

HILL COLLEGE

Annual Financial Report

**For the Fiscal Year Ended
August 31, 2021**

HILL COLLEGE
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HILL COLLEGE
ORGANIZATIONAL DATA
For the Fiscal Year 2020- 2021

BOARD OF REGENTS

Officers

David Teel	President
Bill Galiga	Vice-President
Karen Brackin	Secretary

Members

		<u>Term Expires</u>
Dr. William Auvenshine	Hillsboro, Texas	2024
Karen Brackin	Itasca, Texas	2024
Kent Eubank	Whitney, Texas	2026
Bill Galiga	Hillsboro, Texas	2022
Dr. Allen Lane	Whitney, Texas	2024
Jolene Lehmann	Bynum, Texas	2026
Dwight Lloyd	Itasca, Texas	2022
Tony Marley	Hillsboro, Texas	2026
Jennifer Nowlin	Whitney, Texas	2022
Kevin Ray	Covington, Texas	2026
Rick Sullins	Abbott, Texas	2024
David Teel	Hillsboro, Texas	2022

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Pam Boehm	President
Jessyca Brown	Vice-President of External Affairs
Billy Don Curbo	Vice-President of Administrative Services
Dr. Kerry Schindler	Vice-President of Instruction
Lizza Trenkle	Vice-President of Student Services
Jessie White	Vice-President of Information Technology
Craig Balch	Dean of Students, JCC
Brian Bennett	Dean of Instruction, Business & Industry Pathways
Debbie Gerik	Dean of Financial Services
Nancy McKenzie	Dean of Instruction, Academic Pathways
Lori Moseley	Dean of Instruction, Health & Public Service Pathways
Scott Nalley	Dean of Students, HCC
Stephen Pape	Dean of Continuing Education
John Versluis	Dean of Texas Heritage Museum



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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Regents
Hill College
Hillsboro, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Hill College, (the College) as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 Hill College as of August 31, 2021, and 2020, and the respective changes in financial position, and cash flows thereof for the years 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, the Schedule of College's Proportionate Share of Net Pension Liability, the Schedule of College's Pension Contributions, the Schedule of College's Share of Net OPEB Liability, and the Schedule of College's OPEB Contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental schedules (schedules A through D), as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are 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 the State of Texas Single Audit Circular, and are also not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The supplemental schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the College'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 College's internal control over financial reporting and compliance.



Temple, Texas
December 20, 2021

Management's Discussion and Analysis

This section of Hill College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal year ended August 31, 2021. This annual report contains financial statements which are in conformance with Governmental Accounting Standards Board (GASB). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The following summary and management's discussion and analysis is intended to provide readers with an overview of the basic financial statements. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. The College adopted GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* effective September 1, 2014. With the adoption of GASB No. 68, the College recognized a net pension liability in the statement of net position for its proportionate share of participation in the Teacher Retirement System of Texas defined benefit pension plan. With the adoption of GASB No. 71, the College recognized deferred outflows of resources in the statement of net position for contributions made to this defined benefit pension plan after the measurement date (August 31, 2014). The cumulative effect of these changes in accounting principles decreased unrestricted net position by \$2,747,707 at September 1, 2014. For additional information on accounting policy refer to Notes 1 and 2 in the "Notes to the Financial Statements".

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015 and amended GASB Statement No. 45. It became effective for governmental financial statements of employers for fiscal years beginning after June 15, 2017. Together these statements define how Other Postemployment Benefit (OPEB) liabilities are calculated by plans and reported by employers and other non-employer contributing entities who prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). An employer's proportion is a measure of the proportionate relationship of (1) the employer to (2) all employers and all non-employer contributing entities. The basis for the employer's proportion should be consistent with the manner in which contributions to the OPEB plan are determined. TRS has determined that using one year of historical contributions is the best representation of this requirement.

Financial statements for the College's component unit, Hill College Foundation (the Foundation), are issued independently of the College. The Foundation's financial information is included in the College's annual report as a discrete component unit (see table of contents). More details on the Foundation are in Note 21 in the Notes to the Financial Statements.

Statement of Financial Position of Unrestricted Net Position, Exclusive of Plant Assets and Plant-Related Debt

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current Assets	\$ 23,294,122	\$ 19,384,387	\$ 18,495,308
Capital Assets	25,183,971	25,477,516	25,845,404
Other Noncurrent Assets	4,765,404	4,074,734	1,896,735
Total Assets	<u>\$ 53,243,497</u>	<u>\$ 48,936,637</u>	<u>\$ 46,237,447</u>
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	\$ 1,763,757	\$ 2,274,553	\$ 2,236,711
Deferred Outflows Related to OPEB	3,556,046	4,725,636	4,464,204
Total Deferred Outflows of Resources	<u>5,319,803</u>	<u>7,000,189</u>	<u>6,700,915</u>
Liabilities:			
Current Liabilities	\$ 5,957,273	\$ 5,864,902	\$ 6,113,633
Noncurrent Liabilities	18,568,185	19,219,300	16,518,494
Total Liabilities	<u>\$ 24,525,458</u>	<u>\$ 25,084,202</u>	<u>\$ 22,632,127</u>
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions	\$ 911,451	\$ 1,155,780	\$ 794,826
Deferred Inflows Related to OPEB	3,156,922	3,053,048	4,810,972
Total Deferred Inflows of Resources	<u>4,068,373</u>	<u>4,208,828</u>	<u>5,605,798</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 25,183,971	\$ 25,477,516	\$ 25,845,404
Restricted-nonexpendable	2,333,942	2,089,909	1,726,972
Restricted-expendable	(92,656)	137,896	(37,815)
Unrestricted	2,544,212	(1,061,525)	(2,834,124)
Total Net Position	<u>\$ 29,969,469</u>	<u>\$ 26,643,796</u>	<u>\$ 24,700,437</u>
GASB 68 and 75 Impact on Net Position:			
Total Net Position	\$ 29,969,469	\$ 26,643,796	\$ 24,700,437
Deferred Outflows Related to Pensions	(1,763,757)	(2,274,553)	(2,236,711)
Deferred Outflows Related to OPEB	(3,556,046)	(4,725,636)	(4,464,204)
Deferred Inflows Related to Pensions	911,451	1,155,780	794,826
Deferred Inflows Related to OPEB	3,156,922	3,053,048	4,810,972
Net Pension Liability	4,211,736	4,277,618	4,196,185
Net OPEB Liability	14,279,449	14,862,932	12,246,559
Net OPEB Liability-Current Portion	492,748	486,491	182,834
Total Impact of GASB 68 & 75	<u>17,732,503</u>	<u>16,835,680</u>	<u>15,530,461</u>
Net Position Net of GASB 68 & 75 Impact	<u>47,701,972</u>	<u>43,479,476</u>	<u>40,230,898</u>
Less:			
Invested in Capital Assets, Net of Related Debt	25,183,971	25,477,516	25,845,404
Restricted-nonexpendable	2,333,942	2,089,909	1,726,972
Restricted-expendable	(92,656)	137,896	(37,815)
Unrestricted Net Position, Exclusive of Plant Assets and Plant-Related Debt	<u>20,276,715</u>	<u>15,774,155</u>	<u>12,696,337</u>

Changes in the “Statement of Unrestricted Net Position, Exclusive of Plant Assets and Plant-Related Debt” are derived from the activity reported in the “Statement of Revenues, Expenses, and Changes in Net Position”. This statement is intended to give its readers an indication of the institution’s financial condition at a given point in time, for example at year’s end.

Net Position is divided into three major categories. The first category, “Invested in Capital Assets Net of Related Debt,” represents the College’s equity in property, plant and equipment owned by the institution. The next category “Restricted” is further divided into two categories: Nonexpendable and Expendable. Nonexpendable is derived from Grants and Endowments. Expendable is available for expenditures but must be spent in accordance with the restriction of donors and other external entities. The final category, “Unrestricted”, is available to the institution for any lawful purpose of the College.

The largest component of “Capital Assets” is the College’s investment in buildings and other real estate improvements, \$23,061,136. The buildings owned by Hill College are only 36% depreciated, which is an indication of the age of the facilities. Most buildings are relatively new and are in good repair. The \$4,306,860 increase in total assets from FY20 to FY21 is due to a \$3,909,735 increase in current assets. The increase in current assets is primarily the result of a \$3,911,285 increase in cash. The decrease in Capital Assets from FY19 to FY20 and to FY21 is due to depreciation.

Other than \$77,000 “Dorm Deposits Payable”, all other noncurrent liabilities are the result of GASB 68 pension liability and GASB 75 Other Postemployment Benefit (OPED) liability.

It is important to note that current liabilities are only 26% of current assets. This is an indication of the college’s ability to meet its short-term obligations as they come due and still have resources available for any unforeseen contingency.

The \$3,325,673 increase in Total Net Position from FY20 to FY 21 is primarily the result of the additional CARES Act grants. When adjusted for the impact of GASB 68 pension liability and GASB 75 Other Postemployment Benefit (OPEB) liability, there is an increase in “Unrestricted Net Position, Exclusive of Plant Assets and Plant-Related Debt” of \$1,241,408 in FY19 and \$3,077,818 in FY20 and \$4,502,560 in FY21, which is an indication the college is living within its means and is in good financial condition.

The College’s financial position is strong and stable as reflected in Exhibit 1 once it is adjusted for the impact of GASB 68 and GASB 75, as reflected in the above statement of Net Position. Unrestricted net position is critical to support the College’s overall mission; therefore, it is important that unrestricted net position be adequately maintained. The College has not been required to use these resources to fund operations.

For additional information on “Statement of Net Position” refer to “Notes to the Financial Statements”.

Statement of Revenues, Expenses and Changes in Net Position
Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Tuition and fees (net of discounts)	\$ 4,187,928	\$ 5,810,161	\$ 4,662,749
Federal grants and contracts	4,995,640	1,158,960	171,125
State grants and contracts	351,612	325,573	292,229
Non-governmental grants and contracts	1,968,357	1,641,050	1,990,751
Auxiliary enterprises (net of discounts)	462,011	598,389	653,280
Other operating revenues	<u>2,792,709</u>	<u>156,609</u>	<u>191,723</u>
Total Operating Revenues	14,758,257	9,690,742	7,961,857
Operating Expenses:			
Instruction	10,039,486	10,731,539	10,506,665
Public Service	-	-	-
Academic support	2,171,412	2,244,466	2,244,785
Student services	2,481,201	2,732,525	2,577,433
Institutional support	7,927,045	5,193,592	5,011,564
Operation and maintenance of plant	2,722,292	2,443,994	2,325,473
Scholarships and fellowships	4,704,371	3,414,504	2,489,208
Auxiliary enterprises	1,086,017	1,032,587	1,261,920
Depreciation	<u>979,236</u>	<u>991,927</u>	<u>994,988</u>
Total Operating Expenses	<u>32,111,060</u>	<u>28,785,134</u>	<u>27,412,036</u>
Operating Loss	(17,352,803)	(19,094,392)	(19,450,179)
Non-Operating Revenues (Expenses):			
State Appropriations	8,983,618	9,344,752	8,774,129
Maintenance ad valorem taxes	1,993,510	1,910,393	1,879,627
Branch campus maintenance tax	4,184,475	3,783,404	3,614,881
Federal revenue, non-operating	4,553,009	3,553,592	4,528,025
Gifts	100,403	43,690	402,037
Investment income	781,217	822,795	254,224
Interest on capital-related debt	-	-	(7,586)
Other non-operating revenues (expenses)	<u>(3,706)</u>	<u>(12,358)</u>	<u>(75,404)</u>
Net Non-Operating Revenues	<u>20,592,526</u>	<u>19,446,268</u>	<u>19,369,933</u>
Income Before Other Revenues (Expenses)	3,239,723	351,876	(80,246)
Other Revenues (Expenses):			
Additions to permanent endowments	<u>85,950</u>	<u>351,054</u>	<u>41,888</u>
Increase (Decrease) in Net Position	3,325,673	702,930	(38,358)
Net Position, Beginning of Year, as Previously Reported	26,643,796	24,700,437	24,738,795
Cumulative Effect of Change in Accounting Principle	-	-	-
Prior Period Adjustment	-	1,240,429	-
Net Position, Beginning of Year, as Restated	<u>26,643,796</u>	<u>25,940,866</u>	<u>24,738,795</u>
Net Position at End of Year	<u>\$ 29,969,469</u>	<u>\$ 26,643,796</u>	<u>\$ 24,700,437</u>

The "Statement of Revenues, Expenses and Changes in Net Position" presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Generally speaking, operating revenues or expenditures are those earned or incurred by the institution from its normal activity of carrying out its mission of providing educational programs to the citizens of its service area.

The College is primarily dependent upon three sources of revenue: state appropriations; tuition and fees; and property taxes. Since state appropriations and property taxes are classified as Non-Operating Revenues (per GASB), Texas community colleges will generally display an operating deficit before taking into account other support. Therefore, total revenues and total expenses should be considered in assessing the change in the College’s financial position.

The operating revenue reported in the “Statement of Revenues, Expenses and Changes in Net Position” is derived from the activity reported in Schedule A “Schedule of Operating Revenues”.

The Operating expenses reported in the “Statement of Revenues, Expenses and Changes in Net Position” are derived from the activity reported in Schedule B “Schedule of Operating Expenses by Object”.

The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The \$1,147,412 increase in “Tuition and fees (net of discounts)” in FY20 compared to FY19 is not an indication of increased enrollment but rather an indication of a \$1,353,797 decline in the amount of Title IV funds students received to pay for tuition and fees. The \$987,835 increase in “Federal Grants and Contracts” from FY19 to FY20 and the \$3,836,680 increase from FY20 to FY21 is due to “Higher Education Emergency Relief Funds (HEERF)” received due to COVID-19. The \$2,636,100 increase in “Other Operating Revenues” is due to receipt of \$564,364 insurance proceeds due to the February ice storm and over \$2,000,000 received from HEERF to cover lost revenue for the year and salaries of employees who were paid but not able to work effectively from home during the COVID-19 shut down. The increase in “Operating Expense” from FY19 to FY20 is primarily the result of 3% employee raises in FY20. The increase in “Operating Expense” from FY20 to FY21 is a combination of 3% employee raises in FY21 and HEERF disbursements to students in the amount of \$947,779.

For additional information on “Statement of Revenues, Expenses and Changes in Net Position” refer to “Notes to the Financial Statements”.

Condensed Statement of Cash Flows

	2021	2020	2019
Cash Flows from			
Operating Activities	\$ (13,501,633)	\$ (15,564,475)	\$ (12,910,263)
Noncapital Financing Activities	18,035,325	16,748,259	16,749,062
Capital and Related Financing Activities	(685,692)	(634,894)	(398,981)
Investing Activities	(267,512)	255,330	(1,205,057)
Net Increase in Cash and Cash Equivalents	3,580,488	804,220	2,234,761
Cash at Beginning of Year	8,647,635	7,843,415	5,608,654
Cash at End of Year	<u>\$ 12,228,123</u>	<u>\$ 8,647,635</u>	<u>\$ 7,843,415</u>

The “Statement of Cash Flows” is a detailed analysis of the change in cash and cash equivalents that occurred during the year. This statement consists of five components.

(1) Cash Flows from Operating Activities

This section deals with the change in cash due to the normal operating activity of the institution. Refer to the net income or loss recorded in the “Statement of Revenues, Expenses and Changes in Net Position”.

(2) Cash Flows from Noncapital Financing Activities

For Hill College this is a combination of state appropriated funds, property tax revenue, and receipts from non-operating federal revenues.

(3) Cash Flows from Capital and Related Financing Activities

This deals with the change in cash due to acquisition or disposition of capital assets and with payments on capital debt and leases.

(4) Cash Flows from Investing Activities

This reflects cash flows resulting from investing activities.

(5) Reconciliation of Operating Income (Loss) to Net Cash used by Operating Activities

This section reconciles the net change in cash with the operating income (loss) reported in the "Statement of Revenues, Expenses, and Changes in Net Position". This reconciliation is necessary because of changes that may affect cash without having a corresponding effect on revenue or expense, for example: changes in accounts receivable, accounts payable, deferred revenue, etc. Items that may affect revenue or expense without affecting cash, such as depreciation, also create a need for this reconciliation.

For additional information on "Statement of Cash Flows" refer to "Notes to the Financial Statements".

Capital Asset and Debt Administration

Hill College made its final bond payment May 2019 and is currently debt free.

For additional information concerning Capital Assets, see Note 5.

Discussion of Currently Known Facts, Decisions, or Conditions

Hill College currently maintains an A2 bond rating with Moody's Investors Services.

The dual credit tuition and fees rate remains frozen at the 14/15 rate.

Hill College is scheduled to move into a new Burleson Higher Education Center during fall 2022.

FINANCIAL STATEMENTS

Hill College
Exhibit 1
Statement of Net Position
August 31, 2021 and August 31, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,823,726	\$ 7,912,441
Short Term Investments	7,441,217	7,410,324
Accounts Receivable (Net)	3,447,037	3,505,660
Deferred Charges	442,817	481,646
Prepaid Expenses	139,325	74,316
Total Current Assets	<u>23,294,122</u>	<u>19,384,387</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	404,397	735,194
Restricted Investments	110,693	109,593
Endowment Investments	1,982,219	1,424,824
Other Noncurrent Investments	2,267,995	1,804,788
Deferred Charges	100	335
Capital Assets, (Net) (Note 5)	25,183,971	25,477,516
Total Noncurrent Assets	<u>29,949,375</u>	<u>29,552,250</u>
Total Assets	<u>53,243,497</u>	<u>48,936,637</u>
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	1,763,757	2,274,553
Deferred Outflows Related to OPEB	3,556,046	4,725,636
Total Deferred Outflows of Resources	<u>5,319,803</u>	<u>7,000,189</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	467,549	416,952
Accrued Liabilities	85,430	95,920
Funds Held for Others	212,307	186,078
Deferred Revenue	4,699,239	4,679,461
Net OPEB Liability - Current Portion	492,748	486,491
Total Current Liabilities	<u>5,957,273</u>	<u>5,864,902</u>
Noncurrent Liabilities		
Dorm Deposits Payable	77,000	78,750
Net Pension Liability	4,211,736	4,277,618
Net OPEB Liability	14,279,449	14,862,932
Total Noncurrent Liabilities	<u>18,568,185</u>	<u>19,219,300</u>
Total Liabilities	<u>24,525,458</u>	<u>25,084,202</u>
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	911,451	1,155,780
Deferred Inflows Related to OPEB	3,156,922	3,053,048
Total Deferred Inflows of Resources	<u>4,068,373</u>	<u>4,208,828</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	25,183,971	25,477,516
Restricted for:		
Nonexpendable		
Student Aid	2,333,942	2,089,909
Expendable		
Student Aid	(92,656)	137,896
Unrestricted	2,544,212	(1,061,525)
Total Net Position (Schedule D)	<u>\$ 29,969,469</u>	<u>\$ 26,643,796</u>

The accompanying notes are an integral part of the financial statements.

Hill College Foundation
Exhibit 1-A
Statement of Financial Position
August 31, 2020 and August 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 525,331	\$ 275,360
Investments	475,249	
Internal balances	4,366	579,509
	<u>1,004,946</u>	<u>854,869</u>
Total Current Assets		
Noncurrent Assets:		
Receivables-restricted	113,256	235,565
Investments-restricted	7,055,219	6,380,054
Capital Assets, net of accumulated depreciation	1,179,694	1,179,694
	<u>8,348,169</u>	<u>7,795,313</u>
Total Noncurrent Assets		
	<u>9,353,115</u>	<u>8,650,182</u>
Total Assets		
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable	15,369	-
	<u>15,369</u>	<u>-</u>
Total Current Liabilities		
 NET ASSETS		
Without donor restrictions:		
Operating	654,479	613,860
Fixed Assets	1,179,694	1,179,694
Total without donor restrictions	1,834,173	1,793,554
With donor restrictions	7,503,573	6,856,628
Total Net Assets	<u>9,337,746</u>	<u>8,650,182</u>
Total Liabilities and Net Assets	<u>\$ 9,353,115</u>	<u>\$ 8,650,182</u>

Hill College
Exhibit 2
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2021 and August 31, 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Tuition and Fees (net of discounts of \$4,485,085 and \$3,742,490 respectively)	\$ 4,187,928	\$ 5,810,161
Federal Grants and Contracts	4,995,640	1,158,960
State Grants and Contracts	351,612	325,573
Non-Governmental Grants and Contracts	1,968,357	1,641,050
Auxiliary Enterprises (net of discounts of \$441,875 and \$392,300 respectively)	462,011	598,389
General Operating Revenues	<u>2,792,709</u>	<u>156,609</u>
Total Operating Revenues (Schedule A)	14,758,257	9,690,742
Operating Expenses		
Instruction	10,039,486	10,731,539
Academic Support	2,171,412	2,244,466
Student Services	2,481,201	2,732,525
Institutional Support	7,927,045	5,193,592
Operation and Maintenance of Plant	2,722,292	2,443,994
Scholarships	4,704,371	3,414,504
Auxiliary Enterprises	1,086,017	1,032,587
Depreciation	<u>979,236</u>	<u>991,927</u>
Total Operating Expenses (Schedule B)	32,111,060	28,785,134
Operating Loss	(17,352,803)	(19,094,392)
Non-Operating Revenues (Expenses)		
State Appropriations	8,983,618	9,344,752
Maintenance Ad Valorem Taxes	1,993,510	1,910,393
Branch Campus Maintenance Tax	4,184,475	3,783,404
Federal Revenue, Non Operating	4,553,009	3,553,592
Gifts	100,403	43,690
Investment Income	781,217	822,795
Other Non-Operating Revenues (Expenses)	<u>(3,706)</u>	<u>(12,358)</u>
Net Non-Operating Revenues (Schedule C)	20,592,526	19,446,268
Income Before Other Revenues (Expenses)	3,239,723	351,876
Other Revenues (Expenses)		
Additions to Permanent and Term Endowments	<u>85,950</u>	<u>351,054</u>
Total Other Revenues	85,950	351,054
Increase in Net Position	3,325,673	702,930
Net Position		
Net Position - Beginning of Year	26,643,796	24,700,437
Prior Period Adjustment	-	1,240,429
Net Position, Beginning of Year, as Restated	<u>26,643,796</u>	<u>25,940,866</u>
Net Position - End of Year	\$ 29,969,469	\$ 26,643,796

The accompanying notes are an integral part of the financial statements.

Hill College Foundation
Exhibit 2-A
Statement of Activities
Years Ended August 31, 2020 and August 31, 2019

	<u>2020</u>	<u>2019</u>
Revenues, Gains and Other Support:		
Interest and Dividends	\$ 188,194	\$ 186,963
Gain/(Loss) on Sale of Securities	230,848	274,403
Unrealized Gain/(Loss)	279,810	(139,801)
Farm and Lease Revenue	111,383	95,723
Other Miscellaneous Revenue	<u>12,974</u>	<u>12,848</u>
Total revenues, gains and other support	<u>823,209</u>	<u>430,136</u>
Expenses:		
Programs:		
Contribution to Hill College	11,004	362,345
Total programs	<u>11,004</u>	<u>362,345</u>
Investment Management Fees	103,549	100,743
Legal Fees	138	647
Accounting Fees	3,561	1,861
Property Taxes	6,786	6,817
Insurance	8,569	4,944
Other Expenses	<u>2,038</u>	<u>5,664</u>
Total Expenses	<u>135,645</u>	<u>483,021</u>
Increase in Net Assets	687,564	(52,885)
Net Assets, Beginning of Year	<u>8,650,182</u>	<u>8,703,067</u>
Net Assets, End of Year	<u>\$ 9,337,746</u>	<u>\$ 8,650,182</u>

Hill College
Exhibit 3
Statement of Cash Flows
Years Ended August 31, 2021 and August 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 4,982,968	\$ 4,577,588
Receipts from grants and contracts	7,160,096	3,995,564
Payments to suppliers for goods and services	(10,835,878)	(8,093,976)
Payments to or on behalf of employees	(12,833,126)	(12,798,954)
Payments for scholarships	(4,704,371)	(3,414,504)
Other receipts	2,728,678	169,807
Net cash used by operating activities	(13,501,633)	(15,564,475)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state appropriations	7,097,880	7,100,604
Receipts from nonoperating federal revenues	4,553,009	3,553,592
Receipts from ad valorem taxes	6,177,984	5,693,798
Receipts from student organizations and other agency transactions	99,894	89,400
Payments to student organizations and other agency transactions	(75,300)	(98,729)
Gifts for other than capital purposes	186,353	394,744
Other payments	(4,495)	14,850
Net cash provided by noncapital financing activities	18,035,325	16,748,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(685,692)	(645,806)
Other receipts	-	10,912
Net cash used by capital and related financing activities	(685,692)	(634,894)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,307,546)	(1,531,775)
Sale of investments	849,196	1,617,431
Interest on investments	190,838	169,674
Net cash provided (used) by investing activities	(267,512)	255,330
Increase (decrease) in cash and cash equivalents	3,580,488	804,220
Cash and cash equivalents - September 1	8,647,635	7,843,415
Cash and cash equivalents - August 31	\$ 12,228,123	\$ 8,647,635
Reconciliation of net operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (17,352,803)	\$ (19,094,392)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	979,236	991,927
Payments made directly by state for benefits	1,885,738	2,244,148
Changes in assets and liabilities:		
Receivables (net)	55,466	(620,728)
Prepaid expenses	(65,009)	123,598
Other assets	75	0
Accounts payable	38,356	(184,848)
Deferred revenue	20,706	(380,002)
Deferred charges	936,602	1,355,822
Net cash used by operating activities	\$ (13,501,633)	\$ (15,564,475)

The accompanying notes are an integral part of the financial statements.

1. Reporting Entity

The authorization to establish Hill College was issued in 1921 by the Attorney General of the State of Texas under the name of Hillsboro Junior College. The College first enrolled students in September of 1923. Hillsboro Junior College operated continuously until July of 1950 when it closed after an attempt to establish a countywide college system failed. The college lay dormant for eleven years during which time the charter was protected from forfeiture through the efforts of the late Senator Crawford Martin of Hillsboro. On March 3, 1962, a bond issue was passed for the purpose of building a new campus. The college opened for business in September of 1962 under a new name, Hill Junior College. The new college district was expanded by the voluntary annexation of five Hill County school districts other than the original Hillsboro school district. In 1974, the college opened an extension center in Cleburne, Texas, located in Johnson County. In 1997 and 1998, the citizens of eight Johnson County school districts approved a local maintenance and operation tax for the purpose of supporting the branch campus of Hill College in Johnson County. The Hill Junior College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The college awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1. Board policy requires the College maintain a minimum of current assets in excess of current liabilities in an amount that equals at least 25 percent of the total current funds budgeted expenditures. For the years ended August 31, 2021 and August 31, 2020, respectively, the minimum unrestricted fund balance to be maintained was \$6,188,123 and \$5,936,223. The College exceeded this minimum required fund balance for both years.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows

In addition to assets, the College is aware 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) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on a refunding debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated public funds investment pools comprised of \$5,278,943 and \$5,272,834 at August 31, 2021 and August 31, 2020 to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

The college records capital assets at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to building, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retirement Health Plan (SRHP) 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 SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of 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.

Deferred Revenue

Tuition and fees of \$3,696,929 and \$3,803,563, dorm rental and food service fees of \$457,460 and \$432,620, and state grants of \$112,500 and \$10,000 have been reported as deferred revenues at August 31, 2021 and 2020, respectively.

Deferred Inflows

In addition to liabilities, the College is aware 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, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the College is aware actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operations of the bookstore and college food service are not performed by the College.

Prior Year Restatement

A restatement of beginning net position as of September 1, 2019 was required for the recording of donated investments. In December of 2000, A.D. and Alta Mae Wheat created a charitable remainder unitrust for the benefit of Hill College. Upon their deaths, the assets in the trust were to transfer to Hill College under the condition that the college construct a Health Science Center on its Johnson County Campus and name it after their daughter, Margie Faye Wheat. This building was constructed and named after Margie Faye Wheat in 2002. A.D. Wheat died September 23, 2005 and was preceded in death by his wife, Alta Mae Wheat. At that time, according to the trust, the assets in the trust became the property of Hill College. However, these investments were not transferred from the A.D. and Alta Mae Wheat Charitable remainder unitrust to Hill College and the gift was not recorded in the College's financial statements until September 1, 2019. The investment in the account continued to be invested and managed in the name of the trust without

the involvement of Hill College. A prior year adjustment of \$1,240,429 was made to record the value of the assets as of September 1, 2019.

Beginning net position as of September 1, 2019 has been restated as follows:

Beginning Net Position	\$ 24,700,437
Prior Period Adjustment-Donated Investments	<u>1,240,429</u>
Beginning Net Position, as Restated	<u>\$ 25,940,866</u>

3. Authorized Investments

Hill College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The Board of Regents of Hill College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the College are in compliance with the Regent's investment policies. In addition, there were no instances of non-compliance with regards to the Public Funds Investment Act.

4. Deposits and Investments

Cash and Deposits included on Exhibit 1, Statement of Net Position, consist of the items reported below:

Cash and Deposits

	<u>2021</u>	<u>2020</u>
Bank Deposits		
Demand Deposits	\$ 12,224,383	\$ 8,643,895
Cash and Cash Equivalents		
Petty Cash on Hand	<u>3,740</u>	<u>3,740</u>
Total Cash and Deposits	<u>\$ 12,228,123</u>	<u>\$ 8,647,635</u>

Reconciliation of Deposits and Investments to Exhibit 1:

Type of Security	Market Value August 31, 2021	Market Value August 31, 2020
Total Cash and Deposits	\$ 12,228,123	\$ 8,647,635
Certificate of Deposit	2,272,967	2,272,174
Investment Pools	5,278,943	5,272,834
Stocks	2,267,995	1,804,788
Equity/Stock Mutual Funds	1,882,430	1,299,934
Short-Term Mutual Funds	99,789	99,799
Money Market Mutual Funds	-	-
Total Investments	<u>\$ 11,802,124</u>	<u>\$ 10,749,529</u>
Total Deposits and Investments	<u>\$ 24,030,247</u>	<u>\$ 19,397,164</u>
Cash and Cash Equivalents (Exhibit 1)	11,823,726	7,912,441
Restricted Cash and Cash Equivalents (Exhibit 1)	404,397	735,194
Short Term Investments (Exhibit 1)	7,441,217	7,410,324
Restricted Investments (Exhibit 1)	110,693	109,593
Endowment Investments (Exhibit 1)	1,982,219	1,424,824
Other Noncurrent Investments (Exhibit 1)	<u>2,267,995</u>	<u>1,804,788</u>
Total Deposits and Investments (Exhibit 1)	<u>\$ 24,030,247</u>	<u>\$ 19,397,164</u>

As of August 31, 2021, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	<u>N/A</u>
Certificates of Deposit	\$ 2,272,967	\$ 2,272,967	\$ -	\$ -	\$ -
Investment Pools	5,278,943	5,278,943	-	-	-
Equity/Stock Mutual Funds	1,882,430	-	40,878	1,841,552	-
Short-Term Mutual Funds	99,789	99,789	-	-	-
Stocks	2,267,995	-	-	-	2,267,995
Total Fair Value	\$ 11,802,124	\$ 7,651,699	\$ 40,878	\$ 1,841,552	\$ 2,267,995

Interest Rate Risk – In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Concentration of Credit Risk – The District does not place a limit on the amount the District may invest in any one issuer. None of the District’s investments are in FNMA, FHLB or similar investments.

5. Capital Assets

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

	Balance September 1, 2020	Increases	Decreases	Balance August 31, 2021
<u>Not Depreciated:</u>				
Land	\$ 393,110	\$ 12,260	\$ -	\$ 405,370
Collections	28,907	-	-	28,907
Construction in Progress	175,827	-	-	175,827
Subtotal	<u>597,844</u>	<u>12,260</u>	<u>-</u>	<u>610,104</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings and Building Improvements	33,502,686	338,032	-	33,840,718
Other Real Estate Improvements	2,522,717	-	-	2,522,717
Total Buildings and Other Real Estate Improvements	36,025,403	338,032	-	36,363,435
Library Books	564,241	8,287	81,138	491,390
Furniture, Machinery, and Equipment	5,186,697	327,113	-	5,513,810
Total Buildings and Other Capital Assets	<u>41,776,341</u>	<u>673,432</u>	<u>81,138</u>	<u>42,368,635</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	11,721,497	571,082	-	12,292,579
Other Real Estate Improvements	916,035	93,686	-	1,009,721
Total Buildings and Other Real Estate Improvements	12,637,532	664,768	-	13,302,300
Library Books	341,915	31,446	81,138	292,223
Furniture, Machinery, and Equipment	3,917,222	283,023	-	4,200,245
Total Accumulated Depreciation	<u>16,896,669</u>	<u>979,237</u>	<u>81,138</u>	<u>17,794,768</u>
Net Capital Assets	<u>\$ 25,477,516</u>	<u>\$ (293,545)</u>	<u>\$ -</u>	<u>\$ 25,183,971</u>

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

	Balance September 1, 2019	Increases	Decreases	Balance August 31, 2020
Not Depreciated:				
Land	\$ 393,110	\$ -	\$ -	\$ 393,110
Collections	28,907	-	-	28,907
Construction in Progress	71,293	104,534	-	175,827
Subtotal	<u>493,310</u>	<u>104,534</u>	<u>-</u>	<u>597,844</u>
Buildings and Other Capital Assets:				
Buildings and Building Improvements	33,534,503	-	31,817	33,502,686
Other Real Estate Improvements	2,396,478	126,239	-	2,522,717
Total Buildings and Other Real Estate Improvements	35,930,981	126,239	31,817	36,025,403
Library Books	855,024	20,480	311,263	564,241
Furniture, Machinery, and Equipment	4,895,288	400,077	108,668	5,186,697
Total Buildings and Other Capital Assets	<u>41,681,293</u>	<u>546,796</u>	<u>451,748</u>	<u>41,776,341</u>
Accumulated Depreciation:				
Buildings and Building Improvements	11,156,599	570,625	5,727	11,721,497
Other Real Estate Improvements	825,188	90,847	-	916,035
Total Buildings and Other Real Estate Improvements	11,981,787	661,472	5,727	12,637,532
Library Books	619,347	33,831	311,263	341,915
Furniture, Machinery, and Equipment	3,728,065	296,625	107,468	3,917,222
Total Accumulated Depreciation	<u>16,329,199</u>	<u>991,928</u>	<u>424,458</u>	<u>16,896,669</u>
Net Capital Assets	<u>\$ 25,845,404</u>	<u>\$ (340,598)</u>	<u>\$ 27,290</u>	<u>\$ 25,477,516</u>

6. Noncurrent Liabilities

Noncurrent liability activity for the year ended August 31, 2021 was as follows:

	Balance September 1, 2020	Additions	Reductions	Balance August 31, 2021	Current Portion
Net Pension Liability	4,277,618	-	65,882	\$ 4,211,736	N/A
Net OPEB Liability	15,349,423	-	577,226	14,772,197	492,748
Total Noncurrent Liabilities	<u>\$ 19,627,041</u>	<u>\$ -</u>	<u>\$ 643,108</u>	<u>\$ 18,983,933</u>	<u>\$492,748</u>

Noncurrent liability activity for the year ended August 31, 2020 was as follows:

	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
Net Pension Liability	4,196,185	81,433	-	\$ 4,277,618	N/A
Net OPEB Liability	12,429,393	2,920,030	-	15,349,423	486,491
Total Noncurrent Liabilities	<u>\$ 16,625,578</u>	<u>\$ 3,001,463</u>	<u>\$ -</u>	<u>\$ 19,627,041</u>	<u>\$486,491</u>

7. Debt Obligations

Hill College had no debt obligations as of August 31, 2021.

8. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas – Defined Benefit Pension Plan

Plan Description. Hill College participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The Plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and

contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report is available at https://www.trs.texas.gov/TRS Documents/cafr_2020.pdf or write to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

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

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

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

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

Contribution Rates

	<u>2021</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
FY 2020 College Contributions	\$ 324,466	
FY 2020 State of Texas On-Behalf Contributions	\$ 290,950	
FY 2020 Member Contributions	\$ 633,051	

The College's contributions to the TRS pension plan in 2021 were \$316,116 as reported in the Schedule of Hill College's Contributions for pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2021 were \$290,950.

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

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, or from non-educational and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, 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. The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	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

Source: Teacher Retirement System of Texas 2020 Comprehensive Annual Financial Report

The actuarial methods and assumptions were selected by the TRS 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 used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019.

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation ¹ %	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
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
Stable Value			
Government Bonds	16.0 %	(0.07) %	(0.05) %
Absolute Return (including Credit Sensitive Investments)	---	1.8	---
Stable Value Hedge Funds	5.0	1.9	0.11
Real Return			
Real Estate	15.0 %	4.6 %	1.02 %
Energy, Natural Resources and Infrastructure	6.0	6.0	0.42
Commodities	---	0.8	---
Risk Parity			
Risk Parity	8.0 %	3.0 %	0.30 %
Asset Allocation Leverage			
Cash	2.0 %	(1.5) %	(0.03) %
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00 %
Volatility Drag ³			(0.67) %
Expected Return	100.00 %		7.33 %

¹Target allocations are based on the FY2020 policy model.

²Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).

³The volatility drag results from the conversion between arithmetic and geometric mean returns.

Source: Teacher Retirement System of Texas 2020 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability using the discount rate of 7.25 percent, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) and one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Hill College's proportionate share of the net pension liability:	6,494,421	4,211,736	\$ 2,357,104

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, the College reported a liability of \$4,211,736 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Hill College's proportionate share of the collective net pension liability	\$ 4,211,736
State's proportionate share that is associated with Hill College	<u>3,776,692</u>
Total	<u>\$ 7,988,428</u>

The total pension liability was measured as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020. The total pension liability used to calculate the net pension liability is determined by an annual actuarial valuation. 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 the measurement date of August 31, 2020, the employer's proportion of the collective net pension liability was 0.0078638840%, which was a decrease of 0.0003649755% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the College recognized pension expense of \$454,252 and revenue of \$454,252 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,690	\$ 117,538
Changes in actuarial assumptions	977,273	415,529
Differences between projected and actual investment earnings	187,622	102,359
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	275,056	276,025
Contributions paid to TRS subsequent to the measurement date	316,116	-
Total	<u>\$ 1,763,757</u>	<u>\$ 911,451</u>

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

<u>Year Ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$ 34,413
2023	220,693
2024	251,869
2025	90,759
2026	(53,075)
Thereafter	(8,469)

Optional Retirement Plan – Defined Contribution Plan

Plan Description. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 3.30% and 6.65%, respectively. The College contributes 3.30% plus an additional 1.0% for employees participating in the optional retirement program. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB)1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the state for the College was \$91,025 and \$93,781 for the fiscal years ended August 31, 2021 and 2020, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

Public Agency Retirement System – Defined Contribution Plan

In addition, the College has established a defined contribution plan for part-time employees called the Public Agency Retirement System (PARS) plan. The PARS plan, as established by the College under the provisions of the Omnibus Budget Reconciliation Act of 1990, requires 5.5% to be deducted from participants' salaries each pay period and contributed to the PARS plan administered by the Union Bank of California. The College also contributes the equivalent of 2% of participants' salaries. Contributions to the PARS plan are immediately 100% vested.

The total payroll for all College employees was \$11,803,342 and \$12,134,779 for fiscal years 2021 and 2020, respectively. The total payroll of employees covered by the Teacher Retirement System was \$8,213,817 and \$8,297,814 for fiscal years 2021 and 2020, respectively. The total payroll of employees covered by the Optional Retirement System was \$2,771,860 and \$2,867,348 for fiscal years 2021 and 2020, respectively. The total payroll of employees covered by the PARS plan was \$778,921 and \$900,412 for fiscal years 2021 and 2020, respectively.

9. Deferred Compensation Plan

Under Section 403(b) of the Internal Revenue Code, all employees of the College are eligible to defer from taxable income amounts they choose to contribute to a Tax-Sheltered Annuity (TSA). Authority for this program is granted under Government Code 609.001. The general maximum contribution limit was \$19,500 for tax years 2021 and 2020, with a make-up provision for individuals fifty years or older of \$6,500 in both tax years. Thirty employees of the College contributed a total of \$194,118 under this plan for the year 2021, and thirty employees contributed a total of \$210,695 under this plan for 2020. The College does not contribute to this

plan. The deferred compensation program is not included in the basic financial statements because the program's assets are assets of the plan participants and not of the College.

10. Compensable Absences

Effective September 1, 2006, full-time employees earn vacation leave of six and two-thirds hours per month for a maximum of eighty hours per year. A maximum of forty hours may be carried over to the next fiscal year. The College recognized the accrued liability for the unpaid vacation leave in the amount of \$61,147 for 2021 and \$73,043 for 2020. Full-time employees earn sick leave of eight hours per month, which can be accumulated up to sixty days maximum. It is paid to an employee who misses work because of illness. Employees who terminate their employment are not entitled to payment for accumulated sick leave. Therefore, the College does not accrue for accumulated sick leave.

11. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee for HealthSelect of Texas was \$624.82 for employees, \$982.36 for employee and spouse, \$864.20 for employee and child, and \$1,221.74 for employee and family and totaled \$1,209,879 for the year ended August 31, 2021. For the year ended August 31, 2020, the state's contribution per full-time employee for HealthSelect of Texas was \$624.82 for employees, \$982.82 for employee and spouse, \$864.52 for employee and child, and \$1,222.52 for employee and family and totaled \$1,253,259. The cost of providing those benefits for 77 retirees in the year ended 2021 was \$314,310 (retiree benefits for 77 retirees cost \$307,743 for the year ended 2020). For 207 active employees, the cost of providing benefits was \$895,569 for the year ended 2021 (active employee benefits for 215 employees cost \$945,516 for the year ended 2020). S.B. 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

12. Other Post-Employment Benefits (OPEB)

(In accordance with GASB Statement 75)

Plan Description. The college participates in a cost-sharing multiple-employer defined-benefit other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position. Detailed information about the GBP’s fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) which includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained by visiting <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated, and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retirees’ health and basic life premium, which is based on a blended rate. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2020

Retiree only	\$	624.82
Retiree & Spouse		1,340.82
Retiree & Children		1,104.22
Retiree & Family		1,820.22

*Source: Employees Retirement System of Texas (ERS) FY2020
Comprehensive Annual Financial Report*

Contributions of premiums to the GBP plan for the current and prior fiscal year by source are summarized in the following table.

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2021 and 2020

	2021	2020
Employers	\$ 748,369,212	\$ 401,284,833
Members (Employees)	\$ 230,151,101	\$ 209,836,664
Nonemployer Contributing Entity (State of Texas)	\$ 37,736,903	\$ 20,182,872

Source: Employees Retirement System of Texas (ERS) FY2020 Comprehensive Annual Financial Report

Investment Policy. The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System’s Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify the expected rate of return on these investments is 2.4%.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2020
Actuarial Cost Method	Entry Age
Last Experience Study	Higher Education Members: 7-year period from September 1, 2010 to August 31, 2017
Actuarial Assumptions:	
Discount Rate	2.20%
Projected Annual Salary Increase	2.3% to 9.05%, including inflation
Annual Healthcare Trend Rate	<p><u>HealthSelect</u> 8.80% for FY2022, 5.25% for FY2023, 5.00% for FY2024, 4.75% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years</p> <p><u>HealthSelect Medicare Advantage</u> -53.30% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years</p> <p><u>Pharmacy</u> 10.00% for FY2022 and FY2023, decreasing 100 basis points per year to 5.00% for FY2028 and 4.30% for FY2029 and later years</p>
Inflation Assumption Rate	2.30%
Ad hoc Postemployment Benefit Changes	None
Mortality Rate	<p><u>Higher Education Members</u> * <i>Service Retirees, Survivors and other Inactive Members:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 * <i>Disability Retirees:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members * <i>Active Members:</i> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014</p>

Source: Employees Retirement System of Texas (ERS) 2020 Comprehensive Annual Financial Report

The actuarial valuations involve estimates of the value of reported amount and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.97%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.20%, which amounted to an decrease of .26%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets, and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.20%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.20%)	Discount Rate (2.20%)	1% Increase in Discount Rate (3.20%)
Hill College's proportionate share of the net OPEB liability:	\$ 17,557,797	\$ 14,772,197	\$ 12,589,928

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.8% for HealthSelect and (53.3)% for HealthSelect Medicare Advantage and the ultimate rate is 4.3% for both. The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount and healthcare trend rates used were 1 percent less than and 1 percent greater than the discount and healthcare trend rates used in measuring the net OPEB liability.

	1% Decrease (HealthSelect: 7.8% decreasing to 3.30%; HealthSelect Medicare Advantage: -54.30% to 3.30% Pharmacy: 9.00% to 3.30%)	Current Healthcare Cost Trend Rates (HealthSelect: 8.8% decreasing to 4.30%; HealthSelect Medicare Advantage: -53.30% to 4.30% Pharmacy: 10.00% to 4.30%)	1% Increase in (HealthSelect: 9.8% decreasing to 5.30%; HealthSelect Medicare Advantage: -52.30% to 5.30% Pharmacy: 11.00% to 5.30%)
Hill College's proportionate share of the net OPEB liability:	\$12,363,356	\$14,772,197	\$17,929,933

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2021, the College reported a liability of \$14,772,197 for its proportionate share of the ERS’s net OPEB Liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

Hill College's proportionate share of the collective net OPEB liability	\$ 14,772,197
State's proportionate share that is associated with Hill College	<u>13,776,174</u>
Total	<u><u>\$ 28,548,371</u></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 through August 31, 2020.

At the measurement date of August 31, 2020, the employer’s proportion of the collective net OPEB liability was .04470377%, which was an increase of .00029337% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the College recognized OPEB expense of (\$162,541) and revenue of (\$162,541) for support provided by the State.

Changes Since the Prior Actuarial Valuation – The following assumptions have been changed since the previous Other Postemployment Benefits (OPEB) valuation:

- Demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary, aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence. The percentage of future female retirees assumed to be married and electing coverage for their spouse.

- The proportion of future retirees assumed cover dependent children have been updated to reflect recent plan experience and expected trends.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated to reflect IRS Notice 2020-44.
- The discount rate assumption was changed from 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since Prior Measurement Date – Minor benefit changes that will become effective January 1, 2021 are not expected to have a significant impact on plan costs for fiscal year 2021 and are provided for in the fiscal year 2021 Assumed Per Capita Health Benefit Costs.

At August 31, 2021, the College reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 577,748
Changes in actuarial assumptions	855,207	3,182,799
Differences between projected and actual investment earnings	4,409	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,452,142	(603,625)
Contributions paid to ERS subsequent to the measurement date	244,288	-
Total	<u>\$ 3,556,046</u>	<u>\$ 3,156,922</u>

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

Year Ended August 31:	Pension Expense Amount
2022	\$ (224,337)
2023	199,310
2024	374,126
2025	(68,494)
2026	(125,769)
Thereafter	-

13. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Student Receivables	\$ 3,327,057	\$ 4,384,417
Taxes Receivables	469,946	470,954
Federal Receivables	721,228	466,236
State Receivables	-	(3,021)
Other Receivables	99,563	37,301
Subtotal	4,617,794	5,355,887
Allowance for doubtful accounts	(1,170,757)	(1,850,227)
Total Receivables	<u>\$ 3,447,037</u>	<u>\$ 3,505,660</u>

Payables

Payables at August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Vendors Payable	\$ 467,549	\$ 416,952
Total Payables	<u>\$ 467,549</u>	<u>\$ 416,952</u>

Hill College
Notes to Financial Statements
August 31, 2021 and 2020

14. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA) audit and accounting guide, *State and Local Governments*, 8.99. For federal contract and grant awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded, and for which the institution has not yet performed services, are not included in the financial statements. Contract and grant awards for funds already committed, e.g., multi-year awards or funds awarded during fiscal year 2021 and 2020, for which monies have not been received nor funds expended totaled \$10,000 and \$57,500, respectively.

15. Ad Valorem Tax

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the district.

At August 31:

	<u>2021</u>	<u>2020</u>
Assessed Valuation of the District	\$ 2,767,917,601	\$ 2,647,510,656
Less: Exemptions	486,223,883	471,836,276
Net Taxable	2,281,693,718	2,175,674,380
Less: Freeze Taxable	407,094,309	380,537,184
Freeze Adjusted Taxable	<u>\$ 1,874,599,409</u>	<u>\$ 1,795,137,196</u>

Authorized Tax Rate per \$100 valuation (current operations-maximum per enabling legislation)	.500000	.500000
Assessed Tax Rate per \$100 valuation (current operations)	.089146	.091935

Taxes levied for the year ended August 31, 2021 and 2020 amounted to \$1,944,874 and \$1,905,886, respectively. This amount includes the actual taxes calculated for disabled persons and persons over 65 up to their individual tax ceilings. 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.

	2021	2020
	Current Operations	Current Operations
Current Taxes Collected	\$ 1,881,997	\$ 1,836,201
Delinquent Taxes Collected	56,946	38,455
Penalties and Interest Collected	54,567	35,737
Total Collections	<u>\$ 1,993,510</u>	<u>\$ 1,910,393</u>

Tax collections for the year ended August 31, 2021 and 2020 were 96.77% and 96.34%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations expenditures.

16. Tax Abatements

Hill College has entered into a property tax abatement agreement with IKO Southwest, Inc. as authorized under Chapter 312 of the Texas Tax Code. Under this Act, the College is authorized to grant tax abatements to property owners within designated reinvestment zones for the purpose of expanding primary employment within and attracting investment to the zone.

Commencing on or before March 31, 2019 and continuing annually through the next 10 years, IKO will provide written certification to the College confirming that IKO has continued to employ at least forty (40) individuals in FTE jobs. Additionally, as a condition to the obligation of Hill College, IKO shall maintain the taxable assessed value of the Taxable Property, as reasonably determined by the Hill County Appraisal District for each calendar year, at not less than \$25,000,000.00.

For a period of ten (10) years, beginning January 1, 2019, Hill College shall annually abate the ad valorem taxes assessed against IKO's Taxable Property, including all components thereof which may be abated under Chapter 312 of the Tax Code, in an amount equal to ninety percent (90%) of the amount IKO would otherwise be required to pay in ad valorem taxes on the Taxable Property.

For the fiscal years ended August 31, 2021 and August 31, 2020, respectively, Hill College abated property taxes totaling \$73,360 and \$87,538.

17. Branch Campus Maintenance Tax

A branch campus maintenance tax that is established by election is levied by the school districts of Alvarado, Cleburne, Godley, Grandview, Joshua, Keene, Rio Vista and Venus. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the districts. Collections are transferred to Hill College to be used for the operation of a Branch Campus at Cleburne.

<u>Independent School District</u>	<u>Collections in Fiscal Year 2021 (including penalties and interest)</u>	<u>Collections in Fiscal Year 2020 (including penalties and interest)</u>
Alvarado	\$ 810,189	\$ 752,727
Cleburne	1,511,694	1,360,905
Godley	240,587	199,836
Grandview	202,886	188,567
Joshua	959,960	860,528
Keene	105,173	94,858
Rio Vista	125,866	118,368
Venus	228,120	207,615
Total	<u>\$ 4,184,475</u>	<u>\$ 3,783,404</u>

18. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 2021 and 2020.

19. Component Unit

Hill College Foundation – Discrete Component Unit

Hill College Foundation (the Foundation) was established as a separate nonprofit organization in 1975 for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal year 2021 financial statements were not included, as the audit for 2021 was not completed by the date the College's financial statements were audited and submitted. Complete financial statements of the Hill Junior College Development Foundation, Inc. can be obtained from the administrative offices of Hill College.

20. Related Parties

The Hill College Johnson County Campus Development Foundation, Inc. is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. Hill College is not obligated to financially support or pay the debt of the foundation nor is it able to significantly influence the policies of this foundation. The foundation solicits donations and acts as coordinators of gifts made by other parties.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Hill College
Schedule of Hill College's Proportionate Share of Net Pension Liability
Last Seven Fiscal Years**

Fiscal year ending August 31*	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of collective net pension liability (NPL) (%)	0.0078639%	0.0082289%	0.0076235%	0.0072722%	0.0069101%	0.0079268%	0.0090791%
College's proportionate share of collective net pension liability (\$)	\$ 4,211,736	\$ 4,277,618	\$ 4,196,185	\$ 2,325,245	\$ 2,611,232	\$ 2,802,018	\$ 2,425,153
State's total proportionate share of NPL associated with College	<u>3,776,692</u>	<u>3,745,228</u>	<u>3,626,346</u>	<u>2,064,195</u>	<u>2,351,637</u>	<u>2,452,737</u>	<u>2,117,111</u>
Total	7,988,428	8,022,846	7,822,531	4,389,440	4,962,869	5,254,755	4,542,264
College's covered payroll amount	\$ 8,213,817	\$ 8,297,814	\$ 7,841,179	\$ 7,212,626	\$ 6,666,918	\$ 6,200,385	\$ 6,541,689
College's proportionate share of collective NPL as a percentage of covered payroll	51.28%	51.55%	53.51%	32.24%	39.17%	45.19%	37.07%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

*The amounts presented above are as of the measurement date of the collective net pension liability

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Hill College
 Schedule of Hill College's Contributions for Pensions
 Last Seven Fiscal Years**

Fiscal year ending August 31*	2021	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 316,116	\$ 324,335	\$ 287,977	\$ 257,186	\$ 238,340	\$ 219,552	\$ 234,602
Actual contributions	316,116	324,335	287,977	257,186	238,340	219,552	234,602
Contributions deficiency (excess)	-	-	-	-	-	-	-
College's covered employee payroll amount	\$ 8,213,817	\$ 8,297,814	\$ 7,841,179	\$ 7,212,626	\$ 6,666,918	\$ 6,200,385	\$ 6,541,689
Contributions as a percentage of covered employee payroll	3.85%	3.91%	3.67%	3.57%	3.57%	3.54%	3.59%

*The amounts presented above are as of the College's most recent fiscal year-end.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Hill College
Schedule of Hill College's Proportionate Share of Net OPEB Liability
Employee Retirement System of Texas
State Retiree Health Plan
For the Last Four Fiscal Years**

Fiscal year ending August 31*	2021	2020	2019	2018
College's proportionate share of collective net OPEB liability (%)	0.0447038%	0.0444104%	0.0419377%	0.0295774%
College's proportionate share of collective net OPEB liability (\$)	\$ 14,772,197	\$ 15,349,423	\$ 12,429,393	\$ 10,077,909
State's proportionate share of net OPEB liability associated with College	13,776,174	14,812,814	12,515,488	9,808,608
Total	28,548,371	30,162,237	24,944,881	19,886,517
College's covered payroll amount	\$ 10,625,680	\$ 10,357,199	\$ 10,613,426	\$ 10,780,859
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	139.02%	148.20%	117.11%	93.48%
Plan fiduciary net position as a percentage of the total OPEB liability	0.32%	0.17%	1.27%	2.04%

*The amounts presented above are as of the measurement date of the collective net OPEB liability

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Hill College
Schedule of College's Contributions for OPEB
Employee Retirement System of Texas
State Retiree Health Plan
For the Last Four Fiscal Years**

Fiscal year ending August 31*	2021	2020	2019	2018
Legally required contributions	\$ 244,288	\$ 231,716	\$ 119,915	\$ 275,770
Actual contributions	244,288	231,716	119,915	275,770
Contributions deficiency (excess)	-	-	-	-
College's covered employee payroll amount	\$ 10,625,680	\$ 10,357,199	\$ 10,613,426	\$ 10,780,859
Contributions as a percentage of covered payroll	2.30%	2.24%	1.13%	2.56%

*The amounts presented above are as of the College's most recent fiscal year-end.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of the financial statements.

Hill College
Notes to Required Supplementary Information (RSI)
for Pensions
For the Year Ended August 31, 2021

1. Changes of Benefit Terms:

There were no changes of benefit terms for the year ended August 31, 2021.

2. Changes of Assumptions

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

Hill College
Notes to Required Supplementary Information (RSI)
for OPEB
For the Year Ended August 31, 2021

1. Changes of Benefit Terms:

Minor benefit changes that will become effective January 1, 2021 are not expected to have a significant impact on plan costs for fiscal year 2021 and are provided for in the fiscal year 2021 Assumed Per Capita Health Benefit Costs.

2. Changes of Assumptions

The following assumptions have been changed since the previous Other Postemployment Benefits (OPEB) valuation:

- Demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary, aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence. The percentage of future female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed cover dependent children have been updated to reflect recent plan experience and expected trends.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated to reflect IRS Notice 2020-44.
- The discount rate assumption was changed from 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

SUPPLEMENTARY SCHEDULES

Hill College
Schedule A
Schedule of Operating Revenues
Year Ended August 31, 2021 (With Memorandum Totals for the Year Ended August 31, 2020)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2021 Total</u>	<u>2020 Total</u>
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 3,056,703	\$ -	\$ 3,056,703	\$ -	\$ 3,056,703	\$ 3,360,791
Out-of-District Resident Tuition	2,421,778	-	2,421,778	-	2,421,778	2,750,197
Non-Resident Tuition	313,440	-	313,440	-	313,440	351,657
TPEG - Credit (set aside)*	-	347,161	347,161	-	347,161	390,016
State-Funded Continuing Education	125,935	-	125,935	-	125,935	78,905
TPEG - Credit (set aside)*	-	5,072	5,072	-	5,072	2,805
Non-State Funded Continuing Education	20,829	-	20,829	-	20,829	1,829
Total Tuition	5,938,685	352,233	6,290,918	-	6,290,918	6,936,200
Fees:						
Out of District Fee	847,508	-	847,508	-	847,508	960,316
General Fees	295,444	-	295,444	-	295,444	305,950
Student Service Fee	-	-	-	303,666	303,666	338,824
Building Use Fee	-	-	-	752,965	752,965	818,287
Laboratory Fee	182,512	-	182,512	-	182,512	193,074
Total Fees	1,325,464	-	1,325,464	1,056,631	2,382,095	2,616,451
Scholarship Allowances and Discounts:						
Remissions and Exemptions - State	-	-	-	(213,663)	(213,663)	(247,079)
Title IV Federal Grants	(1,592,329)	-	(1,592,329)	-	(1,592,329)	(982,091)
TPEG Awards	(320,141)	-	(320,141)	-	(320,141)	(441,486)
Other State Grants	(63,137)	-	(63,137)	-	(63,137)	(83,447)
Other Local Grants	(2,295,815)	-	(2,295,815)	-	(2,295,815)	(1,988,387)
Total Scholarship Allowances	(4,271,422)	-	(4,271,422)	(213,663)	(4,485,085)	(3,742,490)
Total Net Tuition and Fees	2,992,727	352,233	3,344,960	842,968	4,187,928	5,810,161
Additional Operating Revenues:						
Federal Grants and Contracts	202,726	4,792,914	4,995,640	-	4,995,640	1,158,960
State Grants and Contracts	-	351,612	351,612	-	351,612	325,573
Non-Governmental Grants and Contracts	-	1,968,357	1,968,357	-	1,968,357	1,641,050
General Operating Revenues	2,792,709	-	2,792,709	-	2,792,709	156,609
Total Additional Operating Revenues	2,995,435	7,112,883	10,108,318	-	10,108,318	3,282,192
Auxiliary Enterprises:						
Residential Life	-	-	-	813,818	813,818	901,835
Less Discounts	-	-	-	(441,875)	(441,875)	(392,300)
Bookstore	-	-	-	49,038	49,038	21,437
Cosmetology	-	-	-	2,711	2,711	12,716
Concessions	-	-	-	38,319	38,319	54,701
Total Net Auxiliary Enterprises	-	-	-	462,011	462,011	598,389
Total Operating Revenues	\$ 5,988,162	\$ 7,465,116	\$ 13,453,278	\$ 1,304,979	\$ 14,758,257 (Exhibit 2)	\$ 9,690,742 (Exhibit 2)

*In accordance with Education Code 56.033, \$352,233 and \$392,821 for years August 31, 2021 and 2020, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

Hill College
Schedule B
Schedule of Operating Expenses by Object
Year Ended August 31, 2021 (With Memorandum Totals for the Year Ended August 31, 2020)

	Operating Expenses					2021 Total	2020 Total
	Salaries and Wages	Benefits		Other Expenses			
		State	Local				
Unrestricted - Educational Activities							
Instruction	\$ 7,017,316	\$ -	\$ 904,030	\$ 832,015	\$ 8,753,361	\$ 9,520,150	
Public Service	-	-	-	-	-	-	
Academic Support	1,213,008	-	233,245	482,826	1,929,079	1,943,041	
Student Services	1,437,276	-	285,971	319,570	2,042,817	2,259,699	
Institutional Support	1,778,723	-	443,920	2,183,577	4,406,220	4,430,845	
Operation and Maintenance of Plant	268,054	-	109,661	2,313,795	2,691,510	2,375,942	
Scholarships and Fellowships	-	-	-	-	-	-	
Total Unrestricted Educational Activities	11,714,377	-	1,976,827	6,131,783	19,822,987	20,529,677	
Restricted - Educational Activities							
Instruction	\$ 4,291	\$ 1,010,965	\$ -	\$ 270,869	\$ 1,286,125	\$ 1,211,389	
Public Service	-	-	-	-	-	-	
Academic Support	5,157	237,176	-	-	242,333	301,425	
Student Services	10,508	316,455	-	111,421	438,384	472,826	
Institutional Support	283	321,599	-	3,198,943	3,520,825	762,747	
Operation and Maintenance of Plant	-	8,348	-	22,434	30,782	68,052	
Scholarships and Fellowships	-	-	-	4,704,371	4,704,371	3,414,504	
Total Restricted Educational Activities	20,239	1,894,543	-	8,308,038	10,222,820	6,230,943	
Total Educational Activities	11,734,616	1,894,543	1,976,827	14,439,821	30,045,807	26,760,620	
Auxiliary Enterprises	-	-	-	1,086,017	1,086,017	1,032,587	
Depreciation Expense - Buildings and Other Real Estate Improvements	-	-	-	664,767	664,767	661,470	
Depreciation Expense - Equipment and Furniture	-	-	-	314,469	314,469	330,457	
Total Operating Expenses	\$ 11,734,616	\$ 1,894,543	\$ 1,976,827	\$ 16,505,074	\$ 32,111,060 (Exhibit 2)	\$ 28,785,134 (Exhibit 2)	

Hill College
Schedule C
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2021 (With Memorandum Totals for the Year Ended August 31, 2020)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2021 Total</u>	<u>2020 Total</u>
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	\$ 6,772,754	\$ -	\$ -	\$ 6,772,754	\$ 6,775,478
State Group Insurance	-	1,047,338	-	1,047,338	1,270,040
State Retirement Matching	-	838,400	-	838,400	974,108
Texas Heritage Museum	325,126	-	-	325,126	325,126
Total State Appropriations	7,097,880	1,885,738	-	8,983,618	9,344,752
Maintenance Ad Valorem Taxes	1,993,510	-	-	1,993,510	1,910,393
Branch Campus Maintenance Tax	4,184,475	-	-	4,184,475	3,783,404
Federal Revenue, Non Operating	4,553,009	-	-	4,553,009	3,553,592
Gifts	59,803	-	40,600	100,403	43,690
Investment Income	106,385	54,785	13,919	175,089	269,441
Gain (Loss) on Sale of Investments	179,281	13,213	-	192,494	(24,964)
Unrealized Gain on Investments	292,210	121,424	-	413,634	578,318
Other Non-Operating Revenue	6,491	-	-	6,491	24,046
Total Non-Operating Revenues	18,473,044	2,075,160	54,519	20,602,723	19,482,672
NON-OPERATING EXPENSES:					
Interest on Capital Related Debt	-	-	-	-	-
Other Non-Operating Expense	-	5,148	5,049	10,197	36,404
Total Non-Operating Expenses	-	5,148	5,049	10,197	36,404
Net Non-Operating Revenues	\$ 18,473,044	\$ 2,070,012	\$ 49,470	\$ 20,592,526 (Exhibit 2)	\$ 19,446,268 (Exhibit 2)

Hill College
Schedule D
Schedule of Net Position by Source and Availability
Year Ended August 31, 2021 (With Memorandum Totals for the Year Ended August 31, 2020)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (1,769,936)	\$ -	\$ -	\$ -	\$ (1,769,936)	\$ (1,769,936)	\$ -
Board Designated	3,778,982	-	-	-	3,778,982	3,778,982	-
Restricted	-	(92,656)	-	-	(92,656)	-	(92,656)
Auxiliary Enterprises	535,166	-	-	-	535,166	535,166	-
Loan	-	-	-	-	-	-	-
Endowment	-	-	2,333,942	-	2,333,942	-	2,333,942
Plant:							
Investment in Plant	-	-	-	25,183,971	25,183,971	-	25,183,971
Total Net Position, August 31, 2021	2,544,212	(92,656)	2,333,942	25,183,971	29,969,469 (Exhibit 1)	2,544,212	27,425,257
Total Net Position, August 31, 2020	(1,061,525)	137,896	2,089,909	25,477,516	26,643,796 (Exhibit 2)	(1,061,525)	27,705,321
Net Increase (Decrease) in Net Position	\$ 3,605,737	\$ (230,552)	\$ 244,033	\$ (293,545)	\$ 3,325,673 (Exhibit 2)	\$ 3,605,737	\$ (280,064)

HILL COLLEGE
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

<u>Federal Grantor/ Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Expenditures and Pass Through Disbursements</u>
<i>U.S. Department of Education</i>			
Student Financial Aid Assistance Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 111,654
Federal College Work Study Program	84.033		8,030
Federal Pell Grant Program	84.063		4,433,325
Direct Loans	84.268		<u>3,853,983</u>
Total Student Financial Aid Assistance Cluster			8,406,992
Higher Education Institutional Aid			
CARES Act: Higher Education Emergency Relief Fund	84.425E		751,558
CARES Act: Higher Education Emergency Relief Fund - Institutional Portion	84.425F		<u>3,899,354</u>
			<u>4,650,912</u>
Pass-Through From:			
Texas Higher Education Coordinating Board Carl Perkins Vocational Education-Basic	84.048	214230	142,002
<i>Total U.S. Department of Education</i>			<u>13,199,906</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,199,906</u>

Notes to Schedule on following page.

HILL COLLEGE
Schedule E (Continued)
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue per Schedule A	\$ 4,995,640
Less: Indirect/Administrative Costs Recoveries	(202,726)
Add: Non-Operating Federal Revenue from Schedule C	4,553,009
	<hr/>
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position	\$ 9,345,923
Reconciling Item:	
Add: Direct Student Loans	\$ 3,853,983
	<hr/>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 13,199,906</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

HILL COLLEGE
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2021

Grantor Agency / Program Title	Grant Contract Number	Expenditures
<i>Texas Higher Education Coordinating Board</i>		
TX Educational Opportunity Grant Program		\$ 261,342
Texas College Work Study Program		12,593
Governor's Emergency Education Relief (GEER)	23591	51,931
<i>Total Texas Higher Education Coordinating Board</i>		325,866
<i>Texas Workforce Commission</i>		
Skills Development Fund Covid-19 Special Initiative	1320COS003	\$ 15,746
<i>Greater Texas Foundation</i>		
Texas Emergency Aid Grant Program		\$ 10,000
TOTAL EXPENDITURES OF STATE AWARDS		\$ 351,612

Notes to Schedule on following page.

HILL COLLEGE
Schedule F (Continued)
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2021

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A	
State Grants and Contracts	\$ 351,612
Less: Indirect/Administrative Cost Recoveries	-
Total State Revenues per Schedule of Expenditures of State Awards	<u>\$ 351,612</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for Hill College's significant accounting policies. These expenditures are reported on Hill College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

AUDITORS' REPORT ON CONTROLS AND COMPLIANCE



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**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 Regents
Hill College
Hillsboro, 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 Hill College (The "College"), as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

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

**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* (CONTINUED)**

weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), 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* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

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 College’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 College’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jatt, Vernon + Co. P.C.

Temple, Texas
December 20, 2021



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

Board of Regents
Hill College
Hillsboro, Texas

Report on Compliance for Each Major Federal Program

We have audited Hill College'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 its major federal programs for the year ended August 31, 2021. The College'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 award applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College'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 College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 College's compliance.

Opinion on Each Major Federal Program

In our opinion, Hill College 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 College 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 College'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 College'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.

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

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.

Jatt, Vernon & Co. P.C.

Temple, Texas
December 20, 2021

HILL COLLEGE
Schedule of Findings and Questioned Costs
August 31, 2021

I. Summary of Audit Results

Financial Statements

1. Type of auditor’s report issued: *unmodified*

2. Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

Federal Awards

4. Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiencies identified that are not considered to be material weakness(es)? yes no

5. Type of auditor’s report issued on compliance for major programs: *unmodified*

6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance? yes no

7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>
U.S. Department of Education	
Student Financial Aid Cluster:	
SEOG	84.007
Federal College Work Study Program	84.033
Federal Pell Grant Program	84.063
William D Ford Direct Loans	84.268
 CARES Act: HEERF	 84.425E
CARES Act: HEERF	84.425F

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

HILL COLLEGE
Schedule of Findings and Questioned Costs (Continued)
August 31, 2021

9. Auditee qualified as low-risk auditee for federal single audit? X yes no

II. Financial Statement Findings

None.

III. Federal and State Awards Findings and Questioned Costs

None.