

HENRIETTA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

HENRIETTA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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HENRIETTA INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Henrietta Independent School District
Name of School District

Clay
County

039-902
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 June 30, 2020, at a meeting of the Board of Trustees of such school district on the ____ day of _____, _____.

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



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Financial Statements

Board of Trustees
Henrietta Independent School District
1801 E. Crafton
Henrietta, Texas 76365

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henrietta Independent School District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 Henrietta Independent School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules related to the District's participation in the Teacher Retirement System identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, and required Texas Education Agency Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

October 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henrietta Independent School District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at June 30, 2020 by \$5,176,382 (net position). Unrestricted net position was a deficit of \$719,213 as of June 30, 2020. This is due to the District's pension and OPEB liabilities as of June 30, 2020.
- During the year, the District's total net position increased by \$500,133. The District's expenses, which totaled \$14,086,833, were less than the District's program revenues of \$3,177,122 and general revenues of \$11,409,844.
- The total cost of the District's programs increased \$1,242,279 (a 10% increase) from last year. This increase is mostly due to salary increases mandated by HB3.
- The governmental funds reported a fund balance this year of \$7,554,703, which is an increase of \$1,125,027 in comparison with the prior year amount. Both the General Fund and Debt Service Fund generated a significant surplus in the current year.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,957,187, or 39% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the District to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds in fiscal year 2019-20. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund, the Special Education Fund and Debt Service Fund, which are considered to be major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

The **proprietary fund** is used to account for operations that are financed similar to those in the private sector. This fund provides both long- and short-term financial information. The District maintains only one type of proprietary fund, the *internal service fund*. The *internal service fund* is a device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report the activities for its self-funded workers' compensation program.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their

intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary net position.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Immediately following the *required supplementary information* is the *other supplementary information* which includes required TEA schedules.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 is the District's net position summarized for the *governmental activities*.

Table 1 - District's Net Position

	Governmental Activities			
	2020	2019	Change	% Change
Current and other assets	\$ 9,055,797	\$ 7,713,145	\$ 1,342,652	17%
Capital assets, net	13,987,252	15,037,841	(1,050,589)	-7%
Total Assets	23,043,049	22,750,986	292,063	1%
Deferred Outflows of Resources	2,522,865	2,518,958	3,907	0%
Current liabilities	1,130,016	974,790	155,226	16%
Noncurrent liabilities	16,997,148	17,943,407	(946,259)	-5%
Total Liabilities	18,127,164	18,918,197	(791,033)	-4%
Deferred Inflows of Resources	2,262,368	1,675,498	586,870	35%
Net position:				
Net investment in capital assets	4,340,517	4,559,415	(218,898)	-5%
Restricted	1,555,078	1,227,709	327,369	27%
Unrestricted	(719,213)	(1,110,875)	391,662	-35%
Total Net Position	\$ 5,176,382	\$ 4,676,249	\$ 500,133	11%

Net investment in capital assets (e.g. land, buildings, furniture, and equipment less any debt related to those assets) is \$4,340,517. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Restricted net position of \$1,555,078 relates to resources legally required to be used for debt service.

Unrestricted net position was a deficit of \$719,213 as of June 30, 2020. This is due to the District's pension and OPEB liabilities as of June 30, 2020.

Changes in Net Position

The District's total revenues, both program and general, were \$14,586,966. A significant portion, 34%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 43% of the revenues. Exhibited below in Table 2 are the District's revenues for the years ended June 30, 2020 and 2019 for the District's *governmental activities*.

Table 2 - District's Revenues

	Governmental Activities			
	2020	Percent	2019	Percent
Charges for services	\$ 181,103	1%	\$ 206,670	2%
Operating grants and contributions	2,996,019	21%	2,700,674	20%
Property taxes	4,980,222	34%	4,556,287	34%
Grants and contributions not restricted	6,301,778	43%	5,833,152	43%
Investment earnings	91,320	1%	136,914	1%
Miscellaneous	36,524	0%	25,606	0%
Total Revenues	\$ 14,586,966	100%	\$ 13,459,303	100%

Exhibited below in Table 3 are the District's expenses for the years ended June 30, 2020 and 2019 for the District's *governmental activities*. The total cost of all programs and services was \$14,086,833. Instructional and related costs totaled 55% of these costs while student support was 19% and nonstudent support was 10%.

Table 3 - District's Expenses

	Governmental Activities			
	2020	Percent	2019	Percent
Instructional & related	\$ 7,880,710	56%	\$ 7,120,714	55%
Leadership	1,081,751	8%	982,444	8%
Student support	2,686,374	19%	2,432,146	19%
Administrative support	624,498	4%	599,066	5%
Nonstudent support	1,427,280	10%	1,321,489	10%
Other	386,220	3%	388,695	3%
Total Expenses	\$ 14,086,833	100%	\$ 12,844,554	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	Governmental Activities			
	2020	2019	\$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 181,103	\$ 206,670	\$ (25,567)	-12%
Operating grants and contributions	2,996,019	2,700,674	295,345	11%
General revenues:				
Property taxes	4,980,222	4,556,287	423,935	9%
Grants and contributions not restricted	6,301,778	5,833,152	468,626	8%
Investment earnings	91,320	136,914	(45,594)	-33%
Miscellaneous	36,524	25,606	10,918	43%
Total revenues	<u>14,586,966</u>	<u>13,459,303</u>	<u>1,127,663</u>	<u>8%</u>
Expenses:				
Instruction	7,603,281	6,874,305	728,976	11%
Instructional resources and media services	157,426	137,476	19,950	15%
Curriculum development and instructional staff development	120,003	108,933	11,070	10%
Instructional leadership	256,928	228,665	28,263	12%
School leadership	824,823	753,779	71,044	9%
Guidance, counseling, and evaluation services	1,127,972	910,797	217,175	24%
Social work services	27,227	-	27,227	N/A
Health services	85,511	73,889	11,622	16%
Student transportation	248,056	229,189	18,867	8%
Food services	551,890	504,092	47,798	9%
Cocurricular/extracurricular activities	645,718	714,179	(68,461)	-10%
General administration	624,498	599,066	25,432	4%
Plant maintenance and operations	1,245,719	1,166,354	79,365	7%
Security and monitoring services	19,976	12,813	7,163	56%
Data processing services	161,585	142,322	19,263	14%
Interest on long-term debt	260,396	275,509	(15,113)	-5%
Bond issuance costs and fees	5,274	5,113	161	3%
Payments related to JJAEPs	3,440	-	3,440	N/A
Other intergovernmental charges	117,110	108,073	9,037	8%
Total expenses	<u>14,086,833</u>	<u>12,844,554</u>	<u>1,242,279</u>	<u>10%</u>
Change in net position	<u>\$ 500,133</u>	<u>\$ 614,749</u>	<u>\$ (114,616)</u>	<u>-19%</u>

- Operating grants and contributions increased due to increases in most grants as well as higher TRS on-behalf in the current year.
- Property tax revenues increased due to a significant increase in appraised values in the current year.
- Grants and contribution not restricted increased due to additional state aid from HB3.
- Instruction expenses increased due to salary increases mandated by HB3.
- Guidance, counseling, and evaluation services expenses increased due to increased special education expenses in the SSA in the current year.

Table 5 presents the net cost of the District's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

Table 5 - Net Cost of Selected District Functions

	Governmental Activities			
	2020	Percent	2019	Percent
Instructional & related	\$ 6,347,787	59%	\$ 5,839,904	59%
Leadership	819,856	8%	763,224	8%
Student support	1,468,764	13%	1,155,269	12%
Administrative support	568,256	5%	556,949	5%
Nonstudent support	1,345,122	12%	1,259,844	13%
Other	359,926	3%	362,020	3%
Total Expenses	\$ 10,909,711	100%	\$ 9,937,210	100%

Financial Analysis of the District's Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

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

As of June 30, 2020, the District's governmental funds reported a combined ending fund balance of \$7,554,703, an increase of \$1,125,027 from the previous year. Table 6 illustrates the fund balances of the governmental funds. Please note that the Special Education Fund is not listed separately as that fund does not report fund balance.

**Table 6 - Governmental Funds - Fund Balances
June 30, 2020**

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Restricted for:				
Retirement of long-term debt	\$ -	\$ 1,527,953	\$ -	\$ 1,527,953
Committed	1,850,000	-	-	1,850,000
Assigned	219,563	-	-	219,563
Unassigned	3,957,187	-	-	3,957,187
Total Fund Balances	\$ 6,026,750	\$ 1,527,953	\$ -	\$ 7,554,703

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$6,026,750 of which \$3,957,187 was unassigned. The total fund balance represents 60% of the total General Fund expenditures for the year ended June 30, 2020. The fund balance increased \$795,835 in the current fiscal year.

General Fund revenues totaled \$10,885,141, an increase of \$797,279 or 8% from the preceding year. Local revenues increased due to increased property tax revenues. State revenues increased due to additional state aid from HB3. Federal revenues decreased due to lower Medicaid/SHARS revenues in the current year.

General Fund expenditures totaled \$10,029,881, an increase of \$604,426 or 6% from the preceding year. The most significant increase from the prior year was in instruction due to salary increases mandated by HB3.

Special Education Fund

For 2019-20, the Special Education Fund is a major reportable fund. As the fund is a special revenue fund accounting for the state and local portions of the Clay-Jack SSA operations, the fund has no fund balance at the end of the year.

Special Education Fund revenues and expenditures increased slightly as federal funding decreased in the current year, slightly increasing the state portion of the expenditures.

Debt Service Fund

For 2019-20, the Debt Service Fund is a major reportable fund. The fund balance as of June 30, 2020 was \$1,527,953, an increase of \$329,192 from the previous year.

Debt Service Fund revenues increased 13% from the prior year due to an increase in appraised values and Debt Service Fund expenditures remained consistent from the prior year at \$828,824.

Other Governmental Funds

Other governmental funds consist of various special revenue funds. Revenues in these funds decreased \$76,373 due to increased federal funding in special education grants that was partially offset by a decrease in TCEQ grant funding for new buses from the prior year. Expenditures decreased to \$1,744,868 due to the purchase of new buses in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. With these adjustments, actual expenditures were \$701,622 below final budget amounts. The most significant variances in any functional area were in instruction expenditures and facilities maintenance and operations.

On the other hand, revenues were \$33,750 above the final budgeted amount. State revenues were \$100,429 higher than the budget due to higher than anticipated state aid.

As noted, the original budget was amended throughout the year. There were no material changes in budget line items from the original budget to the final adopted budget.

Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets totaling \$13,987,252, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

Table 7 - Capital Assets, Net

	2020	2019	\$ Change	% Change
Land	\$ 59,349	\$ 59,349	\$ -	0%
Buildings and improvements	12,847,613	13,671,935	(824,322)	-6%
Furniture and equipment	968,665	1,148,744	(180,079)	-16%
Assets under capital lease	111,625	157,814	(46,189)	-29%
Totals	\$ 13,987,252	\$ 15,037,842	\$ (1,050,590)	-7%

Capital assets, net of accumulated depreciation, decreased \$1,050,590 or 7% from the previous year. Additional information about the District's capital assets is presented in the notes to the financial statements.

Long-term Debt

At June 30, 2020 the District had \$10,073,404 in bonds, bond premium, note payable and capital lease payable outstanding as shown in Table 8 below.

Table 8 - Long-term Debt

	2020	2019	\$ Change	% Change
Bonds payable	\$ 7,515,000	\$ 8,050,000	\$ (535,000)	-7%
Bond premiums	560,024	647,083	(87,059)	-13%
Note payable	1,906,000	2,105,000	(199,000)	-9%
Capital lease payable	92,380	138,569	(46,189)	-33%
Totals	\$ 10,073,404	\$ 10,940,652	\$ (867,248)	-8%

Additional information about the District's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2020-21 budget for the General Fund.

- Appraised value used for the 2020-21 budget preparation is down to \$312,398,056 from \$353,679,766 in the prior year, a decrease of 12%.
- General Fund spending per student will increase slightly in the 2020-21 budget compared to the 2019-20 fiscal year.
- The District's 2020-21 refined average daily attendance is expected to decrease slightly compared to 2019-20.

Revenues in the General Fund's budget are \$10,915,842, an increase of slightly less than 1% from the final 2019-20 budget of \$10,851,391. This increase is a result of increase in local funds due to increased property tax revenues.

Expenditures in some budget categories are different from the previous year, with the total expenditure budget for 2020-21 increasing almost 9% from the final 2019-20 expenditure budget of \$10,731,503. The District has also budgeted \$91,569 in transfers out to other funds to supplement grant funding.

If these estimates are realized, it is estimated that fund balance in the General Fund could decrease by approximately \$220,000 by June 30, 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

Data Control Codes		1
		Governmental Activities
Assets		
1110	Cash and cash equivalents	\$ 435,502
1120	Current investments	6,588,764
1225	Property taxes receivable (net)	171,253
1240	Due from other governments	1,741,464
1290	Other current assets	65,189
	Capital assets:	
1510	Land	59,349
1520	Building and improvements (net)	12,847,613
1530	Furniture and equipment (net)	968,665
1550	Assets under capital lease (net)	111,625
1910	Investment in joint venture	53,625
1000	Total assets	<u>23,043,049</u>
Deferred outflows of resources		
1701	Deferred losses from bond refunding	426,669
1705	Pension-related outflows	1,456,551
1706	OPEB-related outflows	639,645
1700	Total deferred outflows of resources	<u>2,522,865</u>
Liabilities		
2110	Accounts payable	49,267
2140	Accrued interest	17,020
2160	Accrued wages payable	911,600
2200	Accrued expenses	56,809
2300	Unearned revenue	95,320
	Noncurrent liabilities:	
2501	Portion due or payable within one year	798,190
2502	Portion due or payable after one year	9,275,214
2540	Net pension liability	2,907,286
2545	Net OPEB liability	4,016,458
2000	Total liabilities	<u>18,127,164</u>
Deferred inflows of resources		
2605	Pension-related inflows	524,788
2606	OPEB-related inflows	1,737,580
2600	Total deferred inflows of resources	<u>2,262,368</u>
Net Position		
3200	Net investment in capital assets	4,340,517
	Restricted for:	
3820	Debt service	1,555,078
3900	Unrestricted	(719,213)
3000	Total net position	<u>\$ 5,176,382</u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	6 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental activities:					
11	Instruction	\$ 7,603,281	\$ 16,740	\$ 1,491,828	\$ (6,094,713)	
12	Instructional resources and media services	157,426	-	14,502	(142,924)	
13	Curriculum and staff development	120,003	-	9,853	(110,150)	
21	Instructional leadership	256,928	-	184,416	(72,512)	
23	School leadership	824,823	-	77,479	(747,344)	
31	Guidance, counseling, & evaluation services	1,127,972	-	661,885	(466,087)	
32	Social work services	27,227	-	-	(27,227)	
33	Health services	85,511	-	8,859	(76,652)	
34	Student transportation	248,056	-	21,861	(226,195)	
35	Food services	551,890	108,399	326,429	(117,062)	
36	Cocurricular/extracurricular activities	645,718	55,964	34,213	(555,541)	
41	General administration	624,498	-	56,242	(568,256)	
51	Facilities maintenance and operations	1,245,719	-	61,408	(1,184,311)	
52	Security and monitoring services	19,976	-	604	(19,372)	
53	Data processing services	161,585	-	20,146	(141,439)	
72	Interest on long-term debt	260,396	-	26,294	(234,102)	
73	Bond issuance costs and fees	5,274	-	-	(5,274)	
95	Payments related to JJAEPs	3,440	-	-	(3,440)	
99	Other intergovernmental charges	117,110	-	-	(117,110)	
TG	Total governmental activities	<u>\$ 14,086,833</u>	<u>\$ 181,103</u>	<u>\$ 2,996,019</u>	<u>(10,909,711)</u>	
	General revenues:					
MT	Property taxes, levied for general purposes				3,870,423	
DT	Property taxes, levied for debt service				1,109,799	
IE	Investment earnings				91,320	
GC	Grants and contributions not restricted to specific programs				6,301,778	
MI	Miscellaneous				36,524	
TR	Total general revenues				<u>11,409,844</u>	
CN	Change in net position				500,133	
NB	Net position - beginning				4,676,249	
NE	Net position - ending				<u>\$ 5,176,382</u>	

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

Data Control Codes		10 General Fund	Special Education Fund	50 Debt Service Fund
Assets				
1110	Cash and cash equivalents	\$ -	\$ 62,165	\$ 73,613
1120	Current investments	5,134,424	-	1,454,340
1225	Property taxes receivable (net)	132,826	-	38,427
1240	Due from other governments	1,685,190	-	-
1260	Due from other funds	37,906	128,945	-
1490	Other current assets	65,189	-	-
1000	Total assets	<u>\$ 7,055,535</u>	<u>\$ 191,110</u>	<u>\$ 1,566,380</u>
Liabilities				
2110	Accounts payable	\$ 49,030	\$ 237	\$ -
2160	Accrued wages payable	714,013	48,978	-
2170	Due to other funds	128,945	-	-
2200	Accrued expenditures	3,971	3,033	-
2300	Unearned revenue	-	138,862	-
2000	Total liabilities	<u>895,959</u>	<u>191,110</u>	<u>-</u>
Deferred inflows of resources				
	Unavailable property taxes	132,826	-	38,427
2600	Total deferred inflows of resources	<u>132,826</u>	<u>-</u>	<u>38,427</u>
Fund balances				
Restricted fund balances:				
3480	Retirement of long-term debt	-	-	1,527,953
Committed fund balances:				
3510	Construction	1,050,000	-	-
3530	Capital expenditures for equipment	800,000	-	-
Assigned fund balances:				
3590	Subsequent year's expenditures	219,563	-	-
3600	Unassigned	3,957,187	-	-
3000	Total fund balances	<u>6,026,750</u>	<u>-</u>	<u>1,527,953</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,055,535</u>	<u>\$ 191,110</u>	<u>\$ 1,566,380</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	98 Total Governmental Funds
\$ 109,464	\$ 245,242
-	6,588,764
-	171,253
99,816	1,785,006
-	166,851
-	65,189
<u>\$ 209,280</u>	<u>\$ 9,022,305</u>
\$ -	\$ 49,267
148,609	911,600
37,906	166,851
22,765	29,769
-	138,862
<u>209,280</u>	<u>1,296,349</u>
-	171,253
-	171,253
-	1,527,953
-	1,050,000
-	800,000
-	219,563
-	3,957,187
<u>-</u>	<u>7,554,703</u>
<u>\$ 209,280</u>	<u>\$ 9,022,305</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Data
Control
Codes

	Total fund balances - governmental funds (Exhibit C-1)	\$ 7,554,703
	Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:	
	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:	
	Gross capital assets	\$ 29,155,766
1	Related accumulated depreciation	<u>15,168,514</u> 13,987,252
	Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	
2		171,253
	Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
	General obligation bonds	8,075,024
	Loan	1,906,000
3	Capital lease	<u>92,380</u> (10,073,404)
	Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.	
4		(17,020)
	In the governmental fund financial statements, refunding losses are expensed when incurred, whereas in the government-wide financial statements they are capitalized, net of amortization.	
5		426,669
	The District's net pension liability and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:	
	Net pension liability	2,907,286
	Deferred outflows - pension related items	(1,456,551)
6	Deferred inflows - pension related items	<u>524,788</u> (1,975,523)
	The District's net other post-employment benefit (OPEB) liability and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System OPEB plan are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:	
	Net OPEB liability	4,016,458
	Deferred outflows - OPEB related items	(639,733)
7	Deferred inflows - OPEB related items	<u>1,737,668</u> (5,114,393)
	An internal service fund is used by management to charge the costs of worker's compensation claims to the individual funds. The assets and liabilities of the internal service fund are included with the governmental activities.	
8		163,220
	The District has an investment in a joint venture that does not represent current resources and therefore is not recorded in the governmental fund financial statements.	
9		<u>53,625</u>
19	Total net position - governmental activities (Exhibit A-1)	<u>\$ 5,176,382</u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	10 General Fund	Special Education Fund	50 Debt Service Fund	
Revenues				
5700	Local and intermediate sources	\$ 4,066,729	\$ 65,828	\$ 1,131,722
5800	State program revenues	6,626,505	512,369	26,294
5900	Federal program revenues	191,907	-	-
5020	Total revenues	<u>10,885,141</u>	<u>578,197</u>	<u>1,158,016</u>
Expenditures				
Current:				
0011	Instruction	5,562,198	322,467	-
0012	Instructional resources and media services	135,589	-	-
0013	Curriculum and staff development	103,591	855	-
0021	Instructional leadership	8,932	135,399	-
0023	School leadership	702,126	-	-
0031	Guidance, counseling, & evaluation services	298,947	74,880	-
0032	Social work services	25,000	-	-
0033	Health services	73,167	-	-
0034	Student transportation	215,194	-	-
0035	Food services	12,560	-	-
0036	Cocurricular/extracurricular activities	567,439	-	-
0041	General administration	522,293	18,307	-
0051	Facilities maintenance and operations	1,097,496	16,289	-
0052	Security and monitoring services	17,933	-	-
0053	Data processing services	130,866	10,000	-
0071	Principal on long-term debt	239,500	-	535,000
0072	Interest on long-term debt	30,355	-	288,550
0073	Bond issuance costs and fees	-	-	5,274
0093	Payments to shared service arrangements	166,145	-	-
0095	Payments to JJAEPs	3,440	-	-
0099	Other intergovernmental charges	117,110	-	-
6030	Total expenditures	<u>10,029,881</u>	<u>578,197</u>	<u>828,824</u>
1100	Excess of revenues over (under) expenditures	<u>855,260</u>	<u>-</u>	<u>329,192</u>
Other Financing Sources (Uses)				
7912	Sale of real or personal property	700	-	-
7915	Transfers in	-	-	-
8911	Transfers out	(60,125)	-	-
7080	Total other financing sources (uses)	<u>(59,425)</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	795,835	-	329,192
0100	Fund balances - beginning	5,230,915	-	1,198,761
3000	Fund balances - ending	<u>\$ 6,026,750</u>	<u>\$ -</u>	<u>\$ 1,527,953</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	98 Total Governmental Funds
\$ 108,399	\$ 5,372,678
144,907	7,310,075
<u>1,431,437</u>	<u>1,623,344</u>
<u>1,684,743</u>	<u>14,306,097</u>
636,468	6,521,133
-	135,589
1,170	105,616
70,958	215,289
-	702,126
565,176	939,003
-	25,000
-	73,167
-	215,194
471,096	483,656
-	567,439
-	540,600
-	1,113,785
-	17,933
-	140,866
-	774,500
-	318,905
-	5,274
-	166,145
-	3,440
-	117,110
<u>1,744,868</u>	<u>13,181,770</u>
<u>(60,125)</u>	<u>1,124,327</u>
-	700
60,125	60,125
-	(60,125)
<u>60,125</u>	<u>700</u>
-	1,125,027
-	6,429,676
<u>\$ -</u>	<u>\$ 7,554,703</u>

**HENRIETTA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds (Exhibit C-2)		\$ 1,125,027
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit B-1) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ -	
Depreciation expense for the year	<u>1,050,590</u>	(1,050,590)
Because property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows decreased by this amount this year.		(17,684)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:		
General obligation bonds	622,059	
Loan	199,000	
Capital lease	<u>46,189</u>	867,248
Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest decreased by:		1,318
Amortization of deferred losses on refundings is only reported in the government-wide financial statements. Current year amortization is:		(35,556)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(405,576)
The District participates in a defined benefit OPEB plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(62,820)
An internal service fund is used by management to charge the costs of worker's compensation claims to the individual funds. The net revenue (loss) of the internal service fund is reported with governmental activities.		<u>78,766</u>
Change in net position of governmental activities (Exhibit B-1)		<u>\$ 500,133</u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2020

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
Assets		
Current assets:		
1110	Cash and cash equivalents	\$ 190,260
	Total current assets	<u>190,260</u>
1000	Total assets	<u>190,260</u>
Liabilities		
Current liabilities:		
2200	Accrued expenses	<u>27,040</u>
	Total current liabilities	<u>27,040</u>
2000	Total liabilities	<u>27,040</u>
Net Position		
3900	Unrestricted	<u>163,220</u>
3000	Total net position	<u>\$ 163,220</u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2020

<u>Data Control Codes</u>	<u>Governmental Activities Internal Service Fund</u>
Operating revenues:	
5700 Local and intermediate sources	<u>\$ 104,247</u>
5020 Total operating revenues	<u>104,247</u>
Operating expenses:	
6400 Other operating expenses	<u>25,481</u>
6030 Total operating expenses	<u>25,481</u>
Operating income	<u>78,766</u>
1300 Change in net position	78,766
Net position - beginning	<u>84,454</u>
Net position - ending	<u><u>\$ 163,220</u></u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities <u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from interfund charges	\$ 104,247
Cash payments for claims	(9,248)
Cash payments to suppliers for services	<u>(24,005)</u>
Net cash provided by operating activities	<u>70,994</u>
Net increase in cash and cash equivalents	70,994
Cash and cash equivalents - beginning	<u>119,266</u>
Cash and cash equivalents - ending	<u>\$ 190,260</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 78,766</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in liabilities:	
Accrued expenses	<u>(7,772)</u>
Total adjustments	<u>(7,772)</u>
Net cash provided by operating activities	<u>\$ 70,994</u>

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2020

Data Control Codes		Agency Funds	Student Activity
	Assets		
1110	Cash and cash equivalents	\$ 264,822	
1000	Total assets	\$ 264,822	
	Liabilities		
	Current Liabilities:		
2190	Due to student groups	\$ 264,822	
2000	Total liabilities	\$ 264,822	

See accompanying notes to the basic financial statements.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Special Education Fund: This fund is used to account for revenues and expenditures associated with the Clay-Jack Special Services Co-op for which the District is the fiscal agent.

Debt Service Fund: This fund accounts for ad valorem taxes accumulated from the Interest & Sinking levies and expenditures for the repayment of bond principal, interest, and paying agent fees.

In addition, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds: The District accounts for activities funded with restricted or committed revenues in special revenue funds. Most federal and state grant programs are accounted for in these funds.

Proprietary Funds:

Internal Service Funds: These funds are used to account for revenues and expenses related to worker's compensation insurance for the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary Funds:

Agency Funds: These funds are used to report student activity funds held in a purely custodial capacity (assets equal liabilities).

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investment Accounting Policy

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

c. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At June 30, 2020, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$242,327
Allowance for uncollectible taxes	(71,074)
Net property taxes receivable	<u>\$171,253</u>

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

e. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-50 years
Building Improvements	5-30 years
Furniture and Equipment	5-15 years
Assets acquired under capital lease	5 years

f. Receivable and Payable Balances

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.

There are no significant receivables, except for delinquent property taxes receivable, which are not scheduled for collection within one year of year end. The District expects to collect approximately \$60,000 of the outstanding delinquent taxes receivable balance during the upcoming year. This is similar to the delinquent tax collections collected during the year ended June 30, 2020.

g. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the disposition of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets. Specifically for the current period, the deferred loss on refunding and certain pension related items are considered a deferred outflow of resources.

Deferred inflows of resources refers to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position, similar to liabilities. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred inflows of resources are not liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes is considered a deferred inflow of resources in the General and Debt Service Funds. On the Statement of Net Position, taxes are fully recognized as revenue but there are deferred inflows related to various pension related items.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. The Board of Trustees has committed \$1,050,000 of fund balance for future construction (and turf replacement) and \$800,000 for purchases of equipment.

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Net Position Flow Assumption

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

j. Fund Balance Flow Assumptions

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

k. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund

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transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

I. Use of Estimates

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

m. Data Control Codes

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

4. Pension

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.

5. Other Post-Employment Benefits

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

The District had no violations of finance-related legal and contractual provisions for the year ended June 30, 2020.

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

The District does not have any funds with a deficit fund balance or deficit net position.

C. Deposits and Investments

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

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1. Cash Deposits:

At June 30, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$435,502 and the bank balance was \$391,491. The District's cash deposits at June 30, 2020, and during the year ended June 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

The 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.

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

The District's investments at June 30, 2020, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Months)</u>	<u>Fair Value</u>
Held in governmental funds:		
Lone Star Investment Pool	1	\$ 1,089,901
TexPool	1	1,642,490
TexSTAR Investment Pool	1	<u>3,856,373</u>
Total investments		<u>\$ 6,588,764</u>

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

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to

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promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District participates in the following public funds investment pools:

a. Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00 per unit. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of \$1.00 per unit and the Corporate Overnight Plus maintains a net asset value of \$0.50 per unit.

b. TexPool

TexPool is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is comprised of two investment alternatives: TexPool (which the District is invested in) and TexPool Prime. Both funds seek to maintain a net asset value of \$1.00 per unit and are rated AAAM by Standard and Poor's.

c. TexSTAR Investment Pool

TexSTAR is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JP Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators for TexSTAR under an agreement with the TexSTAR Board of Directors. JPMIM provides investment management services, and First Southwest, a division of HTS, provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary JP Morgan Investor Service Co. Transfer agency services are provided by Boston Financial Data Services (BFDS). Each of JPMIM, HTS, BFDS and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates. The Board may establish separate funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (Units). The Board may issue an unlimited number of units in each Fund. TexSTAR seeks to maintain a net asset value of \$1.00 per unit and is designed to be used by participants for investment of funds that require daily liquidity availability. TexSTAR is rated AAAM by Standard & Poor's Rating Service.

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3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. 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.

b. 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.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

D. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds for the year ended June 30, 2020 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	<u>\$ 60,125</u>	Fund deficit operations

2. Due To and From Other Funds

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	\$128,945	Short-term loan
General Fund	Other Governmental Funds	<u>37,906</u>	Short-term loan
Total		<u>\$166,851</u>	

This short-term loan is scheduled to be repaid within one year.

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E. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 59,349	\$ -	\$ -	\$ 59,349
Capital assets being depreciated:				
Buildings and improvements	26,192,104	-	-	26,192,104
Furniture and equipment	2,673,366	-	-	2,673,366
Assets under capital lease	<u>230,947</u>	<u>-</u>	<u>-</u>	<u>230,947</u>
Total capital assets being depreciated	<u>29,096,417</u>	<u>-</u>	<u>-</u>	<u>29,096,417</u>
Less accumulated depreciation for:				
Buildings and improvements	12,520,169	824,322	-	13,344,491
Furniture and equipment	1,524,622	180,079	-	1,704,701
Assets under capital lease	<u>73,133</u>	<u>46,189</u>	<u>-</u>	<u>119,322</u>
Total accumulated depreciation	<u>14,117,924</u>	<u>1,050,590</u>	<u>-</u>	<u>15,168,514</u>
Total capital assets being depreciated, net	<u>14,978,493</u>	<u>(1,050,590)</u>	<u>-</u>	<u>13,927,903</u>
Governmental activities capital assets, net	<u>\$15,037,842</u>	<u>(\$1,050,590)</u>	<u>\$ -</u>	<u>\$13,987,252</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 580,772
Instructional resources and media services	12,076
Curriculum and staff development	9,406
Instructional leadership	19,174
School leadership	62,532
Guidance, counseling, & evaluation services	83,628
Social work services	2,227
Health services	6,516
Student transportation	19,165
Food services	43,075
Cocurricular / extracurricular activities	50,536
General administration	48,146
Facilities maintenance and operations	99,194
Security and monitoring services	1,597
Data processing services	<u>12,546</u>
Total governmental depreciation	<u>\$1,050,590</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
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F. Long-term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 8,050,000	\$ -	\$535,000	\$ 7,515,000	\$550,000
Bond premium	647,083	-	87,059	560,024	-
Note payable	2,105,000	-	199,000	1,906,000	202,000
Capital lease payable	<u>138,569</u>	<u>-</u>	<u>46,189</u>	<u>92,380</u>	<u>46,190</u>
Total governmental activities	<u>\$10,940,652</u>	<u>\$ -</u>	<u>\$867,248</u>	<u>\$10,073,404</u>	<u>\$798,190</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 798,190	\$ 293,515	\$ 1,091,705
2022	820,190	274,585	1,094,775
2023	797,000	255,032	1,052,032
2024	814,000	234,842	1,048,842
2025	832,000	214,172	1,046,172
2026-2030	4,342,000	672,706	5,014,706
2031-2032	<u>1,110,000</u>	<u>57,600</u>	<u>1,167,600</u>
Total before premiums	9,513,380	<u>\$2,002,452</u>	<u>\$11,515,832</u>
Premium on sale of bonds	<u>560,024</u>		
Totals	<u>\$10,073,404</u>		

3. General Obligation Bonds

Unlimited Tax Refunding Bonds, Series 2015

The Unlimited Tax School Building Bonds, Series 2015, consist of \$8,965,000 in Current Interest Bonds. These bonds were issued to refund portions of the District's Series 2006 and Series 2007 bonds. The interest rate on these bonds ranged from 2.00% to 4.00%. Final maturity of the bonds is on June 15, 2032.

Debt service requirements on the bonds at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 550,000	\$ 271,250	\$ 821,250
2022	570,000	254,750	824,750
2023	590,000	237,650	827,650
2024	605,000	219,950	824,950
2025	620,000	201,800	821,800
2026-2030	3,470,000	649,000	4,119,000
2031-2032	<u>1,110,000</u>	<u>57,600</u>	<u>1,167,600</u>
Totals	<u>\$7,515,000</u>	<u>\$1,892,000</u>	<u>\$9,407,000</u>

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4. Note Payable

The District issued Qualified Zone Academy Maintenance Tax Notes, Series 2014 during fiscal year 2014 in the amount of \$3,060,000. These notes were issued to finance renovations to the District's athletic venues. These notes carry an interest rate of 1.2% and are payable over 15 years, with final maturity in April 2029.

Debt service requirements on the note payable at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Note Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 202,000	\$ 22,266	\$ 224,266
2022	204,000	19,836	223,836
2023	207,000	17,382	224,382
2024	209,000	14,892	223,892
2025	212,000	12,372	224,372
2026-2029	<u>872,000</u>	<u>23,706</u>	<u>895,706</u>
Totals	<u>\$1,906,000</u>	<u>\$110,454</u>	<u>\$2,016,454</u>

The loan is authorized by Title 1 Texas Administrative Code, Chapter 5.401.

5. Capital Lease Payable

The Public Property Finance Act authorizes the District to enter into capital lease agreements for the purchase of personal property. The commitment under the capitalized lease agreement provides for minimum future lease payments as of June, 2020, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 46,190	\$ -	\$ 46,190
2022	46,190	-	46,190
Totals	<u>\$ 92,380</u>	<u>\$ -</u>	<u>\$ 92,380</u>

The capital lease has an interest rate of 0%. Any imputed interest would be immaterial.

G. 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 the year ended June 30, 2020, the District purchased commercial insurance to cover general liabilities and continued in the self-funded pool for workers compensation. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Defined Benefit Pension Plan

1. Plan Description

The 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS'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 at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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

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

4. Contributions

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

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.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employer (District)	6.8%	7.5%

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Employer Contributions	\$190,956	\$223,753
Member Contributions	\$505,838	\$565,316
NECE On-behalf Contributions	\$376,144	\$470,787

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

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

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%, source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	Gradual increases in contributions in Senate Bill 12 of 86th Legislature in addition to a one-time supplemental payment.
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized below:

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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<u>Asset Class</u>	<u>FYE 2019 Target Allocation % ⁽¹⁾</u>	<u>New Target Allocation % ⁽²⁾</u>	<u>Long-term Expected Geometric Real Rate of Return ⁽³⁾</u>
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	--	--
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁽⁴⁾	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁽⁴⁾	3.0%	--	--
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8% / 6.5% ⁽⁵⁾
Leverage			
Cash	1.0%	2.0%	2.50%
Asset Allocation Leverage	--	-6.0%	2.70%
Expected Return	100.00%	100.00%	7.23%

⁽¹⁾ Target allocations are based on the Strategic Asset Allocation as of FY 2019.

⁽²⁾ New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

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

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

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

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease 6.25%</u>	<u>Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$4,468,922</u>	<u>\$2,907,286</u>	<u>\$1,642,060</u>

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

At June 30, 2020, the District reported a liability of \$2,907,286 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

District's proportionate share of the collective net pension liability	\$2,907,286
State's proportionate share that is associated with the District	<u>4,972,124</u>
Total	<u>\$7,879,410</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019, the District's proportion of the collective net pension liability was 0.0055927503% which was an increase of .0003162484% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$625,664 and revenue of \$781,051 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 12,213	\$100,946
Changes in actuarial assumptions	901,983	372,742
Difference between projected and actual investment earnings	29,193	-
Changes in proportion and difference between District contributions and proportionate share of contributions	322,488	51,100
Contributions paid to TRS subsequent to the measurement date	<u>190,674</u>	<u>-</u>
Total	<u>\$1,456,551</u>	<u>\$524,788</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

Plan Year Ended <u>August 31</u>	Pension Exp. <u>Amount</u>
2020	\$197,071
2021	159,957
2022	165,639
2023	171,809
2024	66,568
Thereafter	(19,955)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. 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 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
Employer Contributions	\$49,270	\$65,931
Member Contributions	\$42,701	\$47,721
NECE On-behalf Contributions	\$71,301	\$91,000

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

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

5. Actuarial Assumptions

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

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	10.25% for Medicare retirees and 7.50% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Other Information:

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

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

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

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	<u>1.63%</u>	<u>2.63%</u>	<u>3.63%</u>
	<u>\$4,849,153</u>	<u>\$4,016,458</u>	<u>\$3,365,039</u>

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

At June 30, 2019, the District reported a liability of \$4,016,460 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$4,016,458
State's proportionate share that is associated with the District	<u>5,336,974</u>
Total	<u>\$9,353,432</u>

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

At August 31, 2020, the District's proportion of the collective net OPEB liability was 0.0084930295% compared to 0.0082082221% as of August 31, 2019.

The following schedule presents the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed rate is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the current healthcare cost trend rate	<u>\$3,276,485</u>	<u>\$4,016,460</u>	<u>\$5,007,681</u>

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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$129,449 and revenue of \$140,661 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$197,041	\$ 657,251
Changes in actuarial assumptions	223,083	1,080,329
Difference between projected and actual investment earnings	433	-
Changes in proportion and difference between District contributions and proportionate share of contributions	163,435	-
Contributions paid to TRS subsequent to the measurement date	<u>55,653</u>	<u>-</u>
Total	<u>\$639,645</u>	<u>\$1,737,580</u>

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

Plan Year Ended <u>August 31</u>	<u>OPEB Exp. Amount</u>
2021	(\$201,164)
2022	(201,164)
2023	(201,304)
2024	(201,386)
2025	(201,365)
Thereafter	(147,205)

9. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$36,317, \$20,490, and \$20,158 for the years ended June 30, 2020, 2019, and 2018, respectively.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the 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.

2. Litigation

No reportable litigation was pending against the District as of June 30, 2020.

K. Worker's Compensation Coverage

The District, along with many other Texas school districts, participates in a self-insurance plan for worker's compensation benefits as authorized by Section 504.011 of the Labor Code. Hibbs-Hallmark & Company / Claims Administrative Services acts as the third-party administrator of the West Texas Educational Insurance Association (Pool).

The total charge made by the Internal Service Fund to the other funds is based on rates as determined by the District and will be adjusted over time so that the Internal Service Fund revenues and expenses are approximately equal. These costs are reported as interfund transactions and are treated as operating revenues in the Internal Service Fund and as operating expenditures in the other funds.

Claims are paid by the third-party administrator acting on behalf of the District under the terms of the contractual agreement. Administrative fees are included within the provisions of that agreement. According to the state statute, the District is protected against unanticipated claims and aggregate loss by coverage carried through Midwest Employers Casualty Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$1 million. The Pool participants are responsible for claims up to this limit. The District has a loss fund maximum of \$66,737 for the year ended June 30, 2020.

As of June 30, 2020, the worker's compensation benefit obligation consisted of \$27,040 in reported unpaid claims and estimated incurred but not reported claims. These amounts represent estimated ultimate costs to settle claims. Net position at year-end contains a balance of \$163,220. A summary of the changes in the benefit obligation is as follows:

Balance as of July 1, 2019		\$34,812
Incurred claims/adjustments:		
Provision for insured events for 2019-20	\$ 7,193	
Provision for insured events for prior years	(9,251)	
Total incurred claims		(2,058)
Payments:		
Claims attributable to insured events for 2019-20	1,796	
Claims attributable to insured events for prior years	<u>3,918</u>	
Total payments		<u>5,714</u>
Balance as of June 30, 2020		<u>\$27,040</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

L. Shared Services Arrangements

Shared Services Arrangement – Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Special Education Expenditures</u>
Bellevue ISD	\$ 21,343
Bryson ISD	28,813
Henrietta ISD	149,400
Jacksboro ISD	128,057
Midway ISD	35,216
Perrin-Whitt CISD	49,089
Petrolia CISD	<u>66,163</u>
Total	<u>\$478,081</u>

M. COVID-19

Beginning in December 2019, a novel coronavirus, now designated SAR-CoV2 which causes the disease COVID-19 was declared a global pandemic by the World Health Organization. The symptoms of COVID-19 can range from severe illness and can cause complications including death. On March 13, 2020, the Governor of the State of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in Texas and declared a state of disaster for all counties in Texas. A state of disaster requires that certain emergency protective measures be taken pursuant to the Texas Disaster Act of 1975 relating to Emergency Management and Public Health, pursuant to Chapter 418 of the Texas Government Code.

State and local governments placed restrictions on the operations of businesses and public gatherings to promote health and slow the spread of the virus. The federal government passed several appropriations to address the negative economic impact caused by these restrictions. The District has received federal and state grant awards during the year ended June 30, 2020. However, the total impact of the COVID-19 pandemic on the national, state, and local economies and, ultimately, the District's finances is not known at this time.

REQUIRED SUPPLEMENTARY INFORMATION

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT G-1
Page 1 of 2

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 3,586,791	\$ 4,124,615	\$ 4,066,729	\$ (57,886)
5800	State program revenues	6,538,900	6,526,076	6,626,505	100,429
5900	Federal program revenues	309,200	200,700	191,907	(8,793)
5020	Total revenues	<u>10,434,891</u>	<u>10,851,391</u>	<u>10,885,141</u>	<u>33,750</u>
	Expenditures:				
	Current:				
	Instruction & instructional related services:				
0011	Instruction	6,015,130	5,958,465	5,562,198	396,267
0012	Instructional resources and media services	140,060	140,060	135,589	4,471
0013	Curriculum and staff development	94,661	101,161	103,591	(2,430)
	Total instruction and instructional related services	<u>6,249,851</u>	<u>6,199,686</u>	<u>5,801,378</u>	<u>398,308</u>
	Instructional and school leadership:				
0021	Instructional leadership	10,165	10,165	8,932	1,233
0023	School leadership	706,375	706,375	702,126	4,249
	Total instructional and school leadership	<u>716,540</u>	<u>716,540</u>	<u>711,058</u>	<u>5,482</u>
	Support services - student (pupil):				
0031	Guidance, counseling and evaluation services	309,807	309,368	298,947	10,421
0032	Social work services	-	25,000	25,000	-
0033	Health services	74,286	74,286	73,167	1,119
0034	Student transportation	214,588	264,588	215,194	49,394
0035	Food services	13,349	13,349	12,560	789
0036	Cocurricular/extracurricular activities	643,665	643,665	567,439	76,226
	Total support services - student (pupil)	<u>1,255,695</u>	<u>1,330,256</u>	<u>1,192,307</u>	<u>137,949</u>
	Administrative support services:				
0041	General administration	568,924	568,924	522,293	46,631
	Total administrative support services	<u>568,924</u>	<u>568,924</u>	<u>522,293</u>	<u>46,631</u>
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	1,103,862	1,169,862	1,097,496	72,366
0052	Security and monitoring services	30,832	30,832	17,933	12,899
0053	Data processing services	121,903	127,903	130,866	(2,963)
	Total support services - nonstudent based	<u>1,256,597</u>	<u>1,328,597</u>	<u>1,246,295</u>	<u>82,302</u>
	Debt service:				
0071	Principal on long-term debt	239,500	239,500	239,500	-
0072	Interest on long-term debt	31,000	31,000	30,355	645
	Total debt service	<u>270,500</u>	<u>270,500</u>	<u>269,855</u>	<u>645</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT G-1
Page 2 of 2

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Intergovernmental charges:				
0093	Payments to SSAs	140,000	182,000	166,145	15,855
0095	Payments to JJAEPs	-	16,500	3,440	13,060
0099	Other intergovernmental charges	112,000	118,500	117,110	1,390
	Total intergovernmental charges	<u>252,000</u>	<u>317,000</u>	<u>286,695</u>	<u>30,305</u>
6030	Total expenditures	<u>10,570,107</u>	<u>10,731,503</u>	<u>10,029,881</u>	<u>701,622</u>
1100	Excess of revenues over (under) expenditures	<u>(135,216)</u>	<u>119,888</u>	<u>855,260</u>	<u>735,372</u>
	Other financing sources (uses):				
7912	Sale of real or personal property	2,000	2,000	700	(1,300)
8911	Transfers out	<u>(71,888)</u>	<u>(121,888)</u>	<u>(60,125)</u>	<u>61,763</u>
7080	Total other financing sources (uses)	<u>(69,888)</u>	<u>(119,888)</u>	<u>(59,425)</u>	<u>60,463</u>
1200	Net change in fund balance	(205,104)	-	795,835	795,835
0100	Fund balance - beginning	5,230,915	5,230,915	5,230,915	-
3000	Fund balance - ending	<u>\$ 5,025,811</u>	<u>\$ 5,230,915</u>	<u>\$ 6,026,750</u>	<u>\$ 795,835</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0055927503%	0.0052765019%	0.0052769004%
District's proportionate share of the net pension liability	\$ 2,907,286	\$ 2,904,315	\$ 1,687,268
State's proportionate share of the net pension liability associated with the District	<u>4,972,124</u>	<u>5,530,326</u>	<u>3,457,478</u>
Total	<u>\$ 7,879,410</u>	<u>\$ 8,434,641</u>	<u>\$ 5,144,746</u>
District's covered payroll	\$ 6,569,326	\$ 6,480,967	\$ 6,427,990
District's proportionate share of the net pension liability as a percentage of its covered payroll	44.26%	44.81%	26.25%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

EXHIBIT G-2

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0051429330%	0.0058558000%	0.0031945000%
\$ 1,943,438	\$ 2,069,947	\$ 853,294
<u>4,097,964</u>	<u>3,916,548</u>	<u>3,448,249</u>
<u>\$ 6,041,402</u>	<u>\$ 5,986,495</u>	<u>\$ 4,301,543</u>
\$ 6,505,385	\$ 6,736,462	\$ 6,654,186
29.87%	30.73%	12.82%
78.00%	78.43%	83.25%

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 223,753	\$ 190,956	\$ 164,621
Contributions in relation to the contractually required contribution	<u>(223,753)</u>	<u>(190,956)</u>	<u>(164,621)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,341,762	\$ 6,569,326	\$ 6,480,967
Contributions as a percentage of covered payroll	<u>3.05%</u>	<u>2.91%</u>	<u>2.54%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

EXHIBIT G-3

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 171,348	\$ 163,404	\$ 173,393
<u>(171,348)</u>	<u>(163,404)</u>	<u>(173,393)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,427,990	\$ 6,505,385	\$ 6,736,462
<u>2.67%</u>	<u>2.51%</u>	<u>2.57%</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET
OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.008493030%</u>	<u>0.008208222%</u>	<u>0.008195789%</u>
District's proportionate share of the net OPEB liability	\$ 4,016,460	\$ 4,098,440	\$ 3,564,041
State's proportionate share of the net OPEB liability associated with the District	<u>5,336,974</u>	<u>5,168,000</u>	<u>4,762,446</u>
Total	<u>\$ 9,353,434</u>	<u>\$ 9,266,440</u>	<u>\$ 8,326,487</u>
District's covered payroll (Plan year end August 31)	<u>\$ 6,569,326</u>	<u>\$ 6,480,967</u>	<u>\$ 6,427,990</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>61.14%</u>	<u>63.24%</u>	<u>55.45%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.66%</u>	<u>1.57%</u>	<u>0.91%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note - the column label is the District's fiscal year. The data is derived from the Teacher Retirement System's Comprehensive Annual Financial Report.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S OTHER POST-EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 65,931	\$ 58,841	\$ 46,492
Contributions in relation to the contractually required contribution	<u>(65,931)</u>	<u>(58,841)</u>	<u>(46,492)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 7,341,762</u>	<u>\$ 6,569,326</u>	<u>\$ 6,480,967</u>
Contributions as a percentage of covered payroll	<u>0.90%</u>	<u>0.90%</u>	<u>0.72%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note - the contractually required contribution is for the District's indicated fiscal year.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

A. Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

1. Prior to June 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Trustees.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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

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

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

C. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

OTHER SUPPLEMENTARY INFORMATION SECTION

HENRIETTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year Ending June 30,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2011 and Prior Years	\$ Various	\$ Various	\$	Various
2012	1.04	0.2700		315,548,244
2013	1.04	0.2700		326,440,458
2014	1.04	0.2700		334,561,145
2015	1.04	0.2700		341,580,611
2016	1.04	0.2700		330,055,115
2017	1.04	0.2700		298,240,611
2018	1.04	0.2700		325,862,290
2019	1.04	0.2700		345,402,061
2020 (School year under audit)	0.97	0.2700		398,342,339
1000 Totals				

10 Beginning Balance 7/1/2019	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2020
\$ 71,350	\$ -	\$ 366	\$ 93	\$ (47,641)	\$ 23,250
7,020	-	314	92	(158)	6,456
8,983	-	457	120	(450)	7,956
9,599	-	733	154	(564)	8,148
18,369	-	713	187	(300)	17,169
20,904	-	2,352	617	(1,195)	16,740
27,405	-	3,929	1,054	(1,261)	21,161
43,084	-	11,768	3,274	(484)	27,558
88,442	-	38,449	10,955	(5,196)	33,842
-	4,939,445	3,763,547	1,079,884	(15,967)	80,047
\$ 295,156	\$ 4,939,445	\$ 3,822,628	\$ 1,096,430	\$ (73,216)	\$ 242,327

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 123,400	\$ 123,400	\$ 108,399	\$ (15,001)
5800	State program revenues	1,500	1,500	1,545	45
5900	Federal program revenues	286,000	286,000	301,027	15,027
5020	Total revenues	<u>410,900</u>	<u>410,900</u>	<u>410,971</u>	<u>71</u>
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	482,788	482,788	471,096	11,692
	Total support services - student (pupil)	<u>482,788</u>	<u>482,788</u>	<u>471,096</u>	<u>11,692</u>
6030	Total expenditures	<u>482,788</u>	<u>482,788</u>	<u>471,096</u>	<u>11,692</u>
1100	Excess of revenues over (under) expenditures	<u>(71,888)</u>	<u>(71,888)</u>	<u>(60,125)</u>	<u>11,763</u>
	Other financing sources:				
7915	Transfers in	71,888	71,888	60,125	(11,763)
7080	Total other financing sources	<u>71,888</u>	<u>71,888</u>	<u>60,125</u>	<u>(11,763)</u>
1200	Net change in fund balance	-	-	-	-
0100	Fund balance - beginning	-	-	-	-
3000	Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HENRIETTA INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 839,000	\$ 839,000	\$ 1,131,722	\$ 292,722
5800	State program revenues	-	-	26,294	26,294
5020	Total revenues	<u>839,000</u>	<u>839,000</u>	<u>1,158,016</u>	<u>319,016</u>
	Expenditures:				
	Debt service:				
0071	Principal on long-term debt	535,000	535,000	535,000	-
0072	Interest on long-term debt	289,000	289,000	288,550	450
0073	Bond issuance costs and fees	15,000	15,000	5,274	9,726
	Total debt service	<u>839,000</u>	<u>839,000</u>	<u>828,824</u>	<u>10,176</u>
6030	Total expenditures	<u>839,000</u>	<u>839,000</u>	<u>828,824</u>	<u>10,176</u>
1100	Excess of revenues over expenditures	-	-	329,192	329,192
1200	Net change in fund balance	-	-	329,192	329,192
0100	Fund balance - beginning	1,198,761	1,198,761	1,198,761	-
3000	Fund balance - ending	<u>\$ 1,198,761</u>	<u>\$ 1,198,761</u>	<u>\$ 1,527,953</u>	<u>\$ 329,192</u>



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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A. PAUL FLEMING, CPA

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with Government Auditing Standards

Board of Trustees
Henrietta Independent School District
1801 E. Crafton
Henrietta, Texas 76365

Members of the Board of Trustees:

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 Henrietta Independent School District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

October 29, 2020



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Henrietta Independent School District
1801 E. Crafton
Henrietta, Texas 76365

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Henrietta Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Henrietta Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

October 29, 2020

HENRIETTA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One of more material weaknesses identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported under CFR Section 200.516(a) Yes X No

Identification of major programs:

Special Education Cluster:	
IDEA-B Formula	84.027
IDEA-B Preschool	84.173

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

HENRIETTA INDEPENDENT SCHOOL DISTRICT

Audit Corrective Action Plan Year Ended June 30, 2020

There were no findings in the current year.

HENRIETTA INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings Year Ended June 30, 2020

There were no findings in the prior year.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Passed Through Region 9 Education Service Center:				
Head Start	93.600	06CH7009/19	\$ 14,862	\$ -
Head Start	93.600	06CH7009/20	56,168	-
Total CFDA Number 93.600			<u>71,030</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>71,030</u>	<u>-</u>
<u>U.S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	20610101039902	137,995	-
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	19694501039902	20,814	-
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	20694501039902	22,556	-
Total CFDA Number 84.367a			<u>43,370</u>	<u>-</u>
Special Education Cluster:				
IDEA-B Formula	84.027	196600010399026600	41,047	-
IDEA-B Formula	84.027	206600010399026600	818,067	-
Total CFDA Number 84.027			<u>859,114</u>	<u>-</u>
IDEA-B Preschool	84.173	196610010399026610	299	-
IDEA-B Preschool	84.173	206610010399026610	16,601	-
Total CFDA Number 84.173			<u>16,900</u>	<u>-</u>
Total Special Education Cluster #			<u>876,014</u>	<u>-</u>
ESEA Title IV Part A - Student Support & Academic Achievement	84.424	20680101039902	2,000	-
Total Passed Through State Department of Education			<u>1,059,379</u>	<u>-</u>
Total U.S. Department of Education			<u>1,059,379</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster:				
Passed Through Texas Department of Agriculture:				
National School Lunch Program (Non-cash)	10.555	039-902	21,405	-
Total Passed Through Texas Department of Agriculture			<u>21,405</u>	<u>-</u>
Passed Through State Department of Education:				
School Breakfast Program	10.553	039-902	109,573	-
National School Lunch Program	10.555	039-902	170,049	-
Total Passed Through State Department of Education			<u>279,622</u>	<u>-</u>
Total Child Nutrition Cluster			<u>301,027</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>301,027</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,431,436</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

HENRIETTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Henrietta Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

B. De Minimis Indirect Cost Rate

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to charge a de minimis indirect cost rate of ten percent of modified total direct costs. The District did not elect to charge the de minimis rate to any of its federal awards during the year ended June 30, 2020.

C. Reconciliation of Federal Expenditures per the SEFA to the Basic Financial Statements

Amount of federal revenues per Exhibit C-2	\$1,623,344
Less E-rate reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards	(7,905)
Less Medicaid reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards	(184,003)
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$1,431,436</u>

**HENRIETTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL
FIRST INDICATORS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

EXHIBIT L-1

<u>Data Control Codes</u>	<u>Responses</u>
SF1 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4 Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes
SF7 Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8 Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -