

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

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FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Hooks Independent School District
Name of School District

Bowie
County

019-902
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 August 31, 2020 at a meeting of the Board of Trustees of such school district on the 14th day of December 2020.



Signature of Board Secretary



Signature of Board President

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



**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District (the District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13, budgetary comparison information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on pages 51-52, schedule of District's contributions to TRS Pension plan on pages 53-54, schedule of the District's proportionate share of the OPEB liability (TRS) on page 55, and schedule of District's contributions to TRS OPEB plan on page 56 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 Hooks Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3 and L-1. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the Hooks Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hooks Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

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

December 4, 2020

HOOKS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hooks Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with our transmittal letter, the independent auditor's report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent period by \$9,655,683 (net position).

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,722,542. The General Fund reported a fund balance this year of \$4,481,924.

USING THIS ANNUAL REPORT

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

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

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

An analysis of the District's overall financial condition and operations is included in this report. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

In the Statement of Net Position and the Statement of Activities, we present the following kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the *Every Student Succeeds Act (ESSA)* from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental type funds.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Table I
Hooks Independent School District
NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
Current and other assets	\$ 5,853,548	\$ 4,552,474	28.58%
Capital assets	16,701,913	16,471,262	1.40%
Total Assets	<u>22,555,461</u>	<u>21,023,736</u>	<u>7.29%</u>
Deferred outflows of resources	<u>2,049,818</u>	<u>2,165,696</u>	<u>-5.35%</u>
Other liabilities	970,826	500,039	94.15%
Long term liabilities	5,896,699	6,414,524	-8.07%
TRs net pension liability	2,567,046	2,714,666	-5.44%
TRs net OPEB liability	3,460,670	3,589,908	-3.60%
Total Liabilities	<u>12,895,241</u>	<u>13,219,137</u>	<u>-2.45%</u>
Deferred inflow of resources	<u>2,054,355</u>	<u>1,466,051</u>	<u>40.13%</u>
Net investment in capital assets	11,003,066	10,274,496	7.09%
Restricted	262,764	291,717	-9.93%
Unrestricted	(1,610,147)	(2,061,969)	21.91%
Total Net Position	<u>\$ 9,655,683</u>	<u>\$ 8,504,244</u>	<u>13.54%</u>

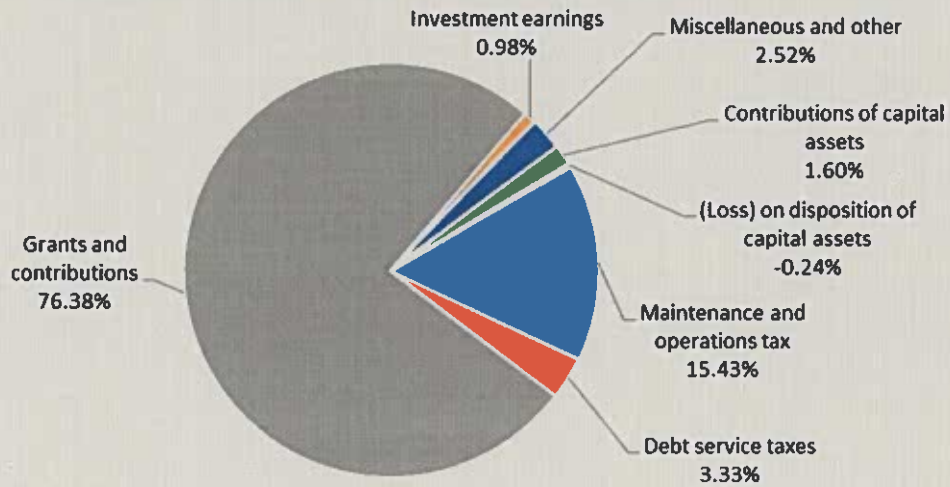
As of August 31, 2020, the District's assets exceeded liabilities by \$9,655,683, of which \$11,003,066 of the total net position represents the net investment in capital assets less any related debt used to acquire those assets that are still outstanding, \$262,764 of the total net position represents resources that are subject to restrictions on how they may be used and the remaining balance of total net position of (\$1,610,147) deficit represents the unrestricted net position, which is the part of the net position that can be used to finance day-to-day operations without constraints established by debt, or other legal requirements. Net position of the District's governmental activities increased from \$8,504,244 to \$9,655,683.

Table II
Hooks Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 225,739	\$ 254,446	-11.28%
Operating grants and contributions	2,445,444	2,122,446	15.22%
General Revenues:			
Maintenance and operations taxes	1,742,126	1,950,074	-10.66%
Debt service taxes	375,544	376,996	-0.39%
Grants and contributions	8,623,417	7,698,671	12.01%
Investment earnings	110,986	97,511	13.82%
Miscellaneous and other	284,856	117,435	142.56%
Special Item - Contribution of capital assets	180,800	-	100.00%
Special Item - (Loss) on disposition of capital assets	(27,303)	-	-100.00%
Total Revenues	<u>13,961,609</u>	<u>12,617,579</u>	<u>10.65%</u>
Expenses:			
Instruction, curriculum and media services	7,052,812	6,276,563	12.37%
Instructional and school leadership	1,237,100	1,059,120	16.80%
Student support services	504,587	492,114	2.53%
Food Services	520,025	540,268	-3.75%
Extracurricular activities	610,757	620,685	-1.60%
General administration	661,990	628,104	5.39%
Facilities maintenance and data processing	1,218,206	1,270,110	-4.09%
Security and monitoring services	99,968	45,890	117.84%
Data processing services	205,883	201,365	2.24%
Community services	2,444	4,846	-49.57%
Debt service	154,906	163,995	-5.54%
Payments to fiscal agent	513,939	530,310	-3.09%
Other intergovernmental charges	27,553	26,956	2.21%
Total Expenses	<u>12,810,170</u>	<u>11,860,326</u>	<u>8.01%</u>
Increase (Decrease) in Net Position	1,151,439	757,253	52.05%
Net Position - Beginning of Year	8,504,244	7,746,991	9.77%
Net Position - End of Year	<u>\$ 9,655,683</u>	<u>\$ 8,504,244</u>	<u>13.54%</u>

The total net change in fund balance for all governmental funds was an increase of 827,235 for the current year. Funds were used to pay for capital outlay of \$666,113, bond payments of \$460,000, a decrease due to the implementation of GASB 68 of (\$341,432), a decrease due to the implementation of GASB 75 of (\$63,946), and an increase of \$197,413 in various other items. Depreciation expense of (\$593,944) reduced net position. The net effect of these transactions was an increase in net position of \$1,151,439.

Revenues by Source-Governmental Activities



DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,722,542, an increase of \$827,235. Approximately 74 percent of the combined ending fund balance \$3,481,924 constitutes *unassigned fund balance*. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been set aside 1) restricted to pay debt service \$229,087, 2) restricted for federal and state programs \$11,531, and 3) other assigned construction \$1,000,000)

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,481,924 while the total fund balance was \$4,481,924. Unassigned fund balance represents 34 percent of the total general fund expenditures, while total fund balance represents 44 percent of that same amount.

The fund balance of the District's General Fund increased by \$857,233 during the current fiscal year.

Key factors related to this change are as follows:

- ❖ The District adopted an original budget surplus of \$645,942.
- ❖ Total revenues increased approximately \$1,077,000 from the prior year. Local revenue decreased approximately \$51,000. Property taxes declined \$262,000 due to a decrease in the rate levied from \$1.17 to \$1.0683 and an increase of insurance recovery revenue of \$211,000. State revenue increased approximately \$1,173,000 because of changes in funding formulas due to the passage of HB3. Federal revenue decreased \$45,000 mainly due to SHARS (school health and related services) reduction in receipts.
- ❖ The COVID-19 pandemic required school closure March 17, 2020 to the end of the regular school year. The state provided hold harmless average daily attendance formulas to continue funding stability. This allowed the District to continue to pay all employees their regular salaries whether working or not as well as other necessary costs for the year. Essential employees were asked to work onsite only if absolutely necessary to prevent the spread of the virus. The school board approved paying non-exempt employees who actually worked onsite premium pay at the rate of time and one-half. The total cost of the premium pay was \$26,006. Instructional materials were also purchased for distance learning in the amount of \$3,206. The District has applied for reimbursement from the Coronavirus Relief Fund for these costs incurred through the grant period ending May 20, 2020. The claim totaled \$23,583 at a reimbursement rate of 75% for a request of \$17,687. The claim has not been approved at this time.
- ❖ The District had two insurance claims during the year. The concession stand building at the high school campus was damaged by fire in October, 2019. Total cost of the renovation to the building was \$245,342. Miscellaneous costs and contents totaled \$10,634. The District chose to make upgrades to the building which insurance would not reimburse for. The insurance company agreed to a claim of \$221,790 less a deductible of \$15,000 for a payment of \$206,790. The second claim was related to a technology issue. Insurance reimbursement was received in the amount of \$4,543 and the District paid a \$15,000 deductible. The remaining claim was paid directly to the vendors by the insurance company.
- ❖ The District spent \$666,113 on capital outlay during the year from the General Fund. Instructional technology equipment was purchased for \$27,869. A new girls' field house was constructed at a cost of \$180,413. The concession stand damaged by fire was renovated for \$245,342. Improvements at the boys' field house were made for \$53,355 and equipment purchased for \$18,900. Land was purchased for \$14,247. A vehicle was purchased for \$44,495. The agriculture department purchased several items of equipment for \$48,452. The remaining expenditures were for various items of equipment and improvements.
- ❖ Normal operating expenditures were up approximately \$755,000 from the previous year mainly due to significant salary increases mandated by HB 3. The District would have had an excess of revenue over expenditures of approximately \$1,371,000 had it not been for capital outlay net of insurance proceeds, pandemic expenditures, and an insurance deductible paid.

The Food Service Fund ended the year with a fund balance of \$11,531. The net decrease in fund balance during the period in the Food Service Fund was (\$49,986). Because of the school closure due to the pandemic, the Food Service Fund lost normal congregate feeding program revenue while continuing to pay all employees. A drive up "grab and go" breakfast and lunch sack meal program was operated during the months of April through June, 2020 to help feed the students in the community. Employees were paid premium pay of \$6,919 for onsite meal preparation and serving. Supply costs for the distance feeding program totaled \$19,542. The District has applied for reimbursement from the Coronavirus Relief Fund for these costs incurred through the grant period of May 20, 2020. The claim totaled \$22,135 at a reimbursement rate of 75% for a request of \$16,601. The claim has not been approved at this time.

The Debt Service Fund has a total fund balance of \$229,087 all of which is reserved for the payment of debt. The net increase in fund balance during the period in the Debt Service Fund was \$19,988.

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

Table III
Hooks Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2020	Governmental Funds 2019	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 2,731,552	\$ 2,823,572	\$ (92,020)	-3.3%
State Program Revenues	9,275,592	8,105,984	1,169,608	14.4%
Federal Program Revenues	1,471,787	1,427,491	44,296	3.1%
Total Revenues	13,478,931	12,357,047	1,121,884	9.1%
Expenditures:				
Instruction	6,103,186	5,518,817	584,369	10.6%
Instructional resources & media services	81,021	81,753	(732)	-0.9%
Curriculum and Instructional Staff Development	170,838	132,288	38,550	29.1%
Instructional leadership	352,990	284,900	68,090	23.9%
School leadership	726,484	651,937	74,547	11.4%
Guidance, counseling & evaluation services	282,574	269,603	12,971	4.8%
Health services and student (pupil) transportation	162,397	166,829	(4,432)	-2.7%
Food service	472,060	500,493	(28,433)	-5.7%
Extracurricular activities	572,856	566,619	6,237	1.1%
General administration	587,732	594,245	(6,513)	-1.1%
Facilities maintenance & operations	1,171,529	1,177,970	(6,441)	-0.5%
Security & monitoring services	94,831	43,408	51,423	118.5%
Data processing services	182,868	180,153	2,715	1.5%
Community services	2,318	4,584	(2,266)	-49.4%
Debt service	653,163	650,762	2,401	0.4%
Capital outlay	493,357	214,277	279,080	130.2%
Payments to fiscal agent/member districts of SSA	513,939	530,310	(16,371)	-3.1%
Other intergovernmental charges	27,553	26,956	597	2.2%
Total Expenditures	12,651,696	11,595,904	1,055,792	9.1%
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	827,235	761,143	66,092	8.7%
Other Financing Sources (Uses)				
Sale of real and personal property	-	500	(500)	-100.0%
Transfers in	207,375	207,560	(185)	-0.1%
Transfers out	(207,375)	(207,560)	185	0.1%
Total Other Financing Sources (Uses)	-	500	(500)	-100.0%
Net Change in Fund Balances	827,235	761,643	65,592	8.6%
Fund Balance - Beginning of Year	3,895,307	3,133,664	761,643	24.3%
Fund Balance - End of Year	\$ 4,722,542	\$ 3,895,307	\$ 827,235	21.2%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District recommended and the Board approved revisions to budget appropriations and estimated revenues as necessary.

General Fund:

Increase in revenues - Local and Intermediate Sources	250,000
(Increase) in expenditures Function 13 - Curriculum	(10,000)
(Increase) in expenditures Function 21 - Instructional Leadership	(35,000)
(Increase) in expenditures Function 33 - Health Services	(4,000)
(Increase) in expenditures Function 36 - Cocurricular	(10,000)
(Increase) in expenditures Function 81 - Facilities Acquisition and Construction	(271,000)
Decrease in expenditures Functoin 93 - Fiscal Agent	19,000
	<u>(61,000)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had \$16,701,913 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, athletics, administration, and maintenance. This amount represents a net increase of \$230,651, or 1.4% above last year. Total additions of \$851,898, less deletions of \$27,303 and less depreciation of \$593,944 make up the increase. More detailed information about the District's capital assets is presented in Note G to the financial statements.

Debt

A bond issue of \$4,000,000 was sold in 2000 to renovate the high school. In September of 2002, the District issued bonds in the amount of \$3,500,000 to renovate elementary and junior high classrooms. In October, 2008, the District issued bonds in the amount of \$3,800,000 for a new vocational complex at the high school and other renovations at the junior high and high school. In May, 2010, the District issued \$3,035,000 in refunding bonds to redeem in full the 2000 series bonds. In February, 2012, the District issued \$2,635,000 in refunding bonds to redeem in full the 2002 series bonds. In March, 2016, the District issued \$4,760,000 in advanced refunding bonds to partially redeem the 2008 and 2010 bond issues. The three refunding issues will reduce total debt service payments over the remaining lives of the bonds by approximately \$1,726,926. The state and the District will share in these savings. At year-end the District had \$5,495,000 in bonds and notes outstanding versus \$5,955,000 last year. State instructional facilities allotment funds will pay approximately 43% of the annual bond payments for the life of the bonds. The remainder will be paid by a debt service tax levy.

Other obligations include accrued leave. More detailed information about the District's long-term liabilities is presented in Note H, I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the region is 7.4 percent while the state and national rates are 6.9 percent.
- Appraised value used for the 2020-2021 budget preparation was up \$884,000 or 1% from the previous year.
- The 2020 proposed tax rate for 2020-2021 for maintenance and operations was \$1.0547 per \$100 assessed value down from \$1.0683 per \$100 assessed value for 2019-200. Both rates were mandated by HB3 as passed by the 86th Texas Legislature. The debt service rate for 2020-2021 was \$.23 per \$100 assessed value the same as the previous year.
- Actual ADA for 2018-2019 was 864. Actual ADA for 2019-2020 was 835. The state foundation revenue budget for 2020-2021 was based upon a conservative ADA of 815.

These indicators were taken into account when adopting the General Fund budget for 2020-2021. Amounts available for appropriation in the General Fund budget are \$10.8 million, down \$280,000 from actual revenues of the previous year.

Expenditures for the General Fund were budgeted at \$10.55 million, an increase of \$316,000 from actual expenditures for 2020. Most of the additional budget is for salary increases and supplies to combat the COVID-19 virus. The budget also included capital outlay items of \$50,000 for roof, fence and parking lot improvements at the high school, \$70,000 for technology equipment, \$23,080 for new acoustic panels at the high school band hall, and \$48,000 in maintenance equipment.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase \$260,523 by the close of 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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Hooks Independent School District, 100 E. 5th Street, Hooks, Texas 75561.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,736,498
1220 Property Taxes - Delinquent	363,022
1230 Allowance for Uncollectible Taxes	(198,854)
1240 Due from Other Governments	800,200
1290 Other Receivables, Net	152,682
Capital Assets:	
1510 Land	425,829
1520 Buildings and Improvements, Net	15,496,153
1530 Furniture and Equipment, Net	599,131
1590 Arts and Collections, Net	180,800
1000 Total Assets	22,555,461
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Outflow Charge for Refunding	122,012
1705 Deferred Outflow Related to TRS Pension	1,300,841
1706 Deferred Outflow Related to TRS OPEB	626,965
1700 Total Deferred Outflows of Resources	2,049,818
LIABILITIES	
2140 Accrued Interest Payable	3,988
2150 Payroll Deductions and Withholdings	166
2160 Accrued Wages Payable	503,647
2180 Due to Other Governments	463,025
Noncurrent Liabilities:	
2501 Due Within One Year	480,000
2502 Due in More Than One Year	5,416,699
2540 Net Pension Liability (District's Share)	2,567,046
2545 Net OPEB Liability (District's Share)	3,460,670
2000 Total Liabilities	12,895,241
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	557,218
2606 Deferred Inflow Related to TRS OPEB	1,497,137
2600 Total Deferred Inflows of Resources	2,054,355
NET POSITION	
3200 Net Investment in Capital Assets	11,003,066
3820 Restricted for Federal and State Programs	11,531
3850 Restricted for Debt Service	251,233
3900 Unrestricted	(1,610,147)
3000 Total Net Position	\$ 9,655,683

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,821,335	\$ 115,735	\$ 1,354,055	\$ (5,351,545)
12 Instructional Resources and Media Services	89,269	-	16,807	(72,462)
13 Curriculum and Instructional Staff Development	142,208	-	11,956	(130,252)
21 Instructional Leadership	409,362	-	268,274	(141,088)
23 School Leadership	827,738	-	72,823	(754,915)
31 Guidance, Counseling and Evaluation Services	321,867	-	27,962	(293,905)
33 Health Services	130,021	-	12,609	(117,412)
34 Student (Pupil) Transportation	52,699	-	22,890	(29,809)
35 Food Services	520,025	78,847	360,451	(80,727)
36 Extracurricular Activities	610,757	31,157	27,695	(551,905)
41 General Administration	661,990	-	203,468	(458,522)
51 Facilities Maintenance and Operations	1,218,206	-	21,979	(1,196,227)
52 Security and Monitoring Services	99,968	-	25,000	(74,968)
53 Data Processing Services	205,883	-	19,475	(186,408)
61 Community Services	2,444	-	-	(2,444)
72 Debt Service - Interest on Long-Term Debt	151,406	-	-	(151,406)
73 Debt Service - Bond Issuance Cost and Fees	3,500	-	-	(3,500)
93 Payments Related to Shared Services Arrangements	513,939	-	-	(513,939)
99 Other Intergovernmental Charges	27,553	-	-	(27,553)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,810,170	\$ 225,739	\$ 2,445,444	(10,138,987)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,742,126
DT	Property Taxes, Levied for Debt Service	375,544
GC	Grants and Contributions not Restricted	8,623,417
IE	Investment Earnings	110,986
MI	Miscellaneous Local and Intermediate Revenue	284,856
S1	Special Item - Contrib of Arts and Collections	180,800
S2	Special Item - Loss on Disposal of Capital Assets	(27,303)
TR	Total General Revenues and Special Items	<u>11,290,426</u>
CN	Change in Net Position	1,151,439
NB	Net Position - Beginning	<u>8,504,244</u>
NE	Net Position - Ending	<u>\$ 9,655,683</u>

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

Other Funds	Total Governmental Funds
\$ 2,769	\$ 4,736,498
-	363,022
-	(198,854)
43,802	800,200
-	141,222
-	152,682
<u>\$ 46,571</u>	<u>\$ 5,994,770</u>
\$ -	\$ 166
35,040	503,647
-	141,222
-	463,025
<u>35,040</u>	<u>1,108,060</u>
-	164,168
-	164,168
11,531	11,531
-	229,087
-	1,000,000
-	3,481,924
<u>11,531</u>	<u>4,722,542</u>
<u>\$ 46,571</u>	<u>\$ 5,994,770</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,722,542
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$26,758,609 and the accumulated depreciation was (\$10,287,347). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$6,414,524). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		10,056,738
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		1,126,113
3 Included in the items related to the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,300,841, a deferred resource inflow in the amount of (\$557,218), and a net pension liability in the amount of (\$2,567,046). This resulted in a decrease in net position.		(1,823,423)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$626,965, a deferred resource inflow in the amount of (\$1,497,137), and a net OPEB liability in the amount of (\$3,460,670). This resulted in a decrease in net position.		(4,330,842)
5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(593,944)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		498,499
19 Net Position of Governmental Activities	\$	9,655,683

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

Other Funds	Total Governmental Funds
\$ 78,847	\$ 2,731,552
236,554	9,275,592
1,231,133	1,471,787
1,546,534	13,478,931
632,490	6,103,186
11,028	81,021
4,834	170,838
259,661	352,990
-	726,484
-	282,574
-	115,029
21,474	47,368
472,060	472,060
-	572,856
169,973	587,732
-	1,171,529
25,000	94,831
-	182,868
-	2,318
-	460,000
-	189,663
-	3,500
-	493,357
-	513,939
-	27,553
1,596,520	12,651,696
(49,986)	827,235
-	207,375
-	(207,375)
-	-
(49,986)	827,235
61,517	3,895,307
\$ 11,531	\$ 4,722,542

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	827,235
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase net position.		1,126,113
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(593,944)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		197,413
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$195,682. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling (\$172,806). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by (\$364,308). The net result is a decrease in the change in net position.		(341,432)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$57,857. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$51,946). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expdpe (increased) decreased the change in net position by (\$69,857). The net result in a decrease in the change in net position.		(63,946)
Change in Net Position of Governmental Activities	\$	1,151,439

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 87,920
Total Assets	<u>\$ 87,920</u>
 LIABILITIES	
Due to Student Groups	\$ 87,920
Total Liabilities	<u>\$ 87,920</u>

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

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

Note A. Summary of Significant Accounting Policies

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

Hooks Independent School District elected to not implement Governmental Accounting Standards Board (GASB) Number 84 *Fiduciary Activities* to improve identification of fiduciary activities for accounting and financial reporting purposes in the current year.

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

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

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Hooks Independent School District. The members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible, if they are collectible within 60 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, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

4. Fund Accounting

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

The District reports the following major governmental funds:

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

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

ESSER Act Stimulus Grant Fund – Elementary and Secondary School Emergency Relief (ESSER) Grant - This fund accounts for resources restricted for specific purposes by a grant in a special revenue fund. ESSER is one of multiple funding sources for school districts under the Coronavirus Aid, Relief and Economic Security (CARES) Act to assist in operations during the disruptions and closures related to Coronavirus.

Additionally, the District reports the following fund types:

Governmental Fund Type:

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

Fiduciary Fund Type:

Agency Funds - The District utilizes Agency Funds to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Fund is the Student Activity Fund.

5. Cash Equivalents

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

6. Investments

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

7. Inventories

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

8. Asset Capitalization and Useful Lives

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

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

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

	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	7
Furniture and Equipment	10

Inexhaustible assets such as arts and collections are not depreciable.

9. Compensated Absences

Employees earn state personal leave which may either be taken or accumulated. Employees who complete their current contract and retire from Hooks Independent School District with a minimum of ten years of service are entitled to payment of their accumulated leave in a lump sum payment at rates set by the School Board. All unused leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses or debt expenditures.

11. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position (The government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances

that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

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

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

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

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

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

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

13. Worker's Compensation Plan

Hooks Independent School District entered into an agreement with the Texas Educational Insurance Association to self-fund their workers' compensation plan. The agreement was effective September 1, 2001 and is administered by Claims Administrative Services, Inc. Prior to audit of the plan, the fixed cost amount for the District was \$20,912 and the loss fund maximum was \$63,492. The loss fund amount is for Hooks Independent School District's claims and for claims of other group members in excess of their loss fund maximum.

The Statement of Changes in Liability from 09/01/19 thru 08/31/20 is as follows:

	02/16	16/17	17/18	18/19	19/20	Total
Unpaid claims at 9/1/19	15,437	8,471	5,558	15,260	-	44,726
Incurred Claims:						
Provisions for insured events of the current year	-	-	-	-	9,558	9,558
Increases (decreases) in provision for insured events of the prior years	(568)	68	(15)	428		(87)
Total incurred claims	(568)	68	(15)	428	9,558	9,471
Payments:						
Claims attributable to insured events of the current year	-	-	-	-	2,797	2,797
Claims attributable to insured events of the prior years	867	1,115	1,908	8,259	-	12,149
Total payments	867	1,115	1,908	8,259	2,797	14,946
Total unpaid claims 8/31/20*	14,002	7,424	3,635	7,429	6,761	39,251
*Minimum amount to be encumbered. Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	5,440	3,205	1,986	3,138	4,273	18,042

14. Risk Management - Claims and Judgments

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

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

15. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

16. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

17. Data Control Codes

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

18. Estimates and Assumptions

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

Note B. Stewardship, Compliance and Accountability

Budgetary Data

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

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

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

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

Because the District as a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:

General Fund:	
Increase in revenues - Local and Intermediate Sources	250,000
(Increase) in expenditures Function 13 - Curriculum	(10,000)
(Increase) in expenditures Function 21 - Instructional Leadership	(35,000)
(Increase) in expenditures Function 33 - Health Services	(4,000)
(Increase) in expenditures Function 36 - Cocurricular	(10,000)
(Increase) in expenditures Function 81 - Facilities Acquisition and Construction	(271,000)
Decrease in expenditures Function 93 - Fiscal Agent	19,000
	<u>(61,000)</u>

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

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

A reconciliation of fund balances for both appropriated budget and nonappropriated budget Nonmajor Governmental Special Revenue Funds is as follows:

	8/31/2020
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	11,531
Nonappropriated Budget Funds	-
All Nonmajor Governmental Special Revenue Funds	<u>11,531</u>

Note C. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

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

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2020 consist of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Balance Sheet Total	Fiduciary Funds
Cash and Certificates of Deposit	4,439,964	200,727	2,769	4,643,460	87,920
Investments in Pools	50,008	43,030		93,038	
Total	4,489,972	243,757	2,769	4,736,498	87,920

The District's cash deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District's cash deposits were collateralized during the year ending August 31, 2020.

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

As of August 31, 2020, Hooks Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
TexPool***	40,356	40,356			
Lone Star ***	52,682	52,682			
Total	93,038	93,038			

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

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

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

The Texas Local Government Investment Pool ("TexPool") and the Lone Star Investment Pool ("Lone Star") are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, this 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.

Lone Star's Advisory Board is composed of participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to the operation of Lone Star Investment Pool. Lone Star employs an independent third-party bank, Mellon Bank, to perform custody and valuation services. Investment advisory services are provided by Standish Mellon and AMR Investments. An independent auditor, Ernst & Young LLP, provides an annual audit of Lone Star's financial statements.

Additional policies and contractual provisions governing deposits and investments for Hooks Independent School District are specified below:

Credit Risk- To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2020, the District's investments in public funds investment pools were rated AAAM and AAA by Standard & Poor's.

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

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

Note D. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2019 upon which the levy for the 2020 fiscal year was based was \$166,041,954. The tax rates levied for the year ended August 31, 2020 to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.0683 and \$.2300 per \$100 per valuation respectively, for a total of \$1.2983 per \$100 valuation.

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 31 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 are collected.

Note E. Delinquent Taxes Receivable

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

Note F. Disaggregation of Receivables and Payables

Receivables at August 31, 2020, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other Receivables</u>	<u>Due From Other Funds</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	307,037	615,176	152,682	141,222	1,216,117
Debt Service	55,985		-	-	55,985
ESSER Grant Fund	-	141,222	-	-	141,222
Nonmajor Governmental Funds (Special Revenue)	-	43,802	-	-	43,802
Total - Governmental Activities	<u>363,022</u>	<u>800,200</u>	<u>152,682</u>	<u>141,222</u>	<u>1,457,126</u>
Amounts not scheduled for collection during the subsequent year	<u>(198,854)</u>				<u>(198,854)</u>

Payables at August 31, 2020, were as follows:

	<u>Salaries/ Benefits</u>	<u>Other Governments</u>	<u>Due to Other Funds</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	468,773	448,355	-	917,128
Debt Service Fund	-	14,670	-	14,670
ESSER Grant Fund	-	-	141,222	141,222
Nonmajor Governmental Funds (Special Revenue)	35,040	-	-	35,040
Total - Governmental Activities	<u>503,813</u>	<u>463,025</u>	<u>141,222</u>	<u>1,108,060</u>

Note G. Capital Asset Activity

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	411,582	14,247	-	425,829
Art and Collections	-	180,800	-	180,800
Building and Improvements	24,145,952	484,095	52,506	24,577,541
Furniture and Equipment	2,201,075	172,756	-	2,373,831
Totals at Historic Cost	<u>26,758,609</u>	<u>851,898</u>	<u>52,506</u>	<u>27,558,001</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,628,829	477,762	25,203	9,081,388
Furniture and Equipment	1,658,518	116,182	-	1,774,700
Total Accumulated Depreciation	<u>10,287,347</u>	<u>593,944</u>	<u>25,203</u>	<u>10,856,088</u>
Governmental Activities:				
Land	411,582	14,247	-	425,829
Art and Collections	-	180,800	-	180,800
Building and Improvements, Net	15,517,123	6,333	27,303	15,496,153
Furniture and Equipment, Net	542,557	56,574	-	599,131
Capital Assets, Net	<u>16,471,262</u>	<u>257,954</u>	<u>27,303</u>	<u>16,701,913</u>

Capital outlay expenditures totaled \$666,113 during the year ended August 31, 2020. Capital contributions on art and collections and concession stand building totaled \$185,785 during the year ended August 31, 2020.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	330,632
Instructional Resources and Media Services	4,389
Curriculum and Instrumental Staff Development	9,255
Instructional Leadership	19,123
School Leadership	39,356
Guidance, Counseling & Evaluation Services	15,308
Health Services	6,232
Student (Pupil) Transportation	2,566
Food Services	25,573
Cocurricular/Extracurricular Activities	31,034
General Administration	31,840
Plant Maintenance and Operations	63,466
Security Monitoring	5,137
Data Processing Services	9,907
Community Services	126
Total Depreciation Expense - Governmental Activities	<u>593,944</u>

Note H. Bonds Payable and Debt Service Requirements

On October 9, 2008, Hooks Independent School District issued Unlimited Tax School Building Bonds, Series 2008 to renovate and add on to the junior high and high school campuses in the amount of \$3,800,000. The Series 2008 was comprised of \$640,000 in Current Interest Serial Bonds with stated interest rate of 4.00%, \$3,060,000 in Current Interest Term Bonds with stated interest rates ranging from 4.00% through 4.625%, and \$100,000 in Capital Appreciation Bonds.

On May 20, 2010, Hooks Independent School District issued Unlimited Tax Refunding Bonds, Series 2010 to redeem in full Hooks Independent School District Unlimited Tax School Building Bonds, Series 2000 in the amount of \$3,035,000. The Series 2010 was comprised of \$2,940,000 in Current Interest Bonds with stated interest rates ranging between 2.00% through 4.00% and \$95,000 in Capital Appreciation Bonds. The Current Interest Bonds will mature February 15, 2012 through 2025. The Capital Appreciation Bonds matured February 15, 2011.

On February 9, 2012, Hooks Independent School District issued \$2,635,000 of Unlimited Tax Refunding Bonds Series 2012 to redeem the Unlimited Tax School Building Bonds, Series 2002. This issue was comprised of \$2,635,000 Current Interest Bonds with interest rates between 1.0-3.0% maturing annually from February 15, 2013 through 2027.

On March 16, 2016, the District issued \$4,760,000 of Unlimited Tax Refunding Bonds Series 2016 to advance refund \$4,910,000 of the Current Interest Series 2008 Refunded Bonds and Series 2010 Refunded Bonds outstanding. The Series 2016 issue was comprised of \$4,760,000 of Current Interest Bonds with interest rates ranging from 2.75% to 4.00% maturing annually from February 15, 2018 through 2033.

A summary of changes in bonded debt for the year ended August 31, 2020 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2019	Bonds Issued/ Accretion	Bonds Retired	Amounts Outstanding 8/31/2020
Unlimited Tax Refunding Bonds Series 2012, Current Interest Bonds maturing February 15, 2013-2027	1.0-3.0%	2,635,000	1,685,000	-	150,000	1,535,000
Unlimited Tax Refunding Bonds Series 2016, Current Interest Bonds maturing February 15, 2018-2033	2.75-4.0%	4,760,000	4,270,000	-	310,000	3,960,000
			<u>5,955,000</u>	<u>-</u>	<u>460,000</u>	<u>5,495,000</u>

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2020, the District paid \$460,000 in principal, \$189,663 in interest, and \$3,500 in fees.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium on issuance of bonds, net of accumulated amortization, totaled \$325,859 at August 31, 2020. Amortization of \$59,865 is reflected in the Statement of Activities for the year ended August 31, 2020.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2020. Hooks Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council.

Bonded debt service requirements are as follows:

Year Ended	Unlimited Tax School Building Bonds		
	Principal	Interest	Total Requirements
August 31			
2021	480,000	173,812	653,812
2022	495,000	156,513	651,513
2023	515,000	137,838	652,838
2024	535,000	118,413	653,413
2025	555,000	98,213	653,213
2026-2030	1,930,000	270,512	2,200,512
2031-2033	985,000	42,680	1,027,680
	<u>5,495,000</u>	<u>997,981</u>	<u>6,492,981</u>

Note I. Leave Benefits Payable

Employees earn state personal leave which may either be taken or accumulated. Employees who complete their current contract and retire from Hooks ISD with a minimum of 10 years of service are entitled to payment of their accumulated state personal leave in a lump sum payment at rates set by the School Board. The summary of changes in the liability are as follows:

Balance September 1, 2019	73,800
Additions	8,220
Deductions - Payments to Participants	(4,020)
Deductions - Leave Taken	(2,160)
Balance August 31, 2020	<u>75,840</u>

Note J. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	5,955,000	-	460,000	5,495,000	480,000
Bond Premium/Discount	385,724	-	59,865	325,859	
Total Bonds and Notes Payable	<u>6,340,724</u>	<u>-</u>	<u>519,865</u>	<u>5,820,859</u>	<u>480,000</u>
Other Liabilities:					
Compensated Absences	73,800	8,220	6,180	75,840	-
TRS Net Pension Liability	2,714,666	25,186	172,806	2,567,046	-
TRS Net OPEB Liability	3,589,908	-	129,238	3,460,670	-
Total Other Liabilities	<u>6,378,374</u>	<u>33,406</u>	<u>308,224</u>	<u>6,103,556</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>12,719,098</u>	<u>33,406</u>	<u>828,089</u>	<u>11,924,415</u>	<u>480,000</u>

Note K. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position.

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825-402 for member contributions and increased employee and employer contribution rates for the fiscal years 2020 through 2025.

Contribution Rates

	<u>2019</u>	<u>2020</u>
Member (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employer (District)	6.8%	7.5%
HISD Fiscal Year Employer Contributions	172,806	195,682
HISD Fiscal Year Member Contributions	455,749	520,422
HISD Measurement Year NECE On-Behalf Contributions	285,568	297,774

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

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

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

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

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

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and non-employer contribution entity will be made at the rates set by the legislature during the 2019 season. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation ¹ %	New Target Allocation ² %	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
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%	100.0%	7.23%

¹ Target allocations are based on the Strategic Asset Allocations 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.

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
HISD's proportionate share of the net pension liability	3,945,923	2,567,046	1,449,890

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, the District reported a liability of \$2,567,046 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,567,046
State's proportionate share that is associated with the District	4,422,664
Total	<u>\$ 6,989,710</u>

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

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0049382300%, which was an increase of 0.0000062776% from its proportion measurement as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2020, the District recognized pension expense of \$1,231,852 and revenue of \$694,738 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,784	\$ 89,132
Changes in actuarial assumptions	796,424	329,120
Net Difference between projected and actual investment earnings	25,776	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	272,175	138,966
Total as of August 31, 2019 measurement date	\$ 1,105,159	\$ 557,218
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	195,682	-
Total as of August 31, 2020 fiscal year-end	\$ 1,300,841	\$ 557,218

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

Year ended August 31:	Pension Expense Amount
2021	\$ 158,719
2022	123,799
2023	110,502
2024	128,058
2025	50,369
Thereafter	(23,506)
	\$ 547,941

Note L. Defined Other Post-Employment Benefit Plan

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

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

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all 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 retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. 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 the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1020	999

*or surviving spouse

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 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 .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's FY Employer Contributions	51,946	57,857
District's FY Member Contributions	38,472	43,932
Measurement Year NECE On-behalf Contributions	63,227	69,007

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 appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

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

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience 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
Election Rates	
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
HISD's proportionate share of the Net OPEB Liability	4,178,138	3,460,670	2,899,392

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

At August 31, 2020, the District reported a liability of \$3,460,670 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	\$ 3,460,670
State's proportionate share that is associated with the District	4,598,455
Total	<u>\$ 8,059,125</u>

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

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability 0.0073177826% which was an increase of 0.0001280324% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	2,823,092	3,460,670	4,314,729

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 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- There were not changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$242,999 and revenue of \$121,196 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 169,775	\$ 566,302
Changes in actuarial assumptions	192,213	930,835
Net Difference between projected and actual investment earnings	373	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	206,747	-
Total as of August 31, 2019 measurement date	569,108	1,497,137
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	57,857	-
Total as of August 31, 2020 fiscal year-end	\$ 626,965	\$ 1,497,137

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

Year ended August 31:	OPEB Expense Amount
2021	\$ (162,816)
2022	(162,816)
2023	(162,937)
2024	(163,009)
2025	(162,991)
Thereafter	(113,460)
	<u>\$ (928,029)</u>

Note M. Medicare Part D (TRS)

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$28,619 for the year ended August 31, 2020. State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$18,072 for the year ended August 31, 2019. State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$22,337 for the year ended August 31, 2018.

Note N. Health Care Coverage

During the year ended August 31, 2020 employees of Hooks Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes the \$75 which is reimbursed by the state, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare.

Effective September 1, 2005 Hooks Independent School District entered into an interlocal agreement with Bowie County Schools Health Cooperative. The Bowie County Schools Health Cooperative continues to administer dental insurance. Participating members of the dental cooperative include DeKalb ISD, Hooks ISD, Malta ISD and Bowie County Schools Transportation Cooperative.

Note O. Commitments and Contingencies

Litigation - The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcomes of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of 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 at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note P. Deferred Outflows of Resources (Government-Wide Activities)

The following is a summary of changes in deferred outflows of resources - deferred charges on refunding for the year ended August 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred charges on refundings	143,958	-	21,946	122,012

Deferred charges on refunding bond, net of accumulated amortization, totaled \$122,012 at August 31, 2020. Amortization of \$21,946 is reflected in the Statement of Activities for the year ended August 31, 2020.

Note Q. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes sat August 31, 2020 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net uncollected tax revenue	138,033	26,135	164,168

Note R. Due From/To Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from/to federal and state governments as of August 31, 2020 are summarized below.

All federal grants shown below are passed through the TEA and are reported on combined financial statements as due from/to other governments.

Fund	State Entitlements	Federal Grants	Total
Governmental Activities:			
<u>Due From Other Governments</u>			
General Fund	615,176	-	615,176
ESSER Grant Fund	-	141,222	141,222
Nonmajor Governmental Funds			
(Special Revenue)	1,540	42,262	43,802
	616,716	183,484	800,200
<u>Due To Other Governments</u>			
General Fund	448,355	-	448,355
Debt Service Fund	14,670	-	14,670
	463,025	-	463,025

Note S. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
Operating transfer in from General Fund	207,375	-
Operating transfer (out) to General Fund	-	(207,375)
	207,375	(207,375)

The General Fund transferred \$207,375 to Co-curricular Funds to subsidize the excess of expenditures over revenues.

Note. T. Shared Service Arrangements

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

State Funded - New Boston ISD fiscal agent: The District participates in a State funded SSA which provides special education services and alternative education services to member districts. In addition to the District, other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

State Funded - Bowie County Schools Transportation Department fiscal agent: The District participates in a state funded SSA which provides transportation services to member districts. In addition to the District, other member districts include all the districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency and the member districts provide funds to the fiscal agent. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District's participation; the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

The District has accounted for their portion of the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled \$513,939 for the year ended August 31, 2020 and were as follows:

SSA - Special Education	313,216
SSA - Alternative Education	60,542
SSA - Transportation	140,181
	<u>513,939</u>

State and Federally Funded – New Boston ISD fiscal agent - The District participates in a state and federally funded SSA which provides special education services to member districts. In addition to the District other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency provides state and federal grant funds to the fiscal agent. Although a portion of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to Hooks Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The fiscal agent has accounted for the activities of the SSA using Model 2 in the SSA section of the Resource Guide.

The fiscal agent has accounted for the grant funds as follows:

- SSA - State Funded Visually Impaired
- SSA - Federally Funded IDEA, Part B Formula
- SSA - Federally Funded IDEA, Part B Preschool

Note U. General Fund Federal Source Revenues

<u>Program or Source</u>	CFDA	
	<u>Number</u>	<u>Amount</u>
Indirect Cost:		
Title IV, Pt. B 21st Century Community Learning	84.287C	16,600
ESEA Title I, Part A - Improving Basic Programs	84.010A	5,742
ESEA Title II, Part A - Teacher & Principal Training	84.367A	804
ESEA Title IV, Part A Subpart 1	84.424A	422
ESSER Grant (CARES Act Stimulus)	84.425D	14,705
		<u>38,273</u>
SSA - School Health and Related Services (SHARS)		40,558
		<u>78,831</u>

Note V. Revenue from Local and Intermediate Sources

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

<u>Revenue Sources</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds Total</u>
Property taxes and tax related income	1,784,842	382,198		2,167,040
Investment income	103,348	7,638		110,986
Food service sales			78,847	78,847
Co-curricular	31,157			31,157
Tuition	85,488			85,488
Gifts and bequests	16,453			16,453
Insurance recovery	211,333			211,333
Other local sources	30,248			30,248
	<u>2,262,869</u>	<u>389,836</u>	<u>78,847</u>	<u>2,731,552</u>

Note W. Subsequent Events

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements which was December 4, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,040,000	\$ 2,290,000	\$ 2,262,869	\$ (27,131)
5800 State Program Revenues	8,978,552	8,978,552	8,755,723	(222,829)
5900 Federal Program Revenues	72,000	72,000	78,831	6,831
5020 Total Revenues	11,090,552	11,340,552	11,097,423	(243,129)
EXPENDITURES:				
Current:				
0011 Instruction	5,576,376	5,576,376	5,308,873	267,503
0012 Instructional Resources and Media Services	77,251	77,251	69,993	7,258
0013 Curriculum and Instructional Staff Development	162,126	172,126	166,004	6,122
0021 Instructional Leadership	62,096	97,096	93,329	3,767
0023 School Leadership	735,080	735,080	726,484	8,596
0031 Guidance, Counseling, and Evaluation Services	293,251	293,251	282,574	10,677
0033 Health Services	114,683	118,683	115,029	3,654
0034 Student (Pupil) Transportation	37,453	37,453	25,894	11,559
0036 Extracurricular Activities	582,679	592,679	572,856	19,823
0041 General Administration	466,115	466,115	417,759	48,356
0051 Facilities Maintenance and Operations	1,252,362	1,252,362	1,171,529	80,833
0052 Security and Monitoring Services	73,270	73,270	69,831	3,439
0053 Data Processing Services	191,868	191,868	182,868	9,000
0061 Community Services	5,000	5,000	2,318	2,682
Capital Outlay:				
0081 Facilities Acquisition and Construction	230,000	501,000	493,357	7,643
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	552,000	533,000	513,939	19,061
0099 Other Intergovernmental Charges	33,000	33,000	27,553	5,447
6030 Total Expenditures	10,444,610	10,755,610	10,240,190	515,420
1100 Excess of Revenues Over Expenditures	645,942	584,942	857,233	272,291
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	215,000	225,000	207,375	(17,625)
8911 Transfers Out (Use)	(215,000)	(225,000)	(207,375)	17,625
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	645,942	584,942	857,233	272,291
0100 Fund Balance - September 1 (Beginning)	3,624,691	3,624,691	3,624,691	-
3000 Fund Balance - August 31 (Ending)	\$ 4,270,633	\$ 4,209,633	\$ 4,481,924	\$ 272,291

HOOKS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.00493823%	0.004931952%	0.004704041%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,567,046	\$ 2,714,666	\$ 1,504,099
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,422,664	4,668,837	2,908,968
Total	<u>\$ 6,989,710</u>	<u>\$ 7,383,503</u>	<u>\$ 4,413,067</u>
District's Covered Payroll	\$ 5,918,703	\$ 5,639,365	\$ 5,572,987
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	43.37%	48.14%	26.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.00508392%	0.0059346%	0.0030129%
\$ 1,921,138	\$ 2,097,802	\$ 804,787
3,689,961	3,755,905	3,339,554
<u>\$ 5,611,099</u>	<u>\$ 5,853,707</u>	<u>\$ 4,144,341</u>
\$ 5,772,915	\$ 6,042,510	\$ 5,726,778
33.28%	34.72%	14.05%
78.00%	78.43%	83.25%

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

	2020	2019	2018
Contractually Required Contribution	\$ 195,682	\$ 172,806	\$ 166,145
Contribution in Relation to the Contractually Required Contribution	(195,682)	(172,806)	(166,145)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,758,723	\$ 5,918,703	\$ 5,639,365
Contributions as a Percentage of Covered Payroll	2.90%	2.92%	2.95%

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

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

	2017	2016	2015
\$	154,146	\$ 161,529	\$ 175,761
	(154,146)	(161,529)	(175,761)
\$	-	\$ -	-
\$	5,572,987	\$ 5,772,915	\$ 6,042,510
	2.77%	2.80%	2.91%

HOOKS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.007317783%	0.00718975%	0.006906506%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,460,670	\$ 3,589,908	\$ 3,003,380
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,598,455	4,582,850	4,198,818
Total	<u>\$ 8,059,125</u>	<u>\$ 8,172,758</u>	<u>\$ 7,202,198</u>
District's Covered Payroll	\$ 5,918,703	\$ 5,639,365	\$ 5,572,987
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	58.47%	63.66%	53.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

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

	2020	2019	2018
Contractually Required Contribution	\$ 57,857	\$ 51,946	\$ 49,599
Contribution in Relation to the Contractually Required Contribution	(57,857)	(51,946)	(49,599)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,758,723	\$ 5,918,703	\$ 5,639,365
Contributions as a Percentage of Covered Payroll	0.86%	0.88%	0.88%

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

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

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020**

A. Notes to Schedules for the TRS Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes in the actuarial assumptions used in determination of the total pension liability during the measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

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

Changes in 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 3.42 percent as of August 31, 2018 to 3.69 percent, as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

COMBINING SCHEDULES

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning
ASSETS				
1110 Cash and Cash Equivalents	\$ (3,731)	\$ 8,040	\$ -	\$ -
1240 Due from Other Governments	20,086	17,765	2,742	-
1000 Total Assets	<u>\$ 16,355</u>	<u>\$ 25,805</u>	<u>\$ 2,742</u>	<u>\$ -</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 16,355	\$ 14,274	\$ 2,742	\$ -
2000 Total Liabilities	<u>16,355</u>	<u>14,274</u>	<u>2,742</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	11,531	-	-
3000 Total Fund Balances	<u>-</u>	<u>11,531</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,355</u>	<u>\$ 25,805</u>	<u>\$ 2,742</u>	<u>\$ -</u>

276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ (1,540)	\$ -	\$ 2,769
-	1,669	-	1,540	-	43,802
<u>\$ -</u>	<u>\$ 1,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,571</u>
\$ -	\$ 1,669	\$ -	\$ -	\$ -	\$ 35,040
-	1,669	-	-	-	35,040
-	-	-	-	-	11,531
-	-	-	-	-	11,531
<u>\$ -</u>	<u>\$ 1,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,571</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 78,847	\$ -	\$ -
5800 State Program Revenues	-	12,781	-	-
5900 Federal Program Revenues	214,491	330,446	30,632	611,054
5020 Total Revenues	214,491	422,074	30,632	611,054
EXPENDITURES:				
Current:				
0011 Instruction	155,170	-	30,632	212,046
0012 Instructional Resources and Media Services	11,000	-	-	-
0013 Curriculum and Instructional Staff Development	4,385	-	-	449
0021 Instructional Leadership	43,936	-	-	213,349
0034 Student (Pupil) Transportation	-	-	-	21,474
0035 Food Services	-	472,060	-	-
0041 General Administration	-	-	-	163,736
0052 Security and Monitoring Services	-	-	-	-
6030 Total Expenditures	214,491	472,060	30,632	611,054
1200 Net Change in Fund Balance	-	(49,986)	-	-
0100 Fund Balance - September 1 (Beginning)	-	61,517	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 11,531	\$ -	\$ -

276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	78,847
-	-	2	109,847	113,924	236,554
10,500	15,728	-	-	18,282	1,231,133
10,500	15,728	2	109,847	132,206	1,546,534
10,500	15,728	2	109,847	98,565	632,490
-	-	-	-	28	11,028
-	-	-	-	-	4,834
-	-	-	-	2,376	259,661
-	-	-	-	-	21,474
-	-	-	-	-	472,060
-	-	-	-	6,237	169,973
-	-	-	-	25,000	25,000
10,500	15,728	2	109,847	132,206	1,596,520
-	-	-	-	-	(49,986)
-	-	-	-	-	61,517
\$ -	\$ -	\$ -	\$ -	\$ -	11,531

REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.040000	0.220000	144,105,488
2013	1.170000	0.090000	145,521,855
2014	1.170000	0.090000	150,885,092
2015	1.170000	0.240000	151,004,406
2016	1.170000	0.240000	142,447,655
2017	1.170000	0.230000	150,268,610
2018	1.170000	0.230000	149,159,564
2019	1.170000	0.230000	166,309,069
2020 (School year under audit)	1.068300	0.230000	166,041,954
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 68,725	\$ -	\$ 532	\$ 95	\$ (3,725)	\$ 64,373
13,999	-	234	49	(11)	13,704
17,116	-	897	69	(11)	16,139
22,813	-	2,469	190	(11)	20,143
26,907	-	3,172	651	(19)	23,065
26,244	-	2,811	577	(29)	22,828
34,836	-	5,820	1,144	(28)	27,844
47,574	-	8,797	1,729	(2,946)	34,101
88,925	-	28,948	5,691	(5,165)	49,122
-	2,155,723	1,687,722	363,359	(12,937)	91,704
<u>\$ 347,139</u>	<u>\$ 2,155,723</u>	<u>\$ 1,741,402</u>	<u>\$ 373,554</u>	<u>\$ (24,883)</u>	<u>\$ 363,022</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 109,950	\$ 109,950	\$ 78,847	\$ (31,103)
5800 State Program Revenues	10,000	10,000	12,781	2,781
5900 Federal Program Revenues	382,000	382,000	330,446	(51,554)
5020 Total Revenues	501,950	501,950	422,074	(79,876)
EXPENDITURES:				
Current:				
0035 Food Services	488,260	488,260	472,060	16,200
6030 Total Expenditures	488,260	488,260	472,060	16,200
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	13,690	13,690	(49,986)	(63,676)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	500	500	-	(500)
1200 Net Change in Fund Balances	14,190	14,190	(49,986)	(64,176)
0100 Fund Balance - September 1 (Beginning)	61,517	61,517	61,517	-
3000 Fund Balance - August 31 (Ending)	\$ 75,707	\$ 75,707	\$ 11,531	\$ (64,176)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 383,000	\$ 383,000	\$ 389,836	\$ 6,836
5800 State Program Revenues	281,000	281,000	283,315	2,315
5020 Total Revenues	664,000	664,000	673,151	9,151
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	460,000	460,000	460,000	-
0072 Interest on Long-Term Debt	189,663	189,663	189,663	-
0073 Bond Issuance Cost and Fees	1,500	3,500	3,500	-
6030 Total Expenditures	651,163	653,163	653,163	-
1200 Net Change in Fund Balances	12,837	10,837	19,988	9,151
0100 Fund Balance - September 1 (Beginning)	209,099	209,099	209,099	-
3000 Fund Balance - August 31 (Ending)	\$ 221,936	\$ 219,936	\$ 229,087	\$ 9,151

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



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

Independent Auditors' Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District (the District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Wilf & Henderson, P.C.

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

December 4, 2020



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

Independent Auditors' Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hooks Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Wilf & Henderson, P.C.

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

December 4, 2020

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

I. Summary of the Auditor's Results:

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

Title IV, Part B-21st Cent. Community Learning Center CFDA # 84.287C
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Hooks Independent School District was determined to be a low-risk auditee.

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

No findings required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

No findings required to be reported.

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

There were no prior year audit findings or questioned costs.

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

There were no current year audit findings or questioned costs.

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101019902	\$ 200,147
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21-610101019902	20,086
Total CFDA Number 84.010A			220,233
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	20-6950267110023	593,802
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	21-6950267110023	33,852
Total CFDA Number 84.287C			627,654
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	20-694501019902	28,694
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	21-694501019902	2,742
Total CFDA Number 84.367A			31,436
Title I SIP Academy Grant	84.377A	17610740740019902	10,500
Title IV Part A, Subpart I	84.424A	20-680101019902	14,481
Title IV Part A, Subpart I	84.424A	21-680101019902	1,669
Total CFDA Number 84.424A			16,150
CARES Act Stimulus Grant	84.425D	20-521001019902	176,528
Total Passed Through State Department of Education			1,082,501
TOTAL U.S. DEPARTMENT OF EDUCATION			1,082,501
U.S. DEPARTMENT OF LABOR			
<u>Passed Through the Texas Workforce Commission</u>			
WIA Dislocated Workers Formula Grants	17.278	0720ATP001	18,282
Total Passed Through the Texas Workforce Commission			18,282
TOTAL U.S. DEPARTMENT OF LABOR			18,282
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	806780706	71,146
*School Breakfast Program - Non Cash Assistance	10.553	806780706	7,381
*National School Lunch Program - Cash Assistance	10.555	806780706	174,228
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	17,221
Total CFDA Number 10.555			191,449
Total Child Nutrition Cluster			262,595
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	60,470
Total Passed Through the State Department of Agriculture			330,446
TOTAL U.S. DEPARTMENT OF AGRICULTURE			330,446
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,431,229

*Clustered Programs as required by Compliance Supplement 2020

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

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

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

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

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

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

A reconciliation of federal program revenues and expenditures is as follows:

General Fund	78,831
ESSER Grant Fund	161,823
Other Special Revenue Funds	<u>1,231,133</u>
Sub -total	1,471,787
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(40,558)</u>
Total Federal Program Expenditures	<u>1,431,229</u>

REQUIRED T.E.A. SCHEDULES

SCHOOLS FIRST QUESTIONNAIRE

Hooks Independent School District

Fiscal Year 2020

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



Communication with Those Charged with Governance

December 4, 2020

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, Texas 75561

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District for the year ended August 31, 2020. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

The estimate for GASB Statement 68 which required the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. We evaluated the key factors and assumptions used to develop these estimates in determining that it was reasonable in relation to the financial statements as a whole.

The estimate for GASB Statement 75 which required the employer to report the net OPEB asset or liability, OPEB expense, and related deferred inflows and outflows of resources associated with providing basic health insurance coverage to their employees and former employees in their basic financial statements. We evaluated the key factors and assumptions used to develop these estimates in determining that it was reasonable in relation to the financial statements as a whole.

The estimate of state funding. Management's estimate of state funding was based on the latest version of the Texas Education Agency's Summary of Finance and the state funding template prepared by the District's personnel. We evaluated the key factors and assumptions used to develop the estimate of state funding in determining that it was reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Below summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial; both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There was unrecorded reduction in deferred revenue for 60 days of tax collections in the General Fund and the Debt Service Fund of \$25,082 and \$5,173, respectively with corresponding increases in revenues. There were unrecorded accounts payables in the General Fund for monthly utility services and other payables of \$24,392 with corresponding increase in expenditures. We did identify uncorrected misstatements of the financial statements for the prior year. There was unrecorded reduction in deferred revenue for 60 days of tax collections in the General Fund and Debt Service Fund of \$23,343 and \$4,814, respectively with corresponding decreases in revenues. There were unrecorded accounts payables in the General Fund for monthly utility services and other payables of \$22,827 with corresponding decrease in expenditures. Management has determined that their effects are immaterial both individually and in the aggregate to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountants to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis on pages 5-13, budgetary information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on pages 51-52, schedule of District's contributions to TRS Pension Plan on pages 53-54, schedule of the District's proportionate share of the net OPEB liability (TRS) on page 55, and the schedule of the District's contributions to the TRS OPEB Plan on page 56 be presented to supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining financial statements, which accompany the financial statements but not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We applied certain limited procedures to the required TEA Schedules on pages 62-65 and page 75, which is certain information required to be included by the Texas Education Agency that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required TEA Schedules and do not express an opinion or provide any assurance on the required TEA Schedules.

We would also like to express our appreciation for the cooperation and assistance received from you and from the personnel during the course of our audit.

Restriction on Use

This information is intended solely for the use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal and state awarding agencies and pass - through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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