

CHAPEL HILL  
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED

AUGUST 31, 2021

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021  
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CERTIFICATE OF BOARD

Chapel Hill Independent School District  
Name of School District

Titus  
County

225-906  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved \_\_\_\_\_disapproved for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of December, 2021.

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

\_\_\_\_\_  
Signature of Board President

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



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Chapel Hill Independent School District  
Mount Pleasant, Texas

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2021, and the respective changes in financial position, and where applicable, statement of cash flows thereof and the respective budgetary comparison for the general fund 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 and net pension liability and contributions to TRS and net OPEB liability and contributions to OPEB on pages 4 through 12 and pages 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The 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. The information is in Exhibits identified in the Table of Contents as J-1, J-2, J-3 and J-4. 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.  
December 2, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Chapel Hill Independent School District we offer readers of the Chapel Hill Independent School District's financial statements this narrative overview and analysis of the financial activities of the Chapel Hill Independent School District for the year ended August 31, 2021. The information presented here should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total combined net position was \$7.12 million at August 31, 2021. During the year, the District's total revenues exceeded expenses by \$1.09 million. Total expenses of the District were \$12.6 million for the year which is a decrease of \$184 thousand. Revenues were \$13.7 million which is a decrease of \$34 thousand. A decrease in investment earnings and insurance recovery explains this variance. Salaries increased 7% or about \$500 thousand. These were additional employees as well as pay rate increases. Less was spent on repairs and renovations than the prior year.

Under accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$1.68 million which is an increase of \$218 thousand over the prior year.

Under accounting standards as per GASB 75, the District's portion of the net OPEB liability for TRS Care has been recorded in the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$4.42 million which is a decrease of \$105 thousand from the prior year.

The District reported fund balance in the general fund of \$5.34 million at August 31, 2021, which is an increase of approximately \$1.01 million. Revenues in the general fund were up \$42 thousand from the prior year. State revenue increased \$100 thousand. Expenditures decreased \$769 thousand. Most of this decrease was due to less repairs and renovations in the current year than in the previous year.

Approximately 98% of the taxes levied for 2020-2021 were collected by fiscal year end.

## OVERVIEW OF THE FINANCIAL STATEMENTS

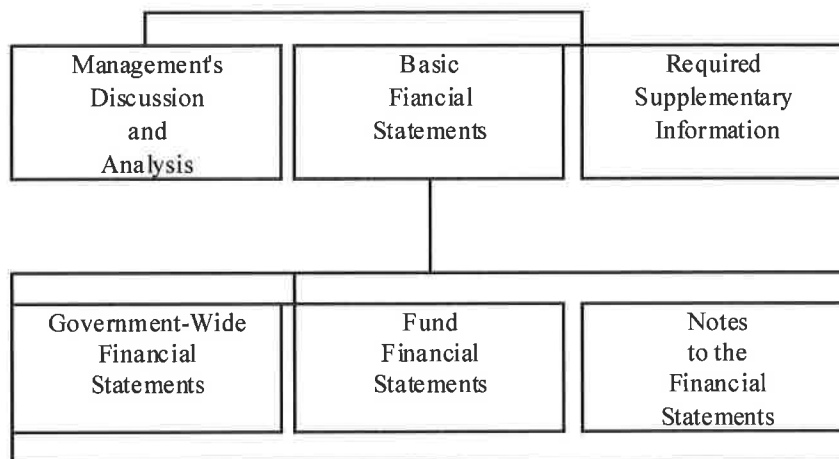
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as an after school care program.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

Figure A-1. Required Components of the District's Annual Financial Report



Summary ⇌ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2, Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	*Statement of changes in fiduciary net position
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



### **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net Assets-the difference between the District's assets and liabilities-is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to "customers" to help cover the costs of services provided.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the District's other programs and activities-such as the District's Self Insurance Fund for worker's compensation. The District has no Internal Service funds.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$7.1 million at August 31, 2021.

Table A-1  
The District's Net Position  
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	6,628	5,113	35	38	6,663	5,151
Capital and non-current assets	11,428	11,819	-	-	11,428	11,819
<b>TOTAL ASSETS</b>	<b>18,056</b>	<b>16,932</b>	<b>35</b>	<b>38</b>	<b>18,091</b>	<b>16,970</b>
Deferred outflow related to TRS pension	1,001	1,232	-	-	1,001	1,232
Deferred outflow related to TRS OPEB	763	383	-	-	763	383
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>1,764</b>	<b>1,615</b>	<b>-</b>	<b>-</b>	<b>1,764</b>	<b>1,615</b>
Long-term liabilities	8,930	9,697	-	-	8,930	9,697
Other liabilities	1,076	677	-	-	1,076	677
<b>TOTAL LIABILITIES</b>	<b>10,006</b>	<b>10,374</b>	<b>-</b>	<b>-</b>	<b>10,006</b>	<b>10,374</b>
Unavailable revenue-property taxes	18	18	-	-	18	18
Deferred inflow related to TRS pension	326	408	-	-	326	408
Deferred inflow related to TRS OPEB	2,380	1,747	-	-	2,380	1,747
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,724</b>	<b>2,173</b>	<b>-</b>	<b>-</b>	<b>2,724</b>	<b>2,173</b>
Net position						
Net investment in capital assets	7,662	7,575	-	-	7,662	7,575
Restricted	165	63	-	-	165	63
Unrestricted	(737)	(1,638)	35	38	(702)	(1,600)
<b>TOTAL NET POSITION</b>	<b>7,090</b>	<b>6,000</b>	<b>35</b>	<b>38</b>	<b>7,125</b>	<b>6,038</b>

Net investment in capital assets reflects the book value of the District's capital assets in excess of the debt which financed those assets. Including the District's net pension liability and the OPEB liability net of the related deferred outflows/inflows decreased net position by \$1.68 million and \$4.42 million respectively.

The \$165 thousand is restricted as follows:

Restricted for food service	59
Restricted for debt service	106
	<u>165</u>

Net position of the District's governmental activities increased from \$6 million to \$7.1 million, or \$1.09 million. The increase was the result of these factors. First, the District's revenues exceeded expenditures by \$1.1 million. Second, the District spent \$212 thousand on capital outlay and paid principal on long-term debt of \$716 thousand. Thirdly, the District recorded depreciation of \$603 thousand. The District received capital lease proceeds of \$219 thousand. Also, the net pension liability net of deferred outflows/inflows increased \$218 thousand and the net OPEB liability of deferred outflows/inflows decreased \$105 thousand.

Changes in net position.

The District's total revenues were \$13.7 million. 12% of this comes from taxes, 70% was from state aid formula grants, and 14% was from operating grants and contributions.

The total cost of all programs was \$12.64 million. Approximately 75% of this was for instructional and student services.

Net position increased by \$1.09 million from the excess of revenues over expenses.

Table A-2  
The District's Changes in Net Position  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Services	341	395	18	20	359	415
Operating Grants and Contributions	1,936	1,910	-	-	1,936	1,910
<u>General Revenues</u>						
Property Taxes	1,651	1,580	-	-	1,651	1,580
State aid - formula	9,657	9,614	-	-	9,657	9,614
Investment earnings	23	58	-	-	23	58
Other	108	193	-	-	108	193
<b>Total Revenues</b>	<u>13,716</u>	<u>13,750</u>	<u>18</u>	<u>20</u>	<u>13,734</u>	<u>13,770</u>
<b>Expenses</b>						
Instruction and instructional related	7,846	8,013	-	-	7,846	8,013
Instructional leadership/school administration	807	849	-	-	807	849
Guidance, social work, health, transportation	784	792	-	-	784	792
Food services	483	514	-	-	483	514
Extracurricular activities	375	384	-	-	375	384
General Administration	822	806	-	-	822	806
Plant maintenance and security	1,161	1,129	-	-	1,161	1,129
Data Processing	211	181	-	-	211	181
Community services	-	-	21	24	21	24
Debt service	137	142	-	-	137	142
Facilities acquisition and construction	-	-	-	-	-	-
Pmts to fiscal agent/member districts - shared service	-	-	-	-	-	-
<b>Total Expenses</b>	<u>12,626</u>	<u>12,810</u>	<u>21</u>	<u>24</u>	<u>12,647</u>	<u>12,834</u>
<b>Increase (Decrease) in Net Position</b>	1,090	940	(3)	(4)	1,087	936
<b>Beginning Net Position</b>	6,000	5,060	38	42	6,038	5,102
<b>Ending Net Position</b>	<u><u>7,090</u></u>	<u><u>6,000</u></u>	<u><u>35</u></u>	<u><u>38</u></u>	<u><u>7,125</u></u>	<u><u>6,038</u></u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$12.6 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$1.65 million.
- Some of the cost was paid by those who directly benefited from the programs (\$341 thousand), or by state aid (\$9.66 million), or by operating grants and contributions of \$1.93 million.

Table A-3  
Net Cost of Selected District Functions  
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	7,846	8,013	6,304	6,441
School administration	807	849	751	776
Plant Maintenance & Operations	1,161	1,129	1,127	1,075
Debt Service-Interest & Fiscal Charges	137	142	137	142

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$5.5 million reflecting a net increase of \$1.1 million. The general fund increased by \$1.01 million. Reasons for this increase are discussed above. The general fund balance is \$5.34 million at August 31, 2021. The debt service fund reflects a net increase of \$43 thousand with an ending fund balance of \$106 thousand. Property tax revenue in the debt service fund increased \$30 thousand over the prior year. The food service fund reflects a net income of \$58 thousand this year.

## General Fund Budgetary Highlights

Several budget amendments were made during the year. Expenditures were less than budgeted amounts by \$1.4 million. Actual revenues were less than budgeted by \$407 thousand. Actually, the fund balance increased by \$1.04 million. No change was budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table A-4  
District's Capital Assets Including Blended Component Unit  
(in thousands of dollars)

	Governmental Activities	
	2021	2020
Land	200	200
Buildings and improvements	17,458	17,458
Furniture and equipment	2,487	2,274
Construction in progress	-	-
Totals at historical cost	20,145	19,932
Total accumulated depreciation	(8,717)	(8,113)
Net capital assets	11,428	11,819

Two buses were purchased through a lease purchase.

### Long-Term Debt

Table A-5  
District's Long-Term Debt Including Blended Component Unit  
(in thousands of dollars)

	Governmental	
	2021	2020
Bonds payable	2,866	3,476
Notes payable	663	769
Lease payable	219	-
Premium/Discount on Bonds	18	(1)
Total bonds and notes payable	3,766	4,244

Principal payments of \$716 thousand were made this year. \$385 thousand was paid by the Public Facility Corporation, a blended component unit of the District. The District entered a lease purchase agreement for \$219 thousand for the purchase of two buses.

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

The district's elected and appointed officials considered many factors when setting the fiscal-year 2021–2022 budget and tax rate. The primary factor considered in budget formulation was enrollment and attendance. The district is recovering from unstable student count / revenue due to the COVID. Enrollment continues to increase from a low enrollment of near 920 (at the beginning 2020-2021) during the height of the pandemic and is currently back at a more typical enrollment of 1,051 (2021-2022 as of 12/2/2021). Attendance continues to be slightly lower (91%) due to COVID and various illnesses compared with prior attendance approaching 98%. The 21-22 budget was based on a much lower assumed Average Daily Attendance (ADA) of 926 than is currently the case at 952, which places the District in a stronger revenue position than anticipated. Property values are steadily increasing slightly over the past few years.

Previous hold-outs on expenditures for large-ticket or higher cost repairs have been partially restored in the 21-22 budget. Personnel remained roughly the same in count, but about 15 positions were shifted from the General Fund (199) to COVID related relief grants, including ESSER II and III. These grants will end in 22-23 and 24-25, so these positions will need to be restored to the GF-199 budget or reduced.

The District continues on track to meet long-term facilities maintenance needs as well as have complete debt retirement within the next three years. All of these factors were taken into account when adopting the General Fund budget for 2021-2022. Amounts available for appropriation in the General Fund budget were \$11,615,214, a decrease of approximately 5.8% from the 2020-21 original budget of \$12,330,271. The District adopted a total tax rate lower than the previous year of \$1.1038 per \$100 assessed value at \$1.0522 per \$100 assessed value. Tax compression forced the M&O rate from \$0.9979 per \$100 assessed value to \$0.9447 per \$100 assessed value. The I&S rate increased slightly from \$0.1059 per \$100 assessed value to \$0.1075 per \$100 assessed value, but remained within previous voter approval for ongoing debt-service.

The district remains committed to full debt retirement within three years for the potential to reissue debt at that time to meet current and future facilities needs without a change to the tax rate. To this end, the district has begun a long-term planning process with a 20-year horizon. We continue to monitor our enrollment/attendance, the local economy, the State of Texas school finance outlook and aggressively explore alternative revenue sources/partnerships.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Chapel Hill Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT WIDE STATEMENTS**



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 5,403,539	\$ 34,736	\$ 5,438,275
1220	Property Taxes - Delinquent	84,063	-	84,063
1230	Allowance for Uncollectible Taxes	(33,626)	-	(33,626)
1240	Due from Other Governments	1,173,139	-	1,173,139
Capital Assets:				
1510	Land	200,278	-	200,278
1520	Buildings, Net	10,264,303	-	10,264,303
1530	Furniture and Equipment, Net	963,562	-	963,562
1000	Total Assets	18,055,258	34,736	18,089,994
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1705	Deferred Outflow Related to TRS Pension	1,001,381	-	1,001,381
1706	Deferred Outflow Related to TRS OPEB	763,010	-	763,010
1700	Total Deferred Outflows of Resources	1,764,391	-	1,764,391
<b>LIABILITIES</b>				
2160	Accrued Wages Payable	397,767	-	397,767
2180	Due to Other Governments	667,817	-	667,817
2200	Accrued Expenses	8,397	-	8,397
2300	Unearned Revenue	1,219	-	1,219
Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	769,420	-	769,420
Due in More than One Year:				
2502	Bonds, Notes, Leases, etc.	2,996,838	-	2,996,838
2540	Net Pension Liability (District's Share)	2,356,898	-	2,356,898
2545	Net OPEB Liability (District's Share)	2,807,414	-	2,807,414
2000	Total Liabilities	10,005,770	-	10,005,770
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601	Unavailable Revenue - Property Taxes	17,989	-	17,989
2605	Deferred Inflow Related to TRS Pension	325,911	-	325,911
2606	Deferred Inflow Related to TRS OPEB	2,380,349	-	2,380,349
2600	Total Deferred Inflows of Resources	2,724,249	-	2,724,249
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	7,661,885	-	7,661,885
Restricted:				
3820	Restricted for Federal and State Programs	58,630	-	58,630
3850	Restricted for Debt Service	106,365	-	106,365
3900	Unrestricted	(737,250)	34,736	(702,514)
3000	Total Net Position	\$ 7,089,630	\$ 34,736	\$ 7,124,366

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 7,520,384	\$ 225,555	\$ 1,289,670
12 Instructional Resources and Media Services	243,758	-	20,290
13 Curriculum and Instructional Staff Development	81,876	-	6,851
21 Instructional Leadership	175,444	-	13,964
23 School Leadership	631,589	-	41,628
31 Guidance, Counseling, and Evaluation Services	267,865	-	20,552
33 Health Services	140,071	-	13,440
34 Student (Pupil) Transportation	376,519	-	13,440
35 Food Services	482,766	103,910	426,480
36 Extracurricular Activities	375,468	11,483	13,742
41 General Administration	821,757	-	41,628
51 Facilities Maintenance and Operations	1,032,196	-	27,403
52 Security and Monitoring Services	128,712	-	6,851
53 Data Processing Services	210,578	-	-
72 Debt Service - Interest on Long-Term Debt	137,081	-	-
[TG] Total Governmental Activities:	12,626,064	340,948	1,935,939
BUSINESS-TYPE ACTIVITIES:			
01 Unidentified Fund from Trial Balance	20,929	17,852	-
[TB] Total Business-Type Activities:	20,929	17,852	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,646,993	\$ 358,800	\$ 1,935,939
Data			
Control	General Revenues:		
Codes	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (6,005,159)	\$ -	\$ (6,005,159)
(223,468)	-	(223,468)
(75,025)	-	(75,025)
(161,480)	-	(161,480)
(589,961)	-	(589,961)
(247,313)	-	(247,313)
(126,631)	-	(126,631)
(363,079)	-	(363,079)
47,624	-	47,624
(350,243)	-	(350,243)
(780,129)	-	(780,129)
(1,004,793)	-	(1,004,793)
(121,861)	-	(121,861)
(210,578)	-	(210,578)
(137,081)	-	(137,081)
(10,349,177)	-	(10,349,177)
-	(3,077)	(3,077)
-	(3,077)	(3,077)
(10,349,177)	(3,077)	(10,352,254)
1,494,309	-	1,494,309
156,856	-	156,856
9,657,092	-	9,657,092
23,147	-	23,147
106,892	-	106,892
11,438,296	-	11,438,296
1,089,119	(3,077)	1,086,042
6,000,511	37,813	6,038,324
\$ 7,089,630	\$ 34,736	\$ 7,124,366

**GOVERNMENTAL FUND FINANCIAL  
STATEMENTS**

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,743,343	\$ (339,811)	\$ 5,403,532
1220 Property Taxes - Delinquent	79,860	4,203	84,063
1230 Allowance for Uncollectible Taxes	(31,944)	(1,682)	(33,626)
1240 Due from Other Governments	606,501	566,638	1,173,139
1000 Total Assets	<u>\$ 6,397,760</u>	<u>\$ 229,348</u>	<u>\$ 6,627,108</u>
<b>LIABILITIES</b>			
2160 Accrued Wages Payable	\$ 338,405	\$ 59,362	\$ 397,767
2180 Due to Other Governments	667,817	-	667,817
2200 Accrued Expenditures	7,139	1,258	8,397
2300 Unearned Revenue	-	1,219	1,219
2000 Total Liabilities	<u>1,013,361</u>	<u>61,839</u>	<u>1,075,200</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	47,916	2,521	50,437
2600 Total Deferred Inflows of Resources	<u>47,916</u>	<u>2,521</u>	<u>50,437</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	58,630	58,630
3480 Retirement of Long-Term Debt	-	106,358	106,358
Committed Fund Balance:			
3540 Self Insurance	1,248	-	1,248
3545 Other Committed Fund Balance	708,489	-	708,489
Assigned Fund Balance:			
3550 Construction	1,540,000	-	1,540,000
3600 Unassigned Fund Balance	3,086,746	-	3,086,746
3000 Total Fund Balances	<u>5,336,483</u>	<u>164,988</u>	<u>5,501,471</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,397,760</u>	<u>\$ 229,348</u>	<u>\$ 6,627,108</u>

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

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 5,501,471</b>
1 The District has a blended component unit. The beginning fund balance is not included in the governmental funds. The net effect is to increase net position.	877,351
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$16,383,707 and the accumulated depreciation was (\$6,487,931). 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 decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.	6,697,461
3 Current year capital outlays and debt principal are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to decrease net position.	543,268
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,232,248, a Deferred Resource Inflow in the amount of \$407,904, and a net pension liability in the amount of \$2,287,595. The impact of this on Net Position is \$(1,463,251). Changes in the plan reported by TRS for this measurement period resulted in a decrease in net position in the amount of \$(218,177). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(1,681,428).	(1,681,428)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to the OPEB liability was a Deferred Resource Outflow in the amount of \$382,630, a Deferred Resource Inflow in the amount of \$1,746,922 and a net OPEB liability in the amount of \$3,165,550. The impact of this on Net Position is \$(4,529,842). Changes in the OPEB reported by TRS for this measurement period resulted in an increase in net position in the amount of \$105,087. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(4,424,753).	(4,424,753)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(603,280)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, 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.	179,540
<b>19 Net Position of Governmental Activities</b>	<b>\$ 7,089,630</b>

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 1,788,903	\$ 263,509	\$ 2,052,412
5800 State Program Revenues	10,048,400	256,845	10,305,245
5900 Federal Program Revenues	85,905	1,081,642	1,167,547
5020 Total Revenues	<u>11,923,208</u>	<u>1,601,996</u>	<u>13,525,204</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	6,218,875	751,924	6,970,799
0012 Instructional Resources and Media Services	219,677	-	219,677
0013 Curriculum and Instructional Staff Development	78,868	-	78,868
0021 Instructional Leadership	167,482	-	167,482
0023 School Leadership	609,650	-	609,650
0031 Guidance, Counseling, and Evaluation Services	258,843	-	258,843
0033 Health Services	136,004	-	136,004
0034 Student (Pupil) Transportation	450,020	-	450,020
0035 Food Services	-	458,320	458,320
0036 Extracurricular Activities	314,435	-	314,435
0041 General Administration	776,613	-	776,613
0051 Facilities Maintenance and Operations	1,432,447	-	1,432,447
0052 Security and Monitoring Services	125,704	-	125,704
0053 Data Processing Services	210,578	-	210,578
Debt Service:			
0071 Principal on Long-Term Debt	106,088	225,000	331,088
0072 Interest on Long-Term Debt	25,452	65,545	90,997
6030 Total Expenditures	<u>11,130,736</u>	<u>1,500,789</u>	<u>12,631,525</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	792,472	101,207	893,679
<b>OTHER FINANCING SOURCES (USES):</b>			
7913 Capital Leases	219,105	-	219,105
1200 Net Change in Fund Balances	1,011,577	101,207	1,112,784
0100 Fund Balance - September 1 (Beginning)	<u>4,324,906</u>	<u>63,781</u>	<u>4,388,687</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,336,483</u>	<u>\$ 164,988</u>	<u>\$ 5,501,471</u>

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

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

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,112,784</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase net position.	543,268
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.	(603,280)
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, 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.	149,435
Current year changes due to GASB 68 resulted in a net effect on the change in the ending net position as a decrease in the amount of \$(218,177)	(218,177)
Current year changes due to GASB 75 resulted in a net effect on the change in the ending net position as an increase in the amount of \$105,089	105,089
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,089,119</b>

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



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,033,000	\$ 2,033,000	\$ 1,788,903	\$ (244,097)
5800 State Program Revenues	10,162,271	10,162,271	10,048,400	(113,871)
5900 Federal Program Revenues	135,000	135,000	85,905	(49,095)
5020 Total Revenues	12,330,271	12,330,271	11,923,208	(407,063)
EXPENDITURES:				
Current:				
0011 Instruction	6,952,577	6,881,927	6,218,875	663,052
0012 Instructional Resources and Media Services	235,341	235,341	219,677	15,664
0013 Curriculum and Instructional Staff Development	73,193	78,943	78,868	75
0021 Instructional Leadership	170,218	170,218	167,482	2,736
0023 School Leadership	588,669	609,669	609,650	19
0031 Guidance, Counseling, and Evaluation Services	264,089	264,089	258,843	5,246
0033 Health Services	109,709	139,709	136,004	3,705
0034 Student (Pupil) Transportation	454,178	573,283	450,020	123,263
0036 Extracurricular Activities	354,680	354,680	314,435	40,245
0041 General Administration	733,613	777,613	776,613	1,000
0051 Facilities Maintenance and Operations	1,259,500	1,559,500	1,432,447	127,053
0052 Security and Monitoring Services	160,925	160,925	125,704	35,221
0053 Data Processing Services	145,500	215,400	210,578	4,822
Debt Service:				
0071 Principal on Long-Term Debt	464,000	464,000	106,088	357,912
0072 Interest on Long-Term Debt	61,581	64,081	25,452	38,629
0073 Bond Issuance Cost and Fees	302,500	-	-	-
6030 Total Expenditures	12,330,273	12,549,378	11,130,736	1,418,642
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2)	(219,107)	792,472	1,011,579
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	219,105	219,105	-
1200 Net Change in Fund Balances	(2)	(2)	1,011,577	1,011,579
0100 Fund Balance - September 1 (Beginning)	4,324,906	4,324,906	4,324,906	-
3000 Fund Balance - August 31 (Ending)	\$ 4,324,904	\$ 4,324,904	\$ 5,336,483	\$ 1,011,579

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

**PROPRIETARY FUND FINANCIAL  
STATEMENTS**

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2021

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 34,736
Total Assets	34,736
NET POSITION	
Unrestricted Net Position	34,736
Total Net Position	\$ 34,736

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

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

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 17,852
Total Operating Revenues	17,852
OPERATING EXPENSES:	
Payroll Costs	20,117
Supplies and Materials	812
Total Operating Expenses	20,929
Operating Income (Loss)	(3,077)
Total Net Position - September 1 (Beginning)	37,813
Total Net Position - August 31 (Ending)	\$ 34,736

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

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

EXHIBIT D-3

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 17,852
Cash Payments to Employees for Services	(20,117)
Cash Payments for Suppliers	(812)
Net Cash Used for Operating Activities	(3,077)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Decrease in Cash and Cash Equivalents	(3,077)
Cash and Cash Equivalents at Beginning of Year	37,813
Cash and Cash Equivalents at End of Year	\$ 34,736
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (3,077)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	-
Net Cash Used for Operating Activities	\$ (3,077)

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

# **FIDUCIARY FUND FINANCIAL STATEMENTS**

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2021

	Total Custodial Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 249,979
Other Receivables	15,484
Total Assets	<u>265,463</u>
<b>LIABILITIES</b>	
Accounts Payable	37,843
Total Liabilities	<u>37,843</u>
<b>NET POSITION</b>	
Restricted for Other Purposes	227,620
Total Net Position	<u><u>\$ 227,620</u></u>

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

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

	Total Custodial Funds
<b>ADDITIONS:</b>	
Miscellaneous Revenue - Student	\$ 533,220
Earnings from Temporary Deposits	719
Total Additions	<u>533,939</u>
<b>DEDUCTIONS:</b>	
Supplies and Materials	454,331
Total Deductions	<u>454,331</u>
Change in Fiduciary Net Position	79,608
Total Net Position - September 1 (Beginning)	-
Prior Period Adjustment	<u>148,012</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 227,620</u></u>

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



# CHAPEL HILL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

CHAPEL HILL 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 *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

#### **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 is a Public Facility Corporation that is a blended component unit. The PFC was created to obtain financing to construct a new building.

#### **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 CHAPEL HILL INDEPENDENT SCHOOL DISTRICT and its component unit's non-fiduciary activities with most of the inter-fund 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. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. 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.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund 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.

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

### **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 proprietary fund and 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 un-matured 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. 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.

#### **D. FUND ACCOUNTING**

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

The District reports the following major governmental funds:

1. **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.

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

##### **Governmental Funds:**

1. **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.
2. **Debt Service Funds** -- 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.

##### **Proprietary Funds:**

1. **Enterprise Funds** -- The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's non-major Enterprise Fund is an after school program.

##### **Fiduciary Funds:**

1. **Custodial Fund** - The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as an agent for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting the detail of additions to and deductions from custodial funds causing a change in the fund net position whereas these details were not reported for agency funds. This change is a result of the implementation of GASB 84. The District's Custodial Fund is made up of student group funds.

## E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, 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 recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	5

4. Investments are carried at fair value.
5. Some cash and investments are restricted for future debt payments.
6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. 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 State-wide data base for policy development and funding plans.
9. Deferred Outflows/Inflows of Resources—The District 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 for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. The District implemented GASB Statement No. 75 Accounting and Financial Reporting for Other Post-Employment Benefits for the year ended August 31, 2018. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting, and related to TRS OPEB related to TRS Care. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS, and related to TRS Care. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

10. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Chapel Hill ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Chapel Hill ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent.

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Beginning of the Year</u>	<u>Change in Net Position</u>
Land	172,192	-	172,192	
Buildings	13,937,084	(5,148,049)	8,789,035	
Furniture & Equipment	2,274,431	(1,339,882)	934,549	
Construction in progress	-	-	-	
Change in Net Position	<u>16,383,707</u>	<u>(6,487,931)</u>	<u>9,895,776</u>	<u>9,895,776</u>
<u>Long-term liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			2,295,000	
Note Payable			769,063	
Premium/Discount			<u>134,252</u>	
Change in Net Position				<u>3,198,315</u>
Net Adjustment to Net Position				<u><u>6,697,461</u></u>

Another element of the reconciliation is the Public Facility Corporation, a blended component unit. Balances at the beginning of the year were:

Cash	7
Land	28,086
Buildings and improvements	3,705,831
Accumulated depreciation	(1,625,450)
Refunding bonds payable	(1,181,000)
Unamortized premium on refunding bonds	<u>134,877</u>
Net adjustments to net assets	1,062,351
Remove equipment not depreciated less than \$5,000 per item	<u>(185,000)</u>
	<u><u>877,351</u></u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current year Capital Outlay</u>			
Buildings & Improvements	-	-	-
Furniture & Equipment	212,180	212,180	212,180
Total Capital Outlay	212,180	212,180	212,180
Book value of asset disposition	-	-	-
<u>Debt Principal Payments &amp; Refundings</u>			
Bond Principal	225,000	225,000	225,000
Loan Principal	106,088	106,088	106,088
Total Principal Payments	331,088	331,088	331,088
Total Adjustment to Net Position		543,268	543,268

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	24,977	(24,977)	-
Uncollected taxes (assumed collectible) from Current Year Levy	10,598	10,598	10,598
Uncollected Taxes (assumed collectible) from Prior Year Levy	21,850	-	21,850
Effect of prior year tax entries	16,722	16,722	-
Debt proceeds	219,105	(219,105)	(219,105)
Amortization/ Accretion on Premiums/ Discounts	18,803	(18,803)	(18,803)
Recorded net income (loss) from Public Facility Corporation before depreciation and amortization	-	-	-
Principal paid or deferred on PFC debt not included above	385,000	385,000	385,000
Total		149,435	179,540

### III. 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 if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the 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 non-appropriated budget special revenue funds is as follows:

	August 31, 2021
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	58,630
Nonappropriated Budget Funds	-
	<hr/>
All Special Revenue Funds	<u>58,630</u>



#### **IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

##### **A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

###### **Cash and Cash Equivalents**

###### **District Policies and Legal and Contractual Provisions Governing Deposits**

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

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

As of August 31, 2021, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash, Money Markets and FDIC Insured Accounts	5,688,254	100%	-	-	-	N/A
Total Cash and Cash Equivalents	<u>\$ 5,688,254</u>	<u>100%</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Guaranty Bank & Trust
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$7,150,807.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$7,127,008 and occurred during the month of January, 2021.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,002.

### Investments

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. CHAPEL HILL INDEPENDENT SCHOOL DISTRICT is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for CHAPEL HILL INDEPENDENT SCHOOL DISTRICT are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2020, the district's investments in commercial paper were rated, AAAf/SI+ and AAAm by Standard & Poor's.

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

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

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

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

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

The District had no investments at August 31, 2021.

## **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 personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

## **D. DEBT SERVICE TAX RATE**

Prior to a Tax Ratification Election on August, 27, 2016 and subsequent swap of all Interest & Sink (I&S) rate to the Maintenance and Operations (M&O) rate, the voter approved tax rate for debt service was \$0.1059 per \$100 of valuation. In FYE 2020 statewide tax compression of M&O rates forced reductions, the approved I&S rate was reinstated by the same amount as the reduction to the M&O Rate. Continuing in compliance with compress, for FYE 2021, the overall rate was reduced from \$1.1459 to \$1.1038 with the M&O rate being reduced from \$1.0527 to \$0.9979 and the I&S rate being increased from \$0.9320 to \$0.1059.

This I&S tax effort maintains requisite local portions to receive the State share of debt service through Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) funding for the coming tax years. In addition to this extension of debt service revenue, the District continues a plan of reserving at \$300,000 per year toward debt service for retirement and reissuance in FY 2024 without a rate change. The current reserve for long-term debt retirement at the end of FYE 2021 was just over \$1,500,000.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2021, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	79,860	606,501	-	-	686,361
Nonmajor Governmental Funds	4,203	566,638	-	-	570,841
Total-Governmental Activities	<u>84,063</u>	<u>1,173,139</u>	<u>-</u>	<u>-</u>	<u>1,257,202</u>
Amount not scheduled for collection during the subsequent year	<u>33,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,626</u>

Payables at August 31, 2021, were as follows:

	Accounts	Loans, Leases, and Bonds Payable- Current Year	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	-	-	345,544	-	667,817	-	1,013,361
Nonmajor Governmental Funds	-	-	60,620	-	-	-	60,620
Total-Governmental Activities	<u>-</u>	<u>-</u>	<u>406,164</u>	<u>-</u>	<u>667,817</u>	<u>-</u>	<u>1,073,981</u>
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## F. CAPITAL ASSET ACTIVITY

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
District:				
Land	172,192	-	-	172,192
Buildings and Improvements	13,937,084	-	-	13,937,084
Furniture and Equipment	2,274,431	212,180	-	2,486,611
Construction in Progress	-	-	-	-
Public Facility Corporation:				
Land	28,086	-	-	28,086
Buildings and Improvements	3,520,831	-	-	3,520,831
Totals at Historic Cost	19,932,624	212,180	-	20,144,804
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,148,049)	(349,696)	-	(5,497,745)
Furniture and Equipment	(1,339,882)	(183,167)	-	(1,523,049)
Public Facility Corporation:				
Buildings and Improvements	(1,625,450)	(70,417)	-	(1,695,867)
Total Accumulated Depreciation	(8,113,381)	(603,280)	-	(8,716,661)
Governmental Activities Capital Assets, Net	11,819,243	(391,100)	-	11,428,143

Depreciation expense was charged to governmental functions as follows:

Instructional Resources & Media Services	17,005
Instruction	353,062
Student (Pupil) Transportation	134,612
Food Services	20,379
Curricular/Extracurricular Activities	55,017
General Administration	23,205
Total Depreciation Expense	603,280

## **G. BONDS PAYABLE AND LONG-TERM NOTES PAYABLE**

On September 14, 1995, Chapel Hill ISD (the "District") entered into a lease/purchase contract between the District and the Chapel Hill Independent School District Public Facility Corporation (the "PFC"). The PFC is a mirror of the District's Board of Trustees, and it was created to finance and own the new high school and related facilities and to lease the facilities to the District under the Lease/Purchase Agreement. The PFC issued Lease Revenue Bonds for \$4,130,000 under a trust indenture between the PFC and Bank of America which are secured by the revenues of the PFC under the Lease/Purchase with the District. The PFC purchased land from the District at its appraised value from the proceeds of the financing. Beginning August 1, 1996, and throughout the 20 year term of the Lease/Purchase, the District will make semi-annual lease payments to the PFC equal to the interest and principal of the Bonds. Upon making all payments under the Lease/Purchase Agreement or paying the Purchase Option Price equal to the amount of debt still outstanding, title to the land and the Project will be transferred to the District for payment of the \$1.00 Purchase Option Price. Construction was completed by August 31, 1997. The 1995 Lease Revenue Bonds were refunded with Series 1999 Lease Revenue Refunding bonds. In May, 2012 the 1999 Lease Revenue Refunding bonds were refunded with the Series 2012 Lease Revenue Refunding bonds. The refunding bonds are secured by revenues of the PFC under the Lease/Purchase with the District. The PFC is treated as a blended component unit for the government wide financial statements. The principal balance of the refunded debt is \$760,000 at August 31, 2021. The refunding was undertaken to reduce total debt service payments over 11 years by approximately \$979 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$106 thousand.

Proceeds from the sale of Maintenance Tax Notes, Series 2011 dated February 24, 2011 were received in February, 2011. Pursuant to section 45.108, the proceeds were used for the purpose of paying maintenance expenses of the District, including making various renovations to existing District facilities, purchasing certain personal property, and paying the costs of issuance on the notes. Principal and interest repayments are due February each year, and bear an interest rate of 1.37%.

The Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2011 dated November 9, 2011 were received during December, 2011 pursuant to Texas Government Code, Chapter 1207. Proceeds from the \$2,110,000 bonds were used to advance refund a portion of the District's outstanding bonds for debt service savings and to pay the costs of issuing the Bonds. Interest will range from 1.00% to 3.500%. Interest and principal are being repaid annually beginning in fiscal year 2012 and will continue until maturity in fiscal 2029. The refunding was undertaken to reduce total debt service payments over 20 years by approximately \$345 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$45 thousand. The principal balance of the refunded debt is \$1,205,000.

The Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2016 dated April 1, 2016 were received during April, 2016 pursuant to Texas Government Code, Chapter 1207. Proceeds from the \$1,400,000 bonds were used to advance refund a portion of the District's outstanding bonds for debt service savings and to pay the costs of issuing the Bonds. Interest will range from 2.00% to 4.00%. Interest and principal are being repaid annually beginning in fiscal year 2017 and will continue until maturity in fiscal 2029. The refunding was undertaken to reduce total debt service payments over 13 years by approximately \$210 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$187 thousand. The principal balance of the refunded debt is \$965,000.

Proceeds from the sale of Maintenance Tax Notes, Series 2019 dated November 26, 2019 were received in November, 2019. Pursuant to section 45.108, the proceeds were used for the purpose of paying maintenance expenses of the District, including making various renovations to existing District facilities, purchasing certain personal property, and paying the costs of issuance on the notes. Principal and interest repayments are due February each year, and bear an interest rate of 2.60%.

A summary of changes in general long-term debt for the year ended August 31, 2021 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/2021</u>
Maintenance Tax Notes, Series 2011	1.37%	1,084,000	10,761	564,000	-	(79,000)	485,000
Unlimited Tax Refunding Bonds, Series 2011	1.00% to 3.50%	2,110,000	40,997	1,275,000	-	(125,000)	1,150,000
Public Facility Corporation Lease Revenue Refunding Bonds, Series 2012	2.31%	3,311,000	35,944	1,181,000	-	(385,000)	796,000
Unlimited Tax Refunding Bonds, Series 2016	2.00%- 4.00%	1,400,000	29,550	1,020,000	-	(100,000)	920,000
Maintenance Tax Notes, Series 2019	2.60%	205,063	-	205,063	-	(27,088)	177,975
		<u>8,110,063</u>	<u>117,252</u>	<u>4,245,063</u>	<u>-</u>	<u>(716,088)</u>	<u>3,528,975</u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	736,792	87,633	824,425
2023	760,514	69,553	830,067
2024	371,256	50,708	421,964
2025	388,017	40,419	428,436
2026	405,798	29,501	435,299
2027-2031	866,598	34,195	900,793
	<u>3,528,975</u>	<u>312,009</u>	<u>3,840,984</u>

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

## H. COMMITMENTS UNDER LEASES

The District entered into a capital lease purchase agreement June 15, 2021 with U.S. Bank Equipment Finance for the purpose of purchasing two buses. The amount capitalized was \$219,105, the minimum annual payments of principal and interest are \$33,755 and the interest rate is 1.95%. The lease purchase is authorized by Section 271 of the Local Government Code.

Year Ended August 31	Principal	Interest	Total Requirements
2022	32,628	1,127	33,755
2023	30,119	3,636	33,755
2024	30,706	3,049	33,755
2025	31,305	2,450	33,755
2026	31,915	1,840	33,755
2027-2031	62,432	1,218	63,650
	<u>219,105</u>	<u>13,320</u>	<u>232,425</u>

## I. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
District:					
General Obligation Bonds	2,295,000	-	225,000	2,070,000	230,000
Maintenance Tax Note	769,063		106,088	662,975	112,792
Premiums/Discounts on Bonds	134,252	-	14,918	119,334	-
Public Facility Corporation:					
General Obligation Bonds	1,181,000	-	385,000	796,000	394,000
Premiums/Discounts on Bonds	(134,877)	33,721	-	(101,156)	-
Capital Leases	-	219,105	-	219,105	32,628
Total Governmental Activities	<u>4,244,438</u>	<u>252,826</u>	<u>731,006</u>	<u>3,766,258</u>	<u>769,420</u>

The District has no unused lines of credit. No assets have been pledged as collateral for debt.



## **J. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** CHAPEL HILL 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.

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.texas.gov>; 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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceed 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity	7.5%	7.5%
TRS		
Employers	7.5%	7.5%
District's 2021 Employer Contributions		\$ 259,068
District's 2021 Member Contributions		\$ 569,613
District's 2021 NECE On-Behalf Contributions		\$ 422,012

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 the following instances:

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

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

- . Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").
- . 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.

**Actuarial Assumptions.**

**Roll Forward** - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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

The following table discloses the assumptions that were applied to this measurement period.

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

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

**Discount Rate.** The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.66 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment 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.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2020, page 53.

Asset Class	Target Allocation <sup>1</sup> %	Long-Term Expected Geometric Real Rate of Return <sup>2</sup>	Expected Contribution to Long- Term Portfolio Returns
<b>Global Equity</b>			
USA	18.0 %	3.9 %	0.99 %
Non-U.S. Developed	13.0	5.1	0.92
Emerging Markets	9.0	5.6	0.83
Private Equity	14.0	6.7	1.41
<b>Stable Value</b>			
Government Bonds	16.0 %	(0.7)%	(0.05)%
Absolute Return (Including Credit Sensitive Investments)	—	1.8	—
Stable Value Hedge Funds	5.0	1.9	0.11
<b>Real Return</b>			
Real Estate	15.0 %	4.6 %	1.02 %
Energy, Natural Resources, and Infrastructure	6.0	6.0	0.42
Commodities	—	0.8	—
<b>Risk Parity</b>			
Risk Parity	8.0 %	3.0 %	0.30 %
<b>Asset Allocation Leverage</b>			
Cash	2.0 %	(1.5)%	(0.03)%
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00 %
Volatility Drag <sup>3</sup>			(0.67)%
<b>Expected Return</b>	<b>100.0 %</b>		<b>7.33 %</b>

<sup>1</sup> Target allocations are based on the FY2020 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2020 TRS CAFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$3,634,294	\$2,356,898	\$1,319,041

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2021, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,356,898 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to CHAPEL HILL INDEPENDENT SCHOOL DISTRICT. The amount recognized by CHAPEL HILL 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 CHAPEL HILL INDEPENDENT SCHOOL DISTRICT were as follows:

District's proportionate share of the collective net pension liability	\$ 2,356,898
State's proportionate share that is associated with the District	5,477,945
Total	<u>\$ 7,834,843</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.00004406495% which was an increase of 0.01% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation** – There were no changes in assumptions since the prior measurement date.

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

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

For the year ended August 31, 2021, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT recognized pension expense of \$259,068 and revenue of \$422,016 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2021, CHAPEL HILL 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 experience	\$4,304	\$65,775
Changes in actuarial assumptions	546,884	232,531
Net Difference between projected and actual investment earnings	47,714	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	143,411	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	259,068	27,605
Total	\$1,001,381	\$325,911

Year ended August 31:	Pension Expense Amount
2022	\$ 135,845
2023	135,968
2024	126,712
2025	39,109
2026	(20,701)
Thereafter	(533)

#### K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

**Plan Description.** The CHAPEL HILL 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.texas.gov> <http://www.trs.texas.gov/>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 40,010,833,815
Less: plan fiduciary net position	(1,996,317,932)
Net OPEB liability	<u>\$ 38,014,515,883</u>
Net position as a percentage of total OPEB liability	4.99%

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

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

**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 participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public school 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
	%	
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2021 FY Employer Contributions		\$ 55,482
District's 2021 FY Member Contributions		\$ 48,084
Measurement Year NECE On-Behalf Contributions		\$ 75,427

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

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,147 for FY 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal years 2021.

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

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

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

**Additional Actuarial Methods and Assumptions:**

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

The initial medical trend rates were 9.00 percent for Medicare retirees and 7.30 percent for non-medicare retirees and 7.30 percent for non-medicare retirees. There was an initial prescription drug trend rate of 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

#### Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB Liability:	\$ 3,368,891	\$ 2,807,414	\$ 2,363,923

**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
District's proportionate share of the Net OPEB Liability:	\$ 2,293,297	\$ 2,807,414	\$ 3,492,141

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2021, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,807,414 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 CHAPEL HILL INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 2,807,414
State's proportionate share that is associated with the District	<u>3,772,491</u>
Total	<u>\$6,579,905</u>

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

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.00073851105% compared to the 0.0006693765% as of August 31, 2019. This is an increase of 10 %.

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

- . The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability (TOL).



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

**Changes in Benefit Terms:** There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, CHAPEL HILL INDEPENDENT SCHOOL DISTRICT recognized OPEB expense of \$55,482 and revenue of \$75,427 for support provided by the State.

At August 31, 2021, CHAPEL HILL INDEPENDENT SCHOOL 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 actuarial experience	\$146,995	\$1,284,816
Changes in actuarial assumptions	173,159	770,930
Net Difference between projected and actual investment earnings	913	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	386,461	324,603
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	55,482	
Total	\$763,010	\$2,380,349

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

Year ended August 31:	OPEB Expense Amount
2022	\$ (294,273)
2023	(294,395)
2024	(294,466)
2025	(294,449)
2026	(219,461)
Thereafter	(275,777)

## L. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

### Retiree Health Care Coverage

**Plan Description.** CHAPEL HILL INDEPENDENT SCHOOL DISTRICT participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2021, 2020 and 2019. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal problems, the federal programs are required to contribution 1.0 %.

**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, 2020, and 2019 the subsidy payments received by TRS-Care on-behalf of the District were \$32,962, \$29,312 and \$22,676 respectively. The information for the year ended August 31, 2021 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

#### **Active Employee Health Care Coverage**

**Plan Description.** The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

#### **M. HEALTH CARE COVERAGE**

During the year ended August 31, 2021 employees of the Chapel Hill Independent School District were covered by a health insurance plan with TRS ActiveCare. The District paid premiums of \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents.

Maintenance of Effort:

Total Annual Premiums for health Care 2020-2021	376,330
Less Alternative Plans	-
2020-2021 Maintenance of Effort	<u>376,330</u>

#### **N. SELF FUNDED WORKER'S COMPENSATION**

During the year ended August 31, 2021, employees of the District were covered by the District's workers' compensation self-insurance plan as authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The costs associated with these self-insurance plans are reported as inter-fund transactions to the extent of amount actually determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General and Special Revenue Funds. The liabilities of these plans include incurred but not reported claims.

Changes in the balances of the claim liabilities during the past year for the worker's compensation plan are as follows:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Unpaid claims, beginning of the year	1,321	2,111
Incurred claims (including IBNR'S)	(6)	(715)
Claim Payments	(67)	(75)
Unpaid claims, end of fiscal year	1,248	1,321

#### O. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
IDEA Part B, Discretionary	-	1,219	1,219
Other	-	-	-
TOTAL	-	1,219	1,219

#### P. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except Head Start which is received directly from the U.S. Department of Health and Human Services.

FUND	STATE ENTITLEMENTS	FEDERAL GRANTS	OTHER	TOTAL
General	508,016	-	98,485	606,501
Special Revenue	217,693	348,945	-	566,638
Total	725,709	348,945	98,485	1,173,139

#### Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	1,491,208	157,614	1,648,822
Penalties, Interest and Other Tax-related Income	19,971	1,821	21,792
Investment Income	22,983	164	23,147
Food Sales	-	103,910	103,910
Tuition	225,515	-	225,515
Co-curricular	11,483	-	11,483
Insurance Recovery	5,949	-	5,949
Other	13,795	-	13,795
Total	1,790,904	263,509	2,054,413

## **R.      BLENDED COMPONENT UNIT**

The Public Facility Corporation is a blended component unit.

The assets and liabilities for the PFC at August 31, 2021 are:

### ASSETS:

Cash	7
Land	28,086
Buildings and equipment net of Accumulated depreciation	1,824,964
Premium net of accumulated amortization	101,156

### LIABILITIES:

Refunding bonds payable	(796,000)
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The income and expense for the year ended August 31, 2021 is:

### INCOME:

Rent income	412,281
-------------	---------

### EXPENSES:

Interest expense	27,281
Amortization of bond premium	33,721
Depreciation	70,417

## **S.      DEFERRED INFLOWS OF RESOURCES**

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

## **T.      RISK MANAGEMENT**

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

## **U.      COMMITMENTS AND CONTINGENCIES**

The District has no significant commitments or contingencies at August 31, 2021.

## **V.      LITIGATION**

The District has no pending litigation at August 31, 2021.

## **W.      SUBSEQUENT EVENTS**

Administration has evaluated subsequent events through December 2, 2021, the financial statement issuance date.

## **REQUIRED SUPPLEMENTAL INFORMATION**

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

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.000044065%	0.000044006%	0.000043001%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,356,898	\$ 2,287,595	\$ 2,366,904
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,477,945	4,800,549	5,297,926
Total	<u>\$ 7,834,843</u>	<u>\$ 7,088,144</u>	<u>\$ 7,664,830</u>
District's Covered Payroll	\$ 7,397,572	\$ 6,821,126	\$ 5,998,520
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.86%	33.53%	39.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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

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

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.000044418%	0.000041471%	0.000044072%	0.000022875%
\$ 1,420,236	\$ 1,567,141	\$ 1,557,888	\$ 611,024
3,181,523	3,917,908	3,678,602	3,161,724
\$ 4,601,759	\$ 5,485,049	\$ 5,236,490	\$ 3,772,748
\$ 5,858,198	\$ 5,710,664	\$ 5,608,784	\$ 5,369,342
24.24%	27.44%	27.78%	16.19%
82.17%	78.00%	78.43%	83.25%

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

	2021	2020	2019
Contractually Required Contribution	\$ 259,068	\$ 242,594	\$ 208,318
Contribution in Relation to the Contractually Required Contribution	(259,068)	(242,594)	(208,318)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,397,572	\$ 6,821,126	\$ 5,998,520
Contributions as a Percentage of Covered Payroll	3.50%	3.56%	3.47%

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

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



2018		2017		2016		2015	
\$	205,242	\$	184,126	\$	158,527	\$	162,378
	(205,242)		(184,126)		(158,527)		(162,378)
\$	-	\$	-	\$	-	\$	-
\$	5,858,198	\$	5,710,664	\$	5,608,784	\$	5,369,342
	3.50%		3.22%		2.83%		3.03%

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

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.00073851%	0.000066937%	0.000067729%	0.000074674%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,807,414	\$ 3,165,550	\$ 3,381,747	\$ 3,427,284
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,772,491	4,206,308	5,101,843	4,578,957
Total	<u>\$ 6,579,905</u>	<u>\$ 7,371,858</u>	<u>\$ 8,483,590</u>	<u>\$ 8,006,241</u>
District's Covered Payroll	\$ 7,397,572	\$ 6,821,126	\$ 5,998,520	\$ 5,858,198
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	37.95%	46.40%	56.38%	58.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

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

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

	2021	2020	2019	2018
Contractually Required Contribution	\$ 55,482	\$ 51,158	\$ 44,989	\$ 43,936
Contribution in Relation to the Contractually Required Contribution	(55,482)	(51,158)	(44,989)	(43,936)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,397,572	\$ 6,821,126	\$ 5,998,520	\$ 5,858,198
Contributions as a Percentage of Covered Payroll	0.75%	0.75%	0.75%	0.75%

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.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2021

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

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

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

*Changes of Assumptions.*

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

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefits.*

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

*Changes in Assumptions.*

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

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

## **COMBINING SCHEDULES**

## **NON-MAJOR GOVERNMENTAL FUNDS**



## EXHIBIT F-1 (Cont'd)

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	282 ESSER III	289 Other Federal Special Revenue Funds
\$ 26,517	\$ (650)	\$ (4,926)	\$ (149,605)	\$ (7,550)	\$ -	\$ -	\$ (5,465)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,113	650	4,926	149,605	7,550	22,615	38,005	5,465
<u>\$ 58,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,615</u>	<u>\$ 38,005</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,149	\$ 37,213	\$ -
-	-	-	-	-	466	792	-
-	-	-	-	-	-	-	-
-	-	-	-	-	22,615	38,005	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
58,630	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>58,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 58,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,615</u>	<u>\$ 38,005</u>	<u>\$ -</u>



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes		410 State Instructional Materials	411 Technology	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (198,049)	\$ (17,912)	\$ (1,732)	\$ (446,169)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	198,049	17,912	1,732	566,638
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,469</u>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ 59,362
2200	Accrued Expenditures	-	-	-	1,258
2300	Unearned Revenue	-	-	-	1,219
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,839</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	58,630
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,630</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,469</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 106,358	\$ (339,811)
4,203	4,203
(1,682)	(1,682)
-	566,638
<u>\$ 108,879</u>	<u>\$ 229,348</u>
\$ -	\$ 59,362
-	1,258
-	1,219
<u>-</u>	<u>61,839</u>
2,521	2,521
<u>2,521</u>	<u>2,521</u>
-	58,630
106,358	106,358
<u>106,358</u>	<u>164,988</u>
<u>\$ 108,879</u>	<u>\$ 229,348</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	210,555	184,978	-	-
5020 Total Revenues	210,555	184,978	-	-
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	210,555	184,978	-	-
0035 Food Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	210,555	184,978	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	282 ESSER III	289 Other Federal Special Revenue Funds
\$ 103,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,332	-	-	-	-	-	-	-
398,708	31,790	4,926	149,605	23,945	22,615	38,005	16,515
516,950	31,790	4,926	149,605	23,945	22,615	38,005	16,515
-	31,790	4,926	149,605	23,945	22,615	38,005	16,515
458,320	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
458,320	31,790	4,926	149,605	23,945	22,615	38,005	16,515
58,630	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 58,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	410 State Instructional Materials	411 Technology	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 103,910
5800 State Program Revenues	11,612	47,843	9,535	83,322
5900 Federal Program Revenues	-	-	-	1,081,642
5020 Total Revenues	11,612	47,843	9,535	1,268,874
EXPENDITURES:				
Current:				
0011 Instruction	11,612	47,843	9,535	751,924
0035 Food Services	-	-	-	458,320
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	11,612	47,843	9,535	1,210,244
1200 Net Change in Fund Balance	-	-	-	58,630
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 58,630

	599 Debt Service Fund		Total Nonmajor Governmental Funds
\$	159,599	\$	263,509
	173,523		256,845
	-		1,081,642
	333,122		1,601,996
	-		751,924
	-		458,320
	225,000		225,000
	65,545		65,545
	290,545		1,500,789
	42,577		101,207
	63,781		63,781
\$	106,358	\$	164,988

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value for School Tax Purposes
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.097900	105,165,832
2014	1.040000	0.105900	105,012,130
2015	1.040000	0.105900	108,684,266
2016	1.040000	0.105900	107,486,692
2017	1.145900	0.000000	115,942,752
2018	1.145900	0.000000	124,607,994
2019	1.145900	0.000000	133,510,690
2020	1.052700	0.093200	139,333,799
2021 (School year under audit)	0.997900	0.105900	150,463,490
1000 TOTALS			



(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 5,863	\$ -	\$ -	\$ -	\$ -	\$ 5,863
633	-	-	-	-	633
1,124	-	-	-	-	1,124
1,071	-	-	-	-	1,071
2,346	-	83	8	-	2,255
3,665	-	140	-	-	3,525
7,632	-	173	-	-	7,459
13,881	-	2,846	-	-	11,035
43,385	-	19,961	1,766	-	21,658
-	1,660,816	1,468,005	155,840	(7,531)	29,440
<u>\$ 79,600</u>	<u>\$ 1,660,816</u>	<u>\$ 1,491,208</u>	<u>\$ 157,614</u>	<u>\$ (7,531)</u>	<u>\$ 84,063</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 161,000	\$ 161,000	\$ 103,910	\$ (57,090)
5800 State Program Revenues	14,350	14,350	14,332	(18)
5900 Federal Program Revenues	276,500	291,253	398,708	107,455
5020 Total Revenues	451,850	466,603	516,950	50,347
EXPENDITURES:				
Current:				
0035 Food Services	451,850	466,603	458,320	8,283
6030 Total Expenditures	451,850	466,603	458,320	8,283
1200 Net Change in Fund Balances	-	-	58,630	58,630
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 58,630	\$ 58,630

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 184,429	\$ 184,429	\$ 159,599	\$ (24,830)
5800	State Program Revenues	155,801	155,801	173,523	17,722
5020	Total Revenues	340,230	340,230	333,122	(7,108)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	225,000	225,000	225,000	-
0072	Interest on Long-Term Debt	64,485	115,230	65,545	49,685
0073	Bond Issuance Cost and Fees	50,745	-	-	-
6030	Total Expenditures	340,230	340,230	290,545	49,685
1200	Net Change in Fund Balances	-	-	42,577	42,577
0100	Fund Balance - September 1 (Beginning)	63,781	63,781	63,781	-
3000	Fund Balance - August 31 (Ending)	\$ 63,781	\$ 63,781	\$ 106,358	\$ 42,577

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

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**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	672903
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1085011

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**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	91015
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	50072

**REPORT ON INTERNAL CONTROL,  
COMPLIANCE, AND FEDERAL AWARDS**



CPAs & Advisors

Bob J. Arnold, CPA, PFS  
Lanny G. Walker, CPA, PFS  
Kris Arnold, CPA, PFS  
Andrew Arnold, CPA  
Melissa J. Godfrey, CPA

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

Board of Trustees  
Chapel Hill Independent School District  
Mount Pleasant, Texas

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Chapel Hill 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 December 2, 2021.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 21-1 and 21-2 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**Chapel Hill ISD's Response to Findings**

Chapel Hill ISD's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Chapel Hill ISD's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

December 2, 2021

915 N. Jefferson Ave. • P.O.Box 1217 • Mt. Pleasant, TX 75456  
P. 903.572.6606 • F. 903.572.3751 • firm@awacpa.com

Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Chapel Hill Independent School District  
Mount Pleasant, Texas

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control over Compliance**

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

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

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

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

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

December 2, 2021



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2021

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

- a. The type of report issued on the financial statements of the CHAPEL HILL Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. See II below, no material weaknesses.
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. Unmodified opinion
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : N/A
- g. An identification of major programs: National School Lunch and Breakfast Program CFDA# 10.553 & 10.555
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

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

**2020-1 OPERATING BANK RECONCILIATION**

**Criteria-** Internal controls would call for reconciling the bank balance with the general ledger balances for the operating bank account monthly.

**Deficiency and Context-** The District's operating bank account was not reconciled to the general ledger every month end.

**Effect-** Some transactions were not recorded properly on the general ledger. The cause of this is recording all transactions within the same accounting period between the operating, finance clearing, and payroll clearing account. The difference between the District's cash balance per books and the operating bank reconciliation at August 31, 2021 was less than \$3,000.

**Cause-** The unreconciled difference was not identified month by month.

**Recommendation-** The bank reconciliation must be accomplished monthly. This difference must be identified and corrected each month. By combining the operating account and the finance clearing account, this process will be greatly simplified and allow for proper monthly reconciliation.

**2020-2 GRANT EXPENDITURE REPORTS**

**Criteria-** Grant expenditure reports should be filed timely throughout the year to gain reimbursement from grantor agencies to cover the expenditures as they are made throughout the year.

**Deficiency and Context-** Expenditure reports were not filed periodically during the fiscal year to gain payment for grant expenditures.

**Effect-** Because these grant expenditure reports were not filed periodically, approximately \$350 thousand of revenue was due from grantor agencies to cover expenditures on grants.

**Cause-** The District did not have steps in place to be sure these grant expenditure reports were filed periodically throughout the year.

**Recommendation-** The grant expenditure reports should be filed to gain reimbursement more timely. The Business manager and Federal Program Director should work in conjunction to be sure these are filed more timely.

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

**Above**  
None

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

2020-1 OPERATING BANK RECONCILIATION

See 2021-1

2020-2 GRANT EXPENDITURE REPORTS

See 2021-2

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

2021-1 OPERATING BANK RECONCILIATION

A greater effort was made to be sure all bank account drafts and ACH items were posted monthly. The District will combine the finance clearing and operating account to alleviate the need for accounting for all of the transactions between the two accounts.

2020-2 GRANT EXPENDITURE REPORTS

All of the grant expenditure reports have been filed and funds receivable August 31, 2021 were collected in September 2021. In 2021-2022 these will be filed at least quarterly.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021

CORRECTIVE ACTION

2020-1 OPERATING BANK RECONCILIATION

The operating bank account and finance clearing account will be combined. This will allow for timely and accurate reconciliation each month by the Business Manager.

2020-2 GRANT EXPENDITURE REPORTS

As of September, 2021, all of the reports have been filed and all funds have been drawn. In 2021-2022 these reports will be filed at least quarterly. The Business Manager and Superintendent will ensure this is accomplished.

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

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Other Entities</u>			
Title III, Part A - English Language Acquisition	84.365A	21671001225906	\$ 4,925
Total Passed Through Other Entities			4,925
<u>Passed Through State Department of Education</u>			
ESEA Title IV, Part A	84.424A	20680101225906	3,094
ESEA Title IV, Part A	84.424A	21680101225906	13,421
Total Assistance Listing Number 84.424A			16,515
ESEA Title I, Part A-Improving Basic Programs	84.010A	20610101225906	17,441
ESEA Title I, Part A-Improving Basic Programs	84.010A	21610101225906	193,114
Total Assistance Listing Number 84.010A			210,555
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501225906	31,140
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501225906	650
Total Assistance Listing Number 84.367A			31,790
*IDEA - Part B, Formula	84.027	20660001225906	72,484
*IDEA - Part B, Formula	84.027	21660001225906	112,494
Total Assistance Listing Number 84.027			184,978
Total Special Education Cluster (IDEA)			184,978
ESEA Title V, Part B Rural & Low Income Program	84.358B	20696001225906	4,352
ESEA Title V, Part B Rural & Low Income Program	84.358B	21696001225906	19,593
Total Assistance Listing Number 84.358B			23,945
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001225906	149,605
Elementary Secondary School Emergency Relief II	84.425D	21521001225906	22,615
Elementary Secondary School Emergency Relief III	84.425U	21528001225906	38,005
Total Assistance Listing Number 84.425			210,225
Total Passed Through State Department of Education			678,008
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			682,933
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	62,480
*National School Lunch Program - Cash Assistance	10.555	N/A	307,476
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	28,753
Total Assistance Listing Number 10.555			336,229
Total Child Nutrition Cluster			398,709
Total Passed Through the State Department of Agriculture			398,709
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			398,709
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,081,642

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
- **General Fund** - is used to account for , among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
- **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.  
  
With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343(b).
- Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$0.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards.	\$ 1,081,642
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SHARS Revenue reported in the General Fund	85,905
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Federal Program Revenue Reported on Exhibit C-3	1,167,547
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Total Federal Program Revenue	\$1,167,547
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# SCHOOLS FIRST QUESTIONNAIRE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2021

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