One Year
Unlimited Tax					
Refunding Bonds, Series 2011	\$ 1,300,000	\$	420,000	\$ 880,000	\$ 430,000
School Building Bonds, Series 2016	6,250,000		160,000	6,090,000	170,000
Premium					
Series 2011	72,865		24,287	48,578	
Series 2016	679,804		61,801	618,003	
Total Bonds	\$ 8,302,669	\$	\$ 666,088	\$ 7,636,581	\$ 600,000
Net Pension Liability	\$ 664,099	\$ 82,153	\$ 53,378	\$ 692,874	
Net OPEB Liability	1,026,686	(170,510)	16,783	839,393	
	\$ 1,690,785	\$ (88,357)	\$ 70,161	\$ 1,532,267	

Debt service requirements for long term debt are as follows:

Total Bond Requirements	Principal	Interest	Total
2022	\$ 600,000	\$ 234,925	\$ 834,925
2023	620,000	214,425	834,425
2024	635,000	197,650	832,650
2025	655,000	181,475	836,475
2026	675,000	161,525	836,525
2027-2031	3,785,000	390,500	4,175,500
Total	\$ 6,970,000	\$ 1,380,500	\$ 8,350,500

NOTE 5: PROPERTY TAXES

Property taxes are levied on October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31st of the year in which imposed. On February 1st of each year, a tax lien attaches to the property to secure the payment of all delinquent 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. Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund 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.

The tax rates assessed for the fiscal year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9944 and \$0.143 per \$100 valuation, respectively, for a total of \$1.1374 per \$100 valuation.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND BALANCES AND ACTIVITIES

The District had no interfund payables or receivables during the year ended August 31, 2021.

Interfund transfers consist of a transfer from the General Fund to the Food Service Fund in the amount of \$103,083. The transfer was needed to supplement the Food Service fund.

NOTE 7: RISK MANAGEMENT

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

Unemployment Compensation Pool

During the year ended August 31, 2021, Highland Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation Pool. For the year ended August 31, 2021, the Fund anticipates that Highland Independent School District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and/or Property Program

During the year ended August 31, 2021, Highland Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates that Highland Independent School District has no additional liability beyond the contractual obligation for payment of contributions.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7: RISK MANAGEMENT - continued

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation Coverage

During the year ended August 31, 2021, Highland Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Funds' self-insured retention of \$2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not reported. For the years ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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 <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2020.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

Net Pension Liability	Total
Total Pension Liability	\$ 218,974,205,084
Less: Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
 Net Position as a percentage of Total Pension Liability	 75.54%

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.

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. 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.

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

	Contribution Rates	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
 Current fiscal year employer contributions	 \$	 55,569
Current fiscal year member contributions	\$	170,517
2020 measurement year NECE On-Behalf Contributions	\$	136,565

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).

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public schools are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions, there is additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2020 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2020 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 of 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)	2019
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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, 2020.

Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2022 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 as summarized below:

Asset Class	Target Allocation(1) Percentage	Long-Term Expected Geometric Real Rate of Return(2)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.0%	1.8%	
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Returns			
Real Assets	15.0%	4.6%	1.02%
Energy, Natural Resources and Infrastructure Commodities	6.0%	6.0%	0.42%
	0.0%	0.8%	
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

Asset Allocation Leverage

Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag (3)			-0.67%
Expected Return	100%		7.33%

- (1) Target allocations are based on the FY 2020 policy model.
- (2) Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).
- (3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability	\$ 1,068,399	\$ 692,874	\$ 387,768

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

At August 31, 2021, Highland Independent School District reported a liability of \$692,874 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to Highland Independent School District. The amount recognized by Highland Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Highland Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 692,874
State's proportionate share that is associated with the District	1,772,688
Total	\$ 2,465,562

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 0.0012936899% which was an increase of 0.0000161625% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2019 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2020.

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

For the year ended August 31, 2021, Highland Independent School District recognized pension expense of \$343,392 and revenue of \$213,215 for support provided by the State.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,265	\$ 19,336
Changes in actuarial assumptions	160,771	68,359
Differences between projected and actual investment earnings	14,027	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>48,493</u>	<u>3,706</u>
Total as of August 31, 2020 measurement date	224,556	91,401
Contributions paid to TRS subsequent to the measurement date	<u>55,569</u>	
Total as of fiscal year-end	<u>\$ 280,125</u>	<u>\$ 91,401</u>

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

	Pension Expense
Year ended August 31:	<u>Amount</u>
2021	\$ 47,249
2022	42,021
2023	37,561
2024	12,065
2025	(5,914)
Thereafter	173

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in a separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

	<u>Net OPEB Liability</u>
Total OPEB Liability	40,010,833,815
Less: Plan Fiduciary Net Position	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>38,014,515,883</u>
 Net Position as a Percentage of Total OPEB Liability	 4.99%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

Benefits Provided

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

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

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

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

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 0.75% 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. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions	\$	17,118
Current fiscal year member contributions	\$	14,395
2020 measurement year NECE on-behalf contributions	\$	22,552

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

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

Actuarial Assumptions

The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care 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 Incidence	

Additional actuarial methods and assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increase	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 0.33 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 applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) 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%)
District's Proportionate Share of the Net OPEB Liability	\$ 1,007,270	\$ 839,393	\$ 706,795

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one percentage point higher than the assumed healthcare cost trend rate of 8.5% is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 685,677	\$ 839,393	\$ 1,044,122

Changes Since the Prior Actuarial Valuation

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

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

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

At August 31, 2021, Highland Independent School District reported a liability of \$839,393 for its proportionate share of the TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to Highland Independent School District. The amount recognized by Highland Independent School 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 Highland Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$	839,393
State's proportionate share that is associated with the District		1,127,943
Total	\$	1,967,336

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 0.0022080865% which was an increase of 0.0000370992% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, Highland Independent School District recognized OPEB expense of (12,972) and revenue of (7,832) for support provided by the State.

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

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	43,950	384,149
Changes in actuarial assumptions	51,773	230,502
Difference between projected and actual investment earnings	273	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	53,478	7,896
Total as of August 31, 2020 measurement date	149,474	622,547
Contributions paid to TRS subsequent to the measurement date	17,118	
Total as of fiscal year-end	\$ 166,592	\$ 622,547

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

	Pension Expense Amount
Year ended August 31:	
2022	\$ (79,576)
2023	(79,613)
2024	(79,635)
2025	(79,629)
2026	(57,208)
Thereafter	(97,412)

NOTE 10: MEDICARE PART D ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Highland Independent School District paid state contributions for the years ended August 31, 2021, 2020, and 2019 in the amount of \$9,736, \$9,073 and \$7,485, respectively.

NOTE 11: ON-BEHALF PAYMENTS

The District records on-behalf payments from the State of Texas to be used for Teacher Retirement in the amount of \$169,176 for the year ended August 31, 2021.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Contingencies

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

Litigation

No reportable litigation was pending against the District at August 31, 2021.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13: 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.

<u>Fund</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grant</u>	<u>Total</u>
Title 1, Part A Improving Basic Program	\$ 3,376	\$ 3,376	\$ 3,376
National Breakfast and Lunch Program		7,633	7,633
ESSER - School Emergency Relief III		21,085	21,085
General Fund	3,686		3,686
Debt Service Fund	529		529
Total	<u>\$ 4,215</u>	<u>\$ 32,094</u>	<u>\$ 36,309</u>

NOTE 14: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2021, revenues from local and intermediate sources for governmental fund types consisted of the following:

	<u>General Fund</u>	<u>Child Nutrition</u>	<u>Campus Activity Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Property taxes	\$ 3,049,306		\$ 54,374	\$ 839,301		\$ 3,942,981
Food service sales		53,546				53,546
Penalties, interest & other tax revenues	14,601			2,661		17,262
Investment earnings	46,551			191	2,854	49,596
Miscellaneous	574,448					574,448
Athletic activities	3,754					3,754
	<u>\$ 3,688,660</u>	<u>\$ 53,546</u>	<u>\$ 54,374</u>	<u>\$ 842,153</u>	<u>\$ 2,854</u>	<u>\$ 4,641,587</u>

NOTE 15: JOINT VENTURE – SHARED SERVICES ARRANGEMENT

The District participates in three services arrangements through Region XIV and five through West Central Texas SSA. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XIV and West Central Texas SSA, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Highland Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation:

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15: JOINT VENTURE – SHARED SERVICES ARRANGEMENT - continued

Region XIV

	ESEA Title II Part A	21st Century	ESEA Title IV Part A
Revenue	\$ 2,178	\$ 2,040	\$ 2,121
Expenditures			
Contracted Services	1,742	376	1,505
Supplies	284	1,655	606
Other Costs	152	9	10
Total Expenditures	\$ 2,178	\$ 2,040	\$ 2,121
% Attributable	0.74%	0.87%	2.10%

Shared Service Arrangement with West Central Texas SSA

	IDEA B Formula	IDEA B Preschool	Pregnancy Education & Parenting	Abstinence Education	SPED State Fiscal Support
Revenue	\$ 35,610	\$ 1,578	\$ 429	\$ 1,950	\$ 20,122
Expenditures					
Payroll Costs	30,828	1,578	319	1,798	16,552
Contracted Services	3,928		38		1,615
Supplies	77		24	24	663
Other Costs	777		48	128	604
Capital Assets					688
Total Expenditures	\$ 35,610	\$ 1,578	\$ 429	\$ 1,950	\$ 20,122
% Attributable	2.64%	2.64%	0.44%	3.81%	3.04%

NOTE 16: TAX ABATEMENT

The District entered into an agreement with Buzzi Unicem, USA on December 17, 2014. The agreement was for Buzzi Unicem, USA to invest capital on a long-term basis for a valuation limitation of \$30,000,000. The project valuation at December 31, 2020 was \$308,574,300. For fiscal year 2021 which is year four of the agreement with the M&O tax rate 0.9944 per \$100, with property valued at \$585,977,805 without considering the limit and \$307,403,505 with the limit. When calculated, the District forgoes collecting \$2,770,143 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula.

NOTE 17: PRIOR PERIOD ADJUSTMENT

During the year, the District adopted GASB Statement No. 84 *Fiduciary Activities*. Campus funds, previously reported as fiduciary funds have been moved to a special revenue fund as required by GASB Statement No. 84, thus increasing fund balance/net position by \$35,055.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB 95 postponed the effective date one year. The District implemented this statement during the current year. See Note 17 for the current year impact upon adoption.

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB 95 postponed the effective date 18 months. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB 95 postponed the effective date one year. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. GASB 95 postponed the effective date one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS - continued

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 31, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB 95 postponed the implementation by one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statements are postponed by one year: Nos. 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code

HIGHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS - continued

(IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

STATEMENT 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	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 3,191,954	\$ 3,591,954	\$ 3,688,660	\$ 96,706
5800	State program revenue	794,023	929,590	1,004,966	75,376
5900	Federal Program Revenues			6,128	6,128
5020	Total Revenues	3,985,977	4,521,544	4,699,754	178,210
EXPENDITURES:					
Current					
0011	Instruction	1,801,031	1,801,031	1,781,624	19,407
0012	Instructional resources and media services	15,325	16,825	13,636	3,189
0013	Curriculum & instructional staff dev.	8,500	7,000	3,789	3,211
0023	School leadership	260,418	265,418	261,157	4,261
0031	Guidance, counseling & evaluation services	81,540	81,540	79,066	2,474
0033	Health services	23,592	26,592	24,181	2,411
0034	Student (pupil) transportation	9,023	115,230	108,626	6,604
0035	Food service		10,000	8,711	1,289
0036	Extracurricular activities	163,434	183,434	173,034	10,400
0041	General administration	567,596	547,596	497,567	50,029
0051	Facilities maintenance & operations	539,448	554,448	538,158	16,290
0052	Security & monitoring services	4,250	6,250	5,175	1,075
0053	Data processing services	44,983	52,983	50,268	2,715
Intergovernmental					
0091	Contracted instructional services btwn schools	471,468	526,260	465,782	60,478
0093	Payments to fiscal agent/member dist - SSA	30,000	25,000	22,047	2,953
6030	Total Expenditures	4,020,608	4,219,607	4,032,821	186,786
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,631)	301,937	666,933	364,996
OTHER FINANCING SOURCES (USES):					
8911	Transfers out	(126,162)	(113,562)	(103,083)	10,479
	Total Other Financing Sources (Uses)	(126,162)	(113,562)	(103,083)	10,479
1200	Net Change in Fund Balance	(160,793)	188,375	563,850	375,475
0100	Fund Balance - Beginning	14,097,818	14,097,818	14,097,818	
3000	Fund Balance - Ending	\$ 13,937,025	\$ 14,286,193	\$ 14,661,668	\$ 375,475

HIGHLAND 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

	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>
District's Proportion of the net Pension Liability	0.001293690%	0.001277527%	0.001291816%
District's Proportionate Share of Net Pension Liability	\$ 692,874	\$ 664,099	\$ 711,047
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>1,772,688</u>	<u>1,650,958</u>	<u>1,831,582</u>
Total	<u>\$ 2,465,562</u>	<u>\$ 2,315,057</u>	<u>\$ 2,542,629</u>
District's Covered Employee Payroll	\$ 2,164,597	\$ 1,933,553	\$ 1,933,737
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	32.01%	34.35%	36.77%
Plan Fiduciary Net Pension as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB 68, Paragraph 81 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.

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

<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>
0.001273437%	0.0012216%	0.0012579%	0.0005026%
\$ 407,188	\$ 461,609	\$ 444,651	\$ 134,252
<u>1,118,735</u>	<u>1,354,814</u>	<u>1,266,677</u>	<u>1,069,294</u>
\$ <u>1,525,923</u>	\$ <u>1,816,423</u>	\$ <u>1,711,328</u>	\$ <u>1,203,546</u>
\$ 1,914,125	\$ 1,848,266	\$ 1,736,635	\$ 1,634,535
21.27%	24.98%	25.60%	8.21%
82.17%	78.00%	78.43%	83.25%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 55,569	\$ 53,383	\$ 44,700
Contribution in Relation to the Contractually Required Contribution	<u>(55,569)</u>	<u>(53,383)</u>	<u>(44,700)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,214,508	\$ 2,164,597	\$ 1,953,271
Contributions as a percentage of Covered Employee Payroll	2.51%	2.47%	2.29%

Note: GASB No. 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time period covered by the measurement dates ending August 31 for the respective fiscal year.

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 38,204	\$ 41,580	\$ 38,407	\$ 37,247
<u>(38,204)</u>	<u>(41,580)</u>	<u>(38,407)</u>	<u>(37,247)</u>
\$ -	\$ -	\$ -	\$ -
\$ 1,933,737	\$ 1,914,125	\$ 1,848,266	\$ 1,736,635
1.98%	2.17%	2.08%	2.14%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-4

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

	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability for Other Post Employment Benefits	0.002208086%	0.002170987%	0.002187265%	0.002107708%
District's Proportionate Share of Net Post Employment Benefit Liability	\$ 839,393	\$ 1,026,686	\$ 1,092,121	\$ 916,563
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	<u>1,127,943</u>	<u>1,364,237</u>	<u>1,710,111</u>	<u>1,556,519</u>
Total	<u>\$ 1,967,336</u>	<u>\$ 2,390,923</u>	<u>\$ 2,802,232</u>	<u>\$ 2,473,082</u>
District's Covered Payroll	\$ 2,191,670	\$ 1,933,553	\$ 1,933,737	\$ 1,914,125
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.30%	53.10%	56.48%	47.88%
Plan Fiduciary Net Pension 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 August 31, 2020; FY 2020 are for the measurement date August 31, 2019; FY 2019 are for the measurement date August 31, 2018; and FY 2018 are based on the August 31, 2017 measurement date.

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

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-5

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 17,118	\$ 16,608	\$ 14,128	\$ 14,885
Contribution in Relation to the Contractually Required Contribution	<u>(17,118)</u>	<u>(16,608)</u>	<u>(14,128)</u>	<u>(14,885)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,214,508	\$ 2,191,670	\$ 1,955,520	\$ 1,933,553
Contributions as a percentage of Covered Payroll	0.77%	0.76%	0.72%	0.77%

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.

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

OTHER SUPPLEMENTARY INFORMATION

HIGHLAND INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes		211 ESEA I, A Improving Basic Pgms	240 National Breakfast and Lunch Pgm	244 Career and Technical Basic Grant	255 ESEA II, A Training and Recruiting
	ASSETS				
1110	Cash and cash equivalents	\$ 195	\$ 548	\$	\$
1240	Due from other governments	3,376	7,633		
1800	Restricted assets				
1000	Total Assets	\$ <u>3,571</u>	\$ <u>8,181</u>	\$ <u></u>	\$ <u></u>
	LIABILITIES				
	Current Liabilities				
2110	Accounts Payable	\$	\$	\$	\$
2160	Accrued wages payable	3,212	8,008		
2200	Accrued expenditures	359	173		
2000	Total Liabilities	<u>3,571</u>	<u>8,181</u>	<u></u>	<u></u>
	FUND BALANCES				
	Restricted fund balance				
3470	Capital acquisition and contractual obligation				
	Assigned Fund Balance				
3590	Other Assigned Balance				
3000	Total Fund Balances	<u></u>	<u></u>	<u></u>	<u></u>
4000	Total Liabilities and Fund Balances	\$ <u>3,571</u>	\$ <u>8,181</u>	\$ <u></u>	\$ <u></u>

266 ESSER- School Emergency Relief	282 ESSER - School Emergency Relief III	288 REAP	289 Title IV Part A	410 State Textbook Fund	429 Math Academy	461 Campus Activity Funds
\$	\$ (11,185) \$ 21,085	\$	\$	\$	\$	\$ 31,152
\$	\$ 9,900	\$	\$	\$	\$	\$ 31,152
\$	\$ 9,900	\$	\$	\$	\$	\$
\$	\$ 9,900	\$	\$	\$	\$	\$
\$	\$ 9,900	\$	\$	\$	\$	\$ 31,152
\$	\$ 9,900	\$	\$	\$	\$	\$ 31,152
\$	\$ 9,900	\$	\$	\$	\$	\$ 31,152

Data Control Codes		Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and cash equivalents	\$ 20,710	\$	\$ 20,710
1240	Due from other governments	32,094		32,094
1800	Restricted assets		698,565	698,565
1000	Total Assets	<u>\$ 52,804</u>	<u>\$ 698,565</u>	<u>\$ 751,369</u>
LIABILITIES				
Current Liabilities				
2110	Accounts Payable	\$ 9,900	\$	\$ 9,900
2160	Accrued wages payable	11,220		11,220
2200	Accrued expenditures	532		532
2000	Total Liabilities	<u>21,652</u>		<u>21,652</u>
FUND BALANCES				
Restricted fund balance				
3470	Capital acquisition and contractual obligation		698,565	698,565
Assigned Fund Balance				
3590	Other Assigned Balance	31,152		31,152
3000	Total Fund Balances	<u>31,152</u>	<u>698,565</u>	<u>729,717</u>
4000	Total Liabilities and Fund Balances	<u>\$ 52,804</u>	<u>\$ 698,565</u>	<u>\$ 751,369</u>

HIGHLAND 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 Pgms	240 National Breakfast and Lunch Pgm	244 Career and Technical Basic Grant	255 ESEA II, A Training and Recruiting
	REVENUES				
5700	Local and intermediate sources	\$	\$ 53,546	\$	\$
5800	State program revenues		1,496		
5900	Federal program revenues	<u>41,567</u>	<u>60,031</u>	<u>300</u>	<u>2,222</u>
5020	Total Revenues	<u>41,567</u>	<u>115,073</u>	<u>300</u>	<u>2,222</u>
	EXPENDITURES				
	Current:				
0011	Instruction	41,567		300	2,222
0035	Food service		218,156		
0036	Extracurricular Activities				
0052	Security and monitoring services				
	Capital Outlay:				
0081	Facilities acquisition and construction	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6030	Total Expenditures	<u>41,567</u>	<u>218,156</u>	<u>300</u>	<u>2,222</u>
1100	Deficiency of Revenues Under Expenditures	<u> </u>	<u>(103,083)</u>	<u> </u>	<u> </u>
	Other Financing Sources and Uses:				
7915	Transfers In	<u> </u>	<u>103,083</u>	<u> </u>	<u> </u>
	Total Other Financing Sources	<u> </u>	<u>103,083</u>	<u> </u>	<u> </u>
1200	Net Change in Fund Balance				
0100	Fund Balance - Beginning				
1300	Increase (Decrease) in Fund Balance	<u> </u>	<u> </u>	<u> </u>	<u> </u>
3000	Fund Balance - Ending	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

266 ESSER- School Emergency Relief	282 ESSER - School Emergency Relief III	288 REAP	289 Title IV Part A	410 State Textbook Fund	429 Math Academy	461 Campus Activity Funds
\$	\$	\$	\$	\$	\$	\$ 54,374
				9,253	350	
<u>27,010</u>	<u>14,958</u>	<u>39,394</u>	<u>7,500</u>			
<u>27,010</u>	<u>14,958</u>	<u>39,394</u>	<u>7,500</u>	<u>9,253</u>	<u>350</u>	<u>54,374</u>
17,388	14,958	39,394	7,500	9,253	350	
9,622						58,277
<u>27,010</u>	<u>14,958</u>	<u>39,394</u>	<u>7,500</u>	<u>9,253</u>	<u>350</u>	<u>58,277</u>
						(3,903)
						(3,903)
						35,055
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 31,152</u>

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2 - continued

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Data Control Codes		Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
	REVENUES			
5700	Local and intermediate sources	\$ 107,920	\$ 2,854	\$ 110,774
5800	State program revenues	11,099		11,099
5900	Federal program revenues	192,982		192,982
5020	Total Revenues	<u>312,001</u>	<u>2,854</u>	<u>314,855</u>
	EXPENDITURES			
	Current:			
0011	Instruction	132,932		132,932
0035	Food service	218,156		218,156
0036	Extracurricular Activities	58,277		58,277
0052	Security and monitoring services	9,622		9,622
	Capital Outlay:			
0081	Facilities acquisition and construction		450,391	450,391
6030	Total Expenditures	<u>418,987</u>	<u>450,391</u>	<u>869,378</u>
1100	Deficiency of Revenues Under Expenditures	<u>(106,986)</u>	<u>(447,537)</u>	<u>(554,523)</u>
	Other Financing Sources and Uses:			
7915	Transfers In	103,083		103,083
	Total Other Financing Sources	<u>103,083</u>		<u>103,083</u>
1200	Net Change in Fund Balance	(3,903)	(447,537)	(451,440)
0100	Fund Balance - Beginning		1,146,102	1,146,102
1300	Increase (Decrease) in Fund Balance	<u>35,055</u>		<u>35,055</u>
3000	Fund Balance - Ending	<u>\$ 31,152</u>	<u>\$ 698,565</u>	<u>\$ 729,717</u>

REQUIRED TEA SCHEDULES

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2021

Last Ten 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	1,434,981,009
2013	1.1300	0.1450	204,350,885
2014	1.1000	0.1227	260,929,173
2015	1.1600	0.1200	248,284,219
2016	1.1600	0.1200	199,867,500
2017	1.1600	0.1800	267,856,194
2018	1.1600	0.1600	284,818,030
2019	1.1600	0.1600	271,738,333
2020	1.0619	0.1470	306,677,972
2021 (School Year Under Audit)	0.9944	0.1430	340,079,480
Total			

	10	20	31	32	40	50
	Beginning Balance 9/1/2020	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2021
\$	1,456	\$	\$	\$	(91)	\$ 1,365
	644					644
	7,571					7,571
	2,347		-	106	(3)	1,210
	7,950		1,028	81		7,083
	3,073		786	162		1,869
	4,109		1,042	194	-	2,512
	3,665		1,403	129		2,540
	20,083		996	2,372	485	1,998
		3,868,064	3,027,853	836,257	54	4,008
\$	<u>50,898</u>	\$ <u>3,868,064</u>	\$ <u>3,049,306</u>	\$ <u>839,301</u>	\$ <u>445</u>	\$ <u>30,800</u>

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

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

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 49,000	\$ 51,000	\$ 53,546	\$ 2,546
5800	State program revenues	800	1,400	1,496	96
5900	Federal program revenues	49,500	49,500	60,031	10,531
5020	Total Revenues	99,300	101,900	115,073	13,173
EXPENDITURES:					
	Current				
0035	Food services	225,462	215,462	218,156	(2,694)
6030	Total Expenditures	225,462	215,462	218,156	(2,694)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,162)	(113,562)	(103,083)	10,479
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	126,162	113,562	103,083	(10,479)
	Total Other Financing Sources (Uses)	126,162	113,562	103,083	(10,479)
1200	Net Change in Fund Balance				
0100	Fund Balance - Beginning				
3000	Fund Balance - Ending	\$	\$	\$	\$

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 834,344	\$ 834,344	\$ 842,153	\$ 7,809
5800	State program revenues	800	800	26	(774)
5020	Total Revenues	835,144	835,144	842,179	7,035
EXPENDITURES:					
	Debt Service:				
0071	Principal on long term debt	580,000	580,000	580,000	
0072	Interest on long term debt	254,450	254,450	253,950	500
0073	Bond issuance costs and fees	800	800	1,693	(893)
6030	Total Expenditures	835,250	835,250	835,643	(393)
1200	Net Change in Fund Balance	(106)	(106)	6,536	6,642
0100	Fund Balance - Beginning	245,128	345,128	245,128	
3000	Fund Balance - Ending	\$ 245,022	\$ 345,022	\$ 251,664	\$ 6,642

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

STATE COMPENSATORY EDUCATION AND BILINGUAL

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
AP2	Does the LEA have written policies and procedures for its state compensatory education programs?		No
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$	99,099
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$	71,908

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?		Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?		No
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year?	\$	-
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year (PICs 25, 35)	\$	-

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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

To the Board of Trustees
Highland Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Independent School District as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Highland Independent School District's basic financial statements and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highland Independent School District's internal control over financial reporting (internal control) to determine 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 Highland Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Highland Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

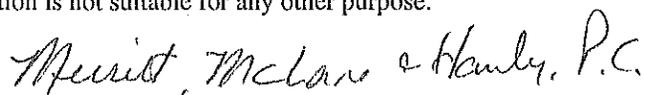
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Highland Independent School District's financial statements are free of 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
October 29, 2021

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED AUGUST 31, 2021

I. Summary of Auditor's Report

- a. The type of report issued on the financial statements of Highland Independent School District was an unqualified 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 instances of noncompliance material to the financial statements of Highland Independent School District were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.

Findings/Noncompliance

None

Responsible Party: Mr. Robbie Phillips, Superintendent
325-766-3652

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

YEAR ENDED AUGUST 31, 2021

Prior Year Findings:

None