

*ANNUAL FINANCIAL AND
COMPLIANCE REPORT*

**HUNT INDEPENDENT
SCHOOL DISTRICT**

Hunt, Texas

**For the Year Ended
August 31, 2020**

HUNT INDEPENDENT

SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2020

HUNT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2020
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CERTIFICATE OF BOARD

Hunt Independent School District
Name of School District

Kerr
County

133-902
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 19th day of January, 2021.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**Standard Report on Financial Statements Issued in Accordance with
Government Auditing Standards or in a Single Audit**

Independent Auditor's Report

Board of Trustees
Hunt Independent School District
Hunt, TX 78024

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 Hunt Independent School 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 Hunt Independent School District as of August 31, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability, schedule of district contributions, schedule of the District's proportionate share of the net OPEB liability and the schedule of District contributions for other post-employment benefits on pages 4-9, and 38-45 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 Hunt Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The combining and individual nonmajor fund financial statements and the Texas Education Agency required Exhibits are the responsibility of management and was derived from and relates 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 on our consideration of Hunt 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 Hunt Independent School District's internal control over financial reporting and compliance.



NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas

January 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hunt 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 the independent auditor's report on page 2, and District's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,013,136. The unrestricted net position was \$1,596,536.
- During the year, the District had expenses that were \$5,523,743 versus revenue of \$5,483,003 for a decrease in net position of \$40,740.
- Total cost of all of the District's programs was \$4,131,152.
- The General Fund revenues for the year ended August 31, 2020 were \$4,713,766 and expenditures and transfers out were \$4,984,463 resulting in a decrease in fund balance of \$270,697. The General Fund began the year with a fund balance of \$3,064,208 and ended the year with a fund balance of \$2,793,511.

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 (on pages 10 and 11). 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 (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 17) 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 contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or 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, the District has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds. The District's administration establishes many other funds to help it control and manage money for particular purposes (like special revenues). The District has one type of fund – governmental.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 16. 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.

Net position of the District's governmental activities for the year ended August 31, 2020 decreased from \$4,053,876 to \$4,013,136. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$1,596,536 at August 31, 2020. This decrease in governmental net position was the result of five factors. First, the District's combined expenditures exceeded combined revenues by \$204,104. Second, the District paid bonds and other long-term debt in the amount of \$196,806 and acquired capital assets in the amount of \$288,963. Third, the District recorded depreciation in the amount of \$261,916. Fourth, a net decrease of \$924,021 due to recognition of deferred inflows, outflows and OPEB liability related to GASB 75 accounting and financial reporting for other post employment benefits. Fifth, a net decrease of \$336,888 due to recognition of deferred inflows, outflows and pension liability related to GASB 68 accounting and financial reporting for pensions.

Table I
Hunt Independent School District

NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 3,878	\$ 3,511
Capital Assets	5,457	5,430
Total Assets	\$ 9,335	\$ 8,941
Deferred Outflows of Resources		
Deferred Resources Outflow Related to TRS	\$ 463	\$ 413
Total Deferred Outflows of Resources	\$ 463	\$ 413
Long-Term Liabilities	\$ 4,805	\$ 4,821
Other Liabilities	556	202
Total Liabilities	\$ 5,361	\$ 5,023
Deferred Inflow of Resources		
Deferred Resources Inflow Related to TRS	\$ 424	\$ 277
Total Deferred Inflow of Resources	\$ 424	\$ 277
Net Position:		
Net Investment In		
Capital Assets	\$ 1,952	\$ 1,728
Restricted	465	398
Unrestricted	1,596	1,928
Total Net Position	\$ 4,013	\$ 4,054

Table II
Hunt Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for Service	\$ 45	\$ 83
Operating Grants & Contributions	363	224
General Revenues:		
Maintenance & Operations Taxes	4,327	4,068
Debt Service Taxes	429	405
State Aid-Formula Grants	155	288
Grants and Contributions not Restricted	113	146
Investment Earnings	30	10
Miscellaneous	20	32
Total Revenue	\$ 5,482	\$ 5,256
Expenses:		
Instruction, Curriculum & Media Services	\$ 1,858	\$ 1,414
Instructional & School Leadership	240	216
Student Support Services	195	187
Child Nutrition	139	144
Cocurricular Activities	25	17
General Administration	326	319
Plant Maintenance, Security & Data Processing	395	360
Debt Services	122	125
Contracted Instructional Services Between Schools	2,079	2,119
Other	144	188
Total Expenses	\$ 5,523	\$ 5,089
Change in Net Position	(41)	167
Net Position - Beginning	4,054	3,887
Net Position - Ending	\$ 4,013	\$ 4,054

The cost of all governmental activities this year was \$5,523,743. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$4,757,055. Additional funds were paid by those who directly benefited from the programs (\$44,892) or by other governments and organizations that subsidized certain programs with grants and contributions (\$112,741) or by State equalization funding (\$155,475).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of \$3,258,606, which is less than last year's total of \$3,462,710. Included in this year's total change in fund balance is a decrease of \$270,697 in the District's General Fund. The primary reasons for the General Fund's loss mirror the governmental activities analysis highlighted on page 6.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2019). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$2,793,511 reported on page 12 differs from the General Fund's budgetary fund balance of \$2,789,208 reported in the budgetary comparison schedule on page 38.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2020 the District had \$5,456,789 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$27,047 or 1 percent, less than last year.

This year's major additions included:

Bus	\$ 66,900
Furniture & Equipment	222,063
Totaling	<u>\$ 288,963</u>

More detailed information about the District's capital assets is presented in Note F to the financial statements.

Debt

At year-end the District had \$3,340,000 in long-term bonds outstanding versus \$3,525,000 last year - a decrease of 5 percent.

More detailed information about the District's long-term liabilities is presented in Note H to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. The major factors are the property appraised values and enrollment. These indicators were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$4,708,940 and expenditures are estimated to be \$4,708,940.

If these estimates are realized, the District's budgetary General fund balance is not expected to increase by the close of 2021.

EFFECTS OF THE COVID-19 PANDEMIC

On March 13, 2020, the President of the United States declared a national emergency and the Governor of Texas declared COVID-19 as a statewide public health disaster. Subsequent actions by the Governor imposed temporary restrictions on certain businesses and ordered all schools in the State to temporarily close. Upon closing, the District was forced to modify its operations to complete the 2019-2020 school year. One substantial difference occurred in the District's administration of the Child Nutrition Program. Upon campus closures, the District continued to provide meals to all students of the District at no cost and claims for reimbursement were made for all meals served during this time in accordance with program guidelines.

This situation resulted in a decrease in the amount of federal funding received during fiscal year 2020 as compared to prior years, related to the District's administration of the Child Nutrition Program. Although the campuses were closed, the District was able to re-assign all employees and was not forced to reduce its workforce through furloughs or lay-offs. Looking ahead to fiscal year 2021 and the future, the District's administration realizes the negative impact of the pandemic may extend to effect the District's funding both through collection of local property taxes as well as state funding received from the Texas Education Agency. These factors were considered when approving the budget for the 2020-21 school year. Additional discussion about the District's assessment of the impact that COVID-19 has had on the District's operations can be found in Note III (V) to the financial statements.

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 Hunt Independent School District, Hunt, Texas.

BASIC
FINANCIAL STATEMENTS

HUNT 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	\$ 3,568,664
1120 Current Investments	72,976
1220 Property Taxes - Delinquent	77,969
1230 Allowance for Uncollectible Taxes	(14,035)
1240 Due from Other Governments	130,148
1267 Due from Fiduciary Funds	4,212
1410 Prepayments	38,266
Capital Assets:	
1510 Land	291,968
1520 Buildings, Net	4,756,035
1530 Furniture and Equipment, Net	408,786
1000 Total Assets	9,334,989
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	305,107
1706 Deferred Outflow Related to TRS OPEB	157,537
1700 Total Deferred Outflows of Resources	462,644
LIABILITIES	
2110 Accounts Payable	454,117
2150 Payroll Deductions and Withholdings	648
2160 Accrued Wages Payable	96,771
2200 Accrued Expenses	4,124
Noncurrent Liabilities:	
2501 Due Within One Year	190,000
2502 Due in More Than One Year	3,315,284
2540 Net Pension Liability (District's Share)	544,675
2545 Net OPEB Liability (District's Share)	754,953
2000 Total Liabilities	5,360,572
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	97,320
2606 Deferred Inflow Related to TRS OPEB	326,605
2600 Total Deferred Inflows of Resources	423,925
NET POSITION	
3200 Net Investment in Capital Assets	1,951,505
3820 Restricted for Federal and State Programs	20,520
3850 Restricted for Debt Service	427,403
3890 Restricted for Other Purposes	17,172
3900 Unrestricted	1,596,536
3000 Total Net Position	\$ 4,013,136

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

HUNT 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	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,820,596	\$ 15,256	\$ 246,065	\$ (1,559,275)
12 Instructional Resources and Media Services	10,848	-	-	(10,848)
13 Curriculum and Instructional Staff Development	26,503	-	-	(26,503)
21 Instructional Leadership	7,209	-	-	(7,209)
23 School Leadership	232,823	-	7,203	(225,620)
31 Guidance, Counseling and Evaluation Services	84,691	-	374	(84,317)
33 Health Services	60,687	-	370	(60,317)
34 Student (Pupil) Transportation	49,978	-	-	(49,978)
35 Food Services	139,004	27,998	91,158	(19,848)
36 Extracurricular Activities	25,489	1,638	354	(23,497)
41 General Administration	326,150	-	2,744	(323,406)
51 Facilities Maintenance and Operations	278,023	-	12,848	(265,175)
52 Security and Monitoring Services	2,138	-	2,138	-
53 Data Processing Services	114,735	-	-	(114,735)
72 Debt Service - Interest on Long-Term Debt	113,759	-	-	(113,759)
73 Debt Service - Bond Issuance Cost and Fees	7,306	-	-	(7,306)
91 Contracted Instructional Services Between Schools	2,079,381	-	-	(2,079,381)
99 Other Intergovernmental Charges	144,423	-	-	(144,423)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,523,743	\$ 44,892	\$ 363,254	(5,115,597)

Data Control Codes		General Revenues:	
		Taxes:	
MT		Property Taxes, Levied for General Purposes	4,327,674
DT		Property Taxes, Levied for Debt Service	429,381
SF		State Aid - Formula Grants	155,475
GC		Grants and Contributions not Restricted	112,741
IE		Investment Earnings	29,707
MI		Miscellaneous Local and Intermediate Revenue	19,879
TR		Total General Revenues	5,074,857
CN		Change in Net Position	(40,740)
NB		Net Position - Beginning	4,053,876
NE		Net Position - Ending	\$ 4,013,136

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

HUNT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 3,122,006	\$ 431,185	\$ 15,473	\$ 3,568,664
1120 Investments - Current	72,976	-	-	72,976
1220 Property Taxes - Delinquent	71,597	6,372	-	77,969
1230 Allowance for Uncollectible Taxes	(12,888)	(1,147)	-	(14,035)
1240 Due from Other Governments	33,633	2,804	93,711	130,148
1260 Due from Other Funds	103,707	-	21,919	125,626
1410 Prepayments	38,266	-	-	38,266
1000 Total Assets	<u>\$ 3,429,297</u>	<u>\$ 439,214</u>	<u>\$ 131,103</u>	<u>\$ 3,999,614</u>
LIABILITIES				
2110 Accounts Payable	\$ 453,629	\$ -	\$ 488	\$ 454,117
2150 Payroll Deductions and Withholdings Payable	648	-	-	648
2160 Accrued Wages Payable	96,771	-	-	96,771
2170 Due to Other Funds	21,919	6,586	92,909	121,414
2200 Accrued Expenditures	4,110	-	14	4,124
2000 Total Liabilities	<u>577,077</u>	<u>6,586</u>	<u>93,411</u>	<u>677,074</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	58,709	5,225	-	63,934
2600 Total Deferred Inflows of Resources	<u>58,709</u>	<u>5,225</u>	<u>-</u>	<u>63,934</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	20,520	20,520
3480 Retirement of Long-Term Debt	-	427,403	-	427,403
3490 Other Restricted Fund Balance	-	-	17,172	17,172
Committed Fund Balance:				
3510 Construction	400,000	-	-	400,000
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	619,000	-	-	619,000
3600 Unassigned Fund Balance	1,474,511	-	-	1,474,511
3000 Total Fund Balances	<u>2,793,511</u>	<u>427,403</u>	<u>37,692</u>	<u>3,258,606</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,429,297</u>	<u>\$ 439,214</u>	<u>\$ 131,103</u>	<u>\$ 3,999,614</u>

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

HUNT 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	\$ 3,258,606
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 \$9,422,541 and the accumulated depreciation was (\$3,992,800). 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. 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.	1,904,741
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.	473,963
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$305,107, a deferred resource inflow in the amount of \$97,320, and a net pension liability in the amount of \$544,675. This resulted in a decrease in net position.	(336,888)
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 \$157,537, a deferred resource outflow in the amount of \$326,605, and a net OPEB liability in the amount of \$754,953. This resulted in a decrease in net position.	(924,021)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(261,916)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(101,349)
Net Position of Governmental Activities	\$ 4,013,136

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,449,180	\$ 369,594	\$ 43,054	\$ 4,861,828
5800 State Program Revenues	264,586	3,630	39,363	307,579
5900 Federal Program Revenues	-	-	213,398	213,398
5020 Total Revenues	<u>4,713,766</u>	<u>373,224</u>	<u>295,815</u>	<u>5,382,805</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,567,026	-	195,508	1,762,534
0012 Instructional Resources and Media Services	9,990	-	-	9,990
0013 Curriculum and Instructional Staff Development	24,407	-	-	24,407
0023 School Leadership	205,119	-	-	205,119
0031 Guidance, Counseling, and Evaluation Services	77,648	-	-	77,648
0033 Health Services	54,263	-	-	54,263
0034 Student (Pupil) Transportation	107,412	-	-	107,412
0035 Food Services	-	-	119,918	119,918
0036 Extracurricular Activities	22,865	-	-	22,865
0041 General Administration	289,354	-	-	289,354
0051 Facilities Maintenance and Operations	241,336	-	9,149	250,485
0053 Data Processing Services	121,239	-	-	121,239
Debt Service:				
0071 Principal on Long-Term Debt	-	185,000	-	185,000
0072 Interest on Long-Term Debt	-	125,565	-	125,565
0073 Bond Issuance Cost and Fees	-	7,306	-	7,306
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	2,079,381	-	-	2,079,381
0099 Other Intergovernmental Charges	144,423	-	-	144,423
6030 Total Expenditures	<u>4,944,463</u>	<u>317,871</u>	<u>324,575</u>	<u>5,586,909</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(230,697)</u>	<u>55,353</u>	<u>(28,760)</u>	<u>(204,104)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	40,000	40,000
8911 Transfers Out (Use)	(40,000)	-	-	(40,000)
7080 Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
1200 Net Change in Fund Balances	(270,697)	55,353	11,240	(204,104)
0100 Fund Balance - September 1 (Beginning)	<u>3,064,208</u>	<u>372,050</u>	<u>26,452</u>	<u>3,462,710</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,793,511</u>	<u>\$ 427,403</u>	<u>\$ 37,692</u>	<u>\$ 3,258,606</u>

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

HUNT 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	\$ (204,104)
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.	473,963
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.	(261,916)
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 \$46,588. 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 \$36,810. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$87,281. The net result is a decrease in the change in net position.	(77,503)
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 \$13,017. 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 \$11,360. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$17,402. The net result is a decrease in the change in net position.	(15,745)
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.	44,565
Change in Net Position of Governmental Activities	<u><u>\$ (40,740)</u></u>

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 29,419
Total Assets	<u>\$ 29,419</u>
LIABILITIES	
Due to Other Funds	\$ 4,212
Due to Student Groups	<u>25,207</u>
Total Liabilities	<u>\$ 29,419</u>

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

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

I. Summary of Significant Accounting Policies

Hunt 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 and other authoritative sources identified in *GASB Statement No. 56* 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.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. 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 Hunt 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. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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

C. 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, as do the fiduciary fund financial statements. 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. The District considers all revenues available 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. 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 some times 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. Fund Accounting

The District reports the following major governmental funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

Fiduciary Funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Agency funds and trust funds typically involve only the receipt, temporary investments, and remittance of fiduciary resources to individuals, private organizations, or other governments.

E. Fund Balance Policy

Hunt Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion since that practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a schedule meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted fund balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Restricted		
Debt Service	\$	427,403
Food Service		16,133
Other Restricted		21,559
Total Restricted	\$	465,095
Committed		
Construction		400,000
Equipment		300,000
Other Committed		619,000
Total Committed	\$	1,319,000
Unassigned		1,474,511
Total Fund Balance	\$	3,258,606

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District records purchases of supplies as expenditures, including consumable maintenance, instructional, office, athletic, and transportation items. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

3. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance are obtained from a licensed insurer. Risk of loss is not retained by the District.
4. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
5. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

6. Vacation benefits do not accumulate and are lost if not used by employees in each year. Each District's Local Board of Education is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum. The District has not computed the liability for accumulated sick leave at August 31, 2020 and no liability is reflected in the accompanying financial statements.
7. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns 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, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Furniture and Equipment	5-10

8. In the fund financial statements, governmental funds report restricted and committed fund balances for amounts that are no available for appropriation or are legally restricted by outside parties for use for a specific purpose.
9. Deferred Inflows of Resources and Deferred Outflows of Resources

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been

reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

9. 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.
10. *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.
11. *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.

II. Stewardship, Compliance and Accountability

A. Budgetary Data

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

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the 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 has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. 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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2020 Fund Balance	
Appropriated Budget Funds	
Food Service Special Revenue Fund	\$ 16,133
Nonappropriated Budget Fund	21,559
	<hr/>
All Special Revenue Funds	\$ 37,692
	<hr/>

III. Detailed Notes on all Funds and Account Groups

A. District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,568,664 and the bank balance was \$5,687,741.

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.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Investment Type	Investment Maturities (in years)				
	Carrying Value	Less than 1	1-5	6-10	More than 10
<u>Non-Maturity Investments</u>					
Lone Star	\$ 72,976	\$ 72,976	\$ -	\$ -	\$ -
Total Investments	\$ 72,976	\$ 72,976	\$ -	\$ -	\$ -

Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools 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. Also, investments in government investment pools are not required to disclose custodial credit risk, concentration of credit risk and interest rate risk in accordance with GASB Statement No. 40.

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are participants whether by being employees or elected officials of a participant. Lone Star has established an advisory board composed both of \$1.00 and its dollar-weighted average maturity is 120 days or fewer. On August 31, 2020, the average weighted maturity was 24 days.

Credit Risk – In accordance with the state law and the District's investment policy, investments in investment pools must be rated at least AAA or AAAM or equivalent rating by a nationally recognized rating service. Commercial paper that has a stated maturity of 270 days or less and is rated not less than A-1 or P-1 or its equivalent. Obligations of other political subdivisions of any state may not be rated less than A or its equivalent.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer; rather investments are governed by the objectives of preservation and safety of principal, liquidity and yield. In addition, the investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issue. More than 5% of the District's investments are in commercial paper.

Interest Rate Risk – State law does not permit investments with maturities greater than (5) years. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the stated maturity of investments to two (2) years from the time of purchase.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

B. 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. 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible 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.

D. Interfund Receivables and Payables

Interfund balances at August 31, 2020 consisted of the following individual fund balances:

Fund	Due from Other Funds	Due to Other Funds
<u>General Fund</u>		
Special Revenue Funds	\$ 99,495	\$ 21,919
Agency Fund	4,212	
<u>Debt Service Fund</u>		
General Fund		6,586
<u>Special Revenue Funds</u>		
General Fund	21,919	92,909
<u>Agency Fund</u>		
General Fund		4,212
TOTAL	\$ <u>125,626</u>	\$ <u>125,626</u>
	Transfers In	Transfers Out
General Fund	\$ -	\$ 40,000
Special Revenue - Food Service	40,000	-
TOTALS	\$ <u>40,000</u>	\$ <u>40,000</u>

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2020, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Accrued Interest & Other Receivables	Total Receivables
Governmental Activities:					
General Fund	\$ 71,597	\$ 33,633	\$ 103,707	\$ 2,847	\$ 208,937
Debt Service Fund	6,372	2,804			9,176
Nonmajor Governmental Funds	-	93,711	21,919		115,630
Total Governmental Activities	\$ <u>77,969</u>	\$ <u>130,148</u>	\$ <u>125,626</u>	\$ <u>2,847</u>	\$ <u>333,743</u>
Amounts not scheduled for collection during the subsequent year	\$ <u>14,035</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Payables at August 31, 2020, were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Accrued Expenditures	Due to Other Governments	Total Payables
Governmental Activities:						
General Fund	\$ 453,629	\$ 97,419	\$ 21,919	\$ 4,110	\$	\$ 577,077
Debt Service Fund			6,586			6,586
Nonmajor Governmental Funds	488		92,909	14		93,411
Total Governmental Activities	\$ <u>454,117</u>	\$ <u>97,419</u>	\$ <u>121,414</u>	\$ <u>4,124</u>	\$ <u>-</u>	\$ <u>677,074</u>
Amounts not scheduled for payment during the subsequent year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

F. Capital Asset Activity

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 291,968	\$ -	\$ -	\$ 291,968
Buildings & Improvements	8,340,484		-	8,340,484
Furniture & Equipment	771,855	288,963	53,386	1,007,432
Capital Leases	18,234			18,234
Totals at Historic Cost	\$ 9,422,541	\$ 288,963	\$ 53,386	\$ 9,658,118
Less Accumulated				
Depreciation For:				
Buildings & Improvements	(3,360,336)	(224,113)		(3,584,449)
Furniture & Equipment	(614,230)	(37,802)	(53,386)	(598,646)
Capital Leases	(18,234)			(18,234)
Total Accumulated Depreciation	\$ (3,992,800)	\$ (261,916)	\$ (53,386)	\$ (4,201,330)
Governmental Activities				
Capital Assets Net	\$ 5,429,741	\$ 27,047	\$ -	\$ 5,456,789

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 151,392
Instruction Resources and Media	858
Curriculum and Instruction	2,096
School Leadership	17,618
Guidance, Counseling & Evaluation Services	6,669
Health Services	4,661
Student (Pupil) Transportation	9,226
Food Services	10,606
Cocurricular/Extracurricular Activities	1,964
General Administration	24,897
Facilities Maintenance and Operations	21,515
Data Processing Services	10,414
Total Depreciation Expense	\$ 261,916

G. Bonds Payable

On August 15, 2014 the District issued Unlimited Tax School Building Bonds, Series 2014, in the amount of \$6,555,000. The bonds were issued pursuant to the Constitution and general laws of the State of Texas, particularly sections 45.001 and 45.003(b)(1), Texas Education Code, as amended. Interest on the bonds is payable February 15 and August 15 of each year, commencing February 15, 2015. Principal payments are payable August 15 of each year. Proceeds from the sale of the bonds will be used for the construction, acquisition and equipment of school buildings and to pay the costs of issuing the bonds. The interest rate on the bonds range from 2.0% to 3.5%, with a maturity date of February 15, 2034.

Debt service requirements are as follows:

Year Ended June 30	General OBLIGATIONS		Interest	Total Requirements
	Principal			
2021	\$ 190,000	\$	120,900	\$ 310,900
2022	195,000		116,088	311,088
2023	200,000		110,900	310,900
2024	205,000		105,075	310,075
2025	210,000		97,800	307,800
2026-2030	1,195,000		352,300	1,547,300
2031-2035	1,145,000		93,900	1,238,900
TOTAL	\$ 3,340,000	\$	996,963	\$ 4,336,963

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.

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Bonds Payable					
U/L Tax School Building Bonds					
Series 2014	\$ 3,525,000	\$ -	\$ 185,000	\$ 3,340,000	\$ 190,000
Subtotal	\$ 3,525,000	\$ -	\$ 185,000	\$ 3,340,000	\$ 190,000
Net Pension Liability	557,639	23,710	36,674	544,675	
Net OPEB Liability	745,789	20,494	11,330	754,953	
Premium on Bonds	177,090		11,806	165,284	
Total Long-Term Liabilities	\$ 5,005,518	\$ -	\$ 244,810	\$ 4,804,912	\$ 190,000

The funds typically used to liquidate other long-term liabilities are the debt service and general funds.

I. Commitments Under Leases

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2020, as follows:

Year Ending August 31	
2021	\$ 13,930
2022	13,222
2023	13,222
2024	12,120
Total Minimum Rentals	\$ 52,494
Rental Expenditures in Fiscal Year 2020	\$ 16,888

J. Defined Benefit Pension Plan

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

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

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

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

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increased 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 Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025.

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Hunt ISD – Current Fiscal Year Employer Contributions	\$ 46,588	
Hunt ISD – Current Fiscal Year Member Contributions	\$ 116,831	
Hunt ISD - 2019 NECE On-behalf Contributions	\$ 63,771	

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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public 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 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 rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
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 used in the determination of the total pension liability and are the same assumptions used in the actuarial valuation as of August 31, 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 plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

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

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-term Expected Geometric Real Rate Return***
Global Equity			
USA	18%	18.0%	6.4%
Non-U.S. Developed	13%	13.0%	6.3%
Emerging Markets	9%	9.0%	7.3%
Directional Hedge Funds	4%	0.0%	0.0%
Private Equity	13%	14.0%	8.4%
Stable Value			
U.S. Treasuries****	11%	16.0%	3.1%
Stable Value Hedge Funds	4%	5.0%	4.5%
Absolute Return (Including Credit Sensitive Investments)	0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds****	3%	0.0%	0.0%
Real Estate	14%	15.0%	8.5%
Energy and Natural Resources	5%	6.0%	7.3%
Infrastructure			
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	8.0%	5.8%/6.5%*****
Asset Allocation Leverage			
Cash	1%	2.0%	2.5%
Asset Allocation Leverage		-6.0%	2.7%
Total	100%		7.2%

*FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

**New Target allocation based on the Strategic Asset Allocation dated 10/1/2019

***10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

****New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign

*****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%)
Hunt ISD's proportionate share of the net pension liability:	\$ 837,245	\$ 544,675	\$ 307,637

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, the Hunt Independent School District reported a liability of \$544,675 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Hunt Independent School District. The amount recognized by the Hunt Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Hunt Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 544,675
State's proportionate share that is associated with the District	<u>947,152</u>
Total	<u>\$ 1,491,827</u>

The net pension liability was measured as of 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 .0010477925% which was a decrease of (.0000346858%) from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – The following are 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 addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved the funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever is less.

For the year ended August 31, 2020, Hunt Independent School District recognized pension expense of \$272,875 and revenue of \$148,784 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020, the Hunt Independent School 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 2,288	\$ 18,912
Changes in actuarial assumptions	168,985	69,833
Difference between projected and actual investment earnings	5,469	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	81,777	8,575
Total as of August 31, 2019 measurement date	\$ 258,519	\$ 97,320
Contributions paid to TRS subsequent to the measurement date	46,588	
Total	\$ 305,107	\$ 97,320

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	43,655
2022	36,949
2023	38,064
2024	32,730
2025	14,069
Thereafter	(4,268)

K. Defined Other Post-Employment Benefit Plans

Plan Description. The Hunt 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 to retirees from public school district who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents not enrolled in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active

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

Contribution Rates

	<u>2019</u>	<u>2020</u>
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%

Hunt ISD- Current Fiscal Year Employer Contributions	\$13,017
Hunt ISD- Current Fiscal Year Member Contributions	\$9,863
Hunt ISD- 2019 NECE On-Behalf Contributions	\$15,054

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

Actuarial 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 pension actuarial valuation that was rolled forward to August 31, 2019.

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 2.63% 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%)
Hunt ISD’s proportionate share of the Net OPEB Liability:	\$ 911,474	\$ 754,953	\$ 632,511

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 615,866	\$ 754,953	\$ 941,272

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

At August 31, 2020, the Hunt Independent School District reported a liability of \$754,953 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:

Hunt ISD’s Proportionate share of the collective Net OPEB Liability	\$ 754,953
State’s proportionate share that is associated with Hunt ISD	<u>\$1,003,167</u>
Total	\$1,758,120

The Net OPEB Liability was measured as of 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 was .0015963970% which was an increase of 0.0001027543% from its proportion measured as of August 31, 2018.

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

1. 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.

2. The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
3. 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.
4. 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.
5. Changes of Benefit Terms since the Prior Measurement Date-There was no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the Hunt Independent School District recognized OPEB expense of \$55,201 and revenue of \$26,439 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	\$ 37,037	\$ 123,540
Changes in actuarial assumptions	\$ 41,932	\$ 203,065
Difference between projected and actual investment earnings	\$ 81	\$ -
Changes in proportionate and difference between the employer's contributions and the proportionate share of contributions	\$ 65,470	\$ -
Total as of August 31, 2019 measurement date	\$ 144,520	\$ 326,605
Contributions paid to TRS subsequent to the measurement date	\$ 13,017	\$ -
Total	\$ 157,537	\$ 326,605

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	(33,353)
2022	(33,353)
2023	(33,381)
2024	(33,396)
2025	(33,392)
Thereafter	(15,210)

L. Medicare Part D – On Behalf Payments

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Hunt Independent School District for fiscal years 2020, 2019, and 2018 were \$6,945, \$4,929 and \$3,985.

M. Health Care Coverage

Beginning September 1, 2002, House Bill 3343 created a statewide program and requirement for public school employee group health coverage. All employees are eligible for coverage provided they are either active contributing TRS member or are employed for 10 or more hours each week. The Teacher Retirement System is the primary administering agency for the health insurance program, and both TEA and TRS provide funding for the program.

N. Due from State Agencies

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except Summer Feeding Program which is received directly from the Texas Department of Human Services.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$	\$	\$ -
Special Revenue Fund	93,711	54,308	148,019
Total	\$ 93,711	\$ 54,308	\$ 148,019

O. Revenue from Local and Intermediate Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 4,297,082	\$	\$ 427,214	\$ 4,724,296
Penalties, Interest & Other Tax-Related Income	34,894		2,548	37,442
Investment Income	29,171		536	29,707
Food Sales		27,998		27,998
Co-curricular Student Activities	1,638			1,638
Other	25,691	15,056		40,747
Total	\$ 4,388,476	\$ 43,054	\$ 430,298	\$ 4,861,828

P. Workers Compensation

During the year ended August 31, 2020, Hunt Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

Q. Insurance Coverage

During the year ended August 31, 2020, Hunt Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

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

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates Hunt Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

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

R. Risk Management

State law allows school districts to retain risk through its own risk management program (i.e. a "self-insurance" program), insure through a commercial carrier, or insure through a public entity risk pool. The District has insurable risks in various areas, including property, casualty, automobile, and comprehensive liability and worker's compensation. During the current fiscal year, the District obtained insurance against risks through commercial carriers

S. Unemployment Compensation Pool

During the year ended August 31, 2020, Hunt ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2020, the Fund anticipates Hunt ISD has not additional liability beyond the contractual obligation for payment of contribution.

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

T. Commitments and Contingencies

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 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 combined financial statements for such contingencies.

U. Effect of COVID-19 Pandemic

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains and created significant uncertainty, volatility, and disruption across economies and financial markets, impacting essentially all entities, including Texas independent school districts. In line with recommendations by public health officials and in accordance with governmental authority orders, the District took actions to close its campuses and move to a virtual learning platform to complete the 2019-2020 school year. The District's campuses have re-opened for the 2020-2021 school year with a combination of online and in-class learning. While the ultimate health and economic impact of the COVID-19 pandemic is highly uncertain, the District's administration continues to monitor the spread of COVID-19 and

following guidance from local, state and national agencies continues to assess the potential impact of the pandemic on the District. While the potential impact of the pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

V. Excess of Expenditures over Appropriations

Expenditures exceeds appropriations in the General Fund in Function 91 Contracted Instructional Services Between Schools and in total.

W. Subsequent Events

The District has evaluated subsequent events through January 11, 2021 the date which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY
INFORMATION

HUNT 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	\$ 4,201,066	\$ 4,440,766	\$ 4,449,180	\$ 8,414
5800 State Program Revenues	158,498	205,868	264,586	58,718
5020 Total Revenues	4,359,564	4,646,634	4,713,766	67,132
EXPENDITURES:				
Current:				
0011 Instruction	1,287,878	1,661,448	1,567,026	94,422
0012 Instructional Resources and Media Services	4,000	10,000	9,990	10
0013 Curriculum and Instructional Staff Development	10,556	30,556	24,407	6,149
0023 School Leadership	206,676	206,676	205,119	1,557
0031 Guidance, Counseling, and Evaluation Services	75,563	78,563	77,648	915
0033 Health Services	54,275	54,275	54,263	12
0034 Student (Pupil) Transportation	57,187	132,187	107,412	24,775
0035 Food Services	4,314	4,314	-	4,314
0036 Extracurricular Activities	39,691	39,691	22,865	16,826
0041 General Administration	285,410	289,910	289,354	556
0051 Facilities Maintenance and Operations	237,829	247,829	241,336	6,493
0053 Data Processing Services	86,151	126,151	121,239	4,912
Capital Outlay:				
0081 Facilities Acquisition and Construction	20,000	-	-	-
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	1,767,034	1,850,034	2,079,381	(229,347)
0099 Other Intergovernmental Charges	183,000	150,000	144,423	5,577
6030 Total Expenditures	4,319,564	4,881,634	4,944,463	(62,829)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	40,000	(235,000)	(230,697)	4,303
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(40,000)	(40,000)	(40,000)	-
1200 Net Change in Fund Balances	-	(275,000)	(270,697)	4,303
0100 Fund Balance - September 1 (Beginning)	3,064,208	3,064,208	3,064,208	-
3000 Fund Balance - August 31 (Ending)	\$ 3,064,208	\$ 2,789,208	\$ 2,793,511	\$ 4,303

HUNT 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 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Pension Liability (Asset)	0.001047793%	0.001013107%	0.000924173%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 544,675	\$ 557,639	\$ 295,501
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	947,152	1,034,687	678,723
Total	<u>\$ 1,491,827</u>	<u>\$ 1,592,326</u>	<u>\$ 974,224</u>
District's Covered Payroll	\$ 1,320,027	\$ 1,269,262	\$ 1,273,744
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.26%	43.93%	23.20%
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.

<div> <div>FY 2017</div> <div>Plan Year 2016</div> </div> <div> <div>FY 2016</div> <div>Plan Year 2015</div> </div> <div> <div>FY 2015</div> <div>Plan Year 2014</div> </div>		
0.000967817%	0.0009002%	0.0004657%
\$ 365,724	\$ 318,209	\$ 124,395
780,409	821,605	747,338
<u>\$ 1,146,133</u>	<u>\$ 1,139,814</u>	<u>\$ 871,733</u>
\$ 1,273,744	\$ 1,275,279	\$ 1,288,588
28.71%	24.95%	9.65%
78.00%	78.43%	83.25%

HUNT 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	\$ 46,588	\$ 36,810	\$ 34,129
Contribution in Relation to the Contractually Required Contribution	(45,688)	(36,810)	(34,129)
Contribution Deficiency (Excess)	\$ 900	\$ -	\$ -
District's Covered Payroll	\$ 1,517,281	\$ 1,320,027	\$ 1,269,262
Contributions as a Percentage of Covered Payroll	3.07%	2.97%	2.69%

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	
\$	30,289	\$	38,507	\$	117,012
	(30,289)		(38,507)		(117,012)
\$	-	\$	-	\$	-
\$	1,273,744	\$	1,055,445	\$	1,288,588
	2.38%		3.65%		9.08%

HUNT 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	0.001596397%	0.001493643%	0.001475665%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 754,953	\$ 745,789	\$ 641,711
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,003,167	1,093,632	1,004,135
Total	<u>\$ 1,758,120</u>	<u>\$ 1,839,421</u>	<u>\$ 1,645,846</u>
District's Covered Payroll	\$ 1,320,027	\$ 1,269,262	\$ 1,273,744
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.19%	58.76%	50.38%
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.

HUNT 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	\$ 13,017	\$ 11,360	\$ 10,304
Contribution in Relation to the Contractually Required Contribution	(13,017)	(11,360)	(10,304)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,517,281	\$ 1,320,027	\$ 1,269,262
Contributions as a Percentage of Covered Payroll	0.86%	0.86%	0.81%

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.

HUNT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2020

Defined Benefit 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 or other input that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

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

Changes of assumptions.

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

- The discount rate changed from 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-retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at 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

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

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 15,273
1240	Due from Other Governments	16,927	9,391	539	1,002
1260	Due from Other Funds	-	-	-	346
1000	Total Assets	<u>\$ 16,927</u>	<u>\$ 9,391</u>	<u>\$ 539</u>	<u>\$ 16,621</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 488
2170	Due to Other Funds	16,927	9,391	539	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>16,927</u>	<u>9,391</u>	<u>539</u>	<u>488</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	16,133
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,133</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,927</u>	<u>\$ 9,391</u>	<u>\$ 539</u>	<u>\$ 16,621</u>

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	480 Faulkner Food Fund	481 Mentoring Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	47,049	-	9,654	-	9,149	-	-
-	-	-	-	4,387	-	2,000	1,047
<u>\$ -</u>	<u>\$ 47,049</u>	<u>\$ -</u>	<u>\$ 9,654</u>	<u>\$ 4,387</u>	<u>\$ 9,149</u>	<u>\$ 2,000</u>	<u>\$ 1,047</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	47,049	-	9,654	-	9,149	-	-
-	-	-	-	-	-	-	14
<u>-</u>	<u>47,049</u>	<u>-</u>	<u>9,654</u>	<u>-</u>	<u>9,149</u>	<u>-</u>	<u>14</u>
-	-	-	-	4,387	-	-	-
-	-	-	-	-	-	2,000	1,033
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,387</u>	<u>-</u>	<u>2,000</u>	<u>1,033</u>
<u>\$ -</u>	<u>\$ 47,049</u>	<u>\$ -</u>	<u>\$ 9,654</u>	<u>\$ 4,387</u>	<u>\$ 9,149</u>	<u>\$ 2,000</u>	<u>\$ 1,047</u>

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

EXHIBIT H-1

Data Control Codes		482 Backpack Food Fund	483 PTSA Wish List	497 SMCF Dyslexia Grant	Total Nonmajor Governmental Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 200	\$ -	\$ -	\$ 15,473
1240	Due from Other Governments	-	-	-	93,711
1260	Due from Other Funds	4,681	5,661	3,797	21,919
1000	Total Assets	<u>\$ 4,881</u>	<u>\$ 5,661</u>	<u>\$ 3,797</u>	<u>\$ 131,103</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 488
2170	Due to Other Funds	200	-	-	92,909
2200	Accrued Expenditures	-	-	-	14
2000	Total Liabilities	<u>200</u>	<u>-</u>	<u>-</u>	<u>93,411</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	20,520
3490	Other Restricted Fund Balance	4,681	5,661	3,797	17,172
3000	Total Fund Balances	<u>4,681</u>	<u>5,661</u>	<u>3,797</u>	<u>37,692</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,881</u>	<u>\$ 5,661</u>	<u>\$ 3,797</u>	<u>\$ 131,103</u>

HUNT 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	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 27,998
5800 State Program Revenues	-	-	-	503
5900 Federal Program Revenues	58,032	31,912	1,477	62,657
5020 Total Revenues	58,032	31,912	1,477	91,158
EXPENDITURES:				
Current:				
0011 Instruction	58,032	31,912	1,477	-
0035 Food Services	-	-	-	119,918
0051 Facilities Maintenance and Operations	-	-	-	-
6030 Total Expenditures	58,032	31,912	1,477	119,918
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(28,760)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	40,000
1200 Net Change in Fund Balance	-	-	-	11,240
0100 Fund Balance - September 1 (Beginning)	-	-	-	4,893
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 16,133

255 ESEA II, A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	480 Faulkner Food Fund	481 Mentoring Grant
\$ -	\$ -	\$ 15,056	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	29,711	9,149	-	-
500	47,049	1,771	10,000	-	-	-	-
500	47,049	16,827	10,000	29,711	9,149	-	-
500	47,049	16,827	10,000	29,711	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	9,149	-	-
500	47,049	16,827	10,000	29,711	9,149	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,387	-	2,000	1,033
\$ -	\$ -	\$ -	\$ -	\$ 4,387	\$ -	\$ 2,000	\$ 1,033

HUNT 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	482 Backpack Food Fund	483 PTSA Wish List	497 SMCF Dyslexia Grant	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 43,054
5800 State Program Revenues	-	-	-	39,363
5900 Federal Program Revenues	-	-	-	213,398
5020 Total Revenues	-	-	-	295,815
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	195,508
0035 Food Services	-	-	-	119,918
0051 Facilities Maintenance and Operations	-	-	-	9,149
6030 Total Expenditures	-	-	-	324,575
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(28,760)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	40,000
1200 Net Change in Fund Balance	-	-	-	11,240
0100 Fund Balance - September 1 (Beginning)	4,681	5,661	3,797	26,452
3000 Fund Balance - August 31 (Ending)	\$ 4,681	\$ 5,661	\$ 3,797	\$ 37,692

REQUIRED TEA SCHEDULES

HUNT 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	\$ 288,554,712
2012	1.040000	0.000000	309,912,596
2013	1.040000	0.000000	320,114,231
2014	1.040000	0.000000	332,144,327
2015	1.040000	0.103400	346,515,661
2016	1.040000	0.103400	351,798,496
2017	1.040000	0.103400	359,344,936
2018	1.040000	0.103400	387,782,841
2019	1.040000	0.103400	391,000,350
2020 (School year under audit)	0.970000	0.080900	453,062,803
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	
\$	156	\$	-	\$	-	\$	-	\$	-	\$	156
	229		-		-		-		-		229
	55		-		34		-		-		21
	218		-		114		-		-		104
	153		-		2,028		201		2,226		150
	1,449		-		2,270		226		2,496		1,449
	2,010		-		2,270		226		2,496		2,010
	1,695		-		5,054		502		11,097		7,236
	32,053		-		18,923		1,881		8,305		19,554
	-		4,761,237		4,266,389		424,178		(23,610)		47,060
<u>\$</u>	<u>38,018</u>	<u>\$</u>	<u>4,761,237</u>	<u>\$</u>	<u>4,297,082</u>	<u>\$</u>	<u>427,214</u>	<u>\$</u>	<u>3,010</u>	<u>\$</u>	<u>77,969</u>

HUNT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
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	\$ 29,628	\$ 29,628	\$ 27,998	\$ (1,630)
5800 State Program Revenues	4,000	4,000	503	(3,497)
5900 Federal Program Revenues	55,500	55,865	62,657	6,792
5020 Total Revenues	89,128	89,493	91,158	1,665
EXPENDITURES:				
Current:				
0035 Food Services	129,128	134,546	119,918	14,628
6030 Total Expenditures	129,128	134,546	119,918	14,628
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,000)	(45,053)	(28,760)	16,293
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	40,000	40,000	40,000	-
1200 Net Change in Fund Balances	-	(5,053)	11,240	16,293
0100 Fund Balance - September 1 (Beginning)	4,893	4,893	4,893	-
3000 Fund Balance - August 31 (Ending)	\$ 4,893	\$ (160)	\$ 16,133	\$ 16,293

HUNT 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	\$ 352,500	\$ 352,500	\$ 369,594	\$ 17,094
5800 State Program Revenues	-	-	3,630	3,630
5020 Total Revenues	352,500	352,500	373,224	20,724
EXPENDITURES:				
0041 General Administration	6,000	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	318,125	185,000	185,000	-
0072 Interest on Long-Term Debt	-	125,565	125,565	-
0073 Bond Issuance Cost and Fees	-	13,560	7,306	6,254
Capital Outlay:				
0081 Facilities Acquisition and Construction	4,000	4,000	-	4,000
6030 Total Expenditures	328,125	328,125	317,871	10,254
1200 Net Change in Fund Balances	24,375	24,375	55,353	30,978
0100 Fund Balance - September 1 (Beginning)	372,050	372,050	372,050	-
3000 Fund Balance - August 31 (Ending)	\$ 396,425	\$ 396,425	\$ 427,403	\$ 30,978

REPORT ON INTERNAL CONTROL
AND COMPLIANCE

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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

Independent Auditor's Report

Board of Trustees
Hunt Independent School District
Hunt, TX 78606

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 Hunt Independent School 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 January 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hunt 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 Hunt Independent School 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 Hunt Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

A handwritten signature in blue ink that reads "Neffendorf + Knopp, P.C.".

NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas

January 11, 2021

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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January 11, 2021

Board of Trustees
Hunt Independent School District
Hunt, TX 78024

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hunt Independent School District for the year ended August 31, 2020. Professional standards require that we provide you with 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 July 29, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hunt Independent School District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended August 31, 2020. We noted no transactions entered into by Hunt Independent School 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 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. Management has corrected all such misstatements. 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 each opinion unit's financial statements taken 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 January 11, 2021.

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 Hunt Independent School 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 accountant 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 Hunt Independent School 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 and budgetary comparison information, which are required supplementary information (RSI) 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 RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and the Texas Education Agency required Exhibits, which accompany the financial statements but are 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.

Recommendations

Bank Reconciliations

The bank reconciliations did not agree with the general ledger (difference of \$7,963.03). We recommend that the monthly bank reconciliations be reviewed and agreed to the general ledger.

Budget Amendments

The District's actual expenditures exceeded the budgeted amounts for Contracted Instructional Services in the General Fund and in total. This was due to the Chapter 41 settle-up adjustment made in October after budget amendments were made. We recommend the District monitor the Chapter 41 expenditures and only amend the budget for Chapter 41 when necessary.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Hunt Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas