

HILL COLLEGE

Annual Financial Report

**For the Fiscal Year Ended
August 31, 2024**

HILL COLLEGE
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HILL COLLEGE
ORGANIZATIONAL DATA
For the Fiscal Year 2023 - 2024

BOARD OF REGENTS

Officers

| | |
|---------------|----------------|
| David Teel | President |
| Bill Galiga | Vice-President |
| Karen Brackin | Secretary |

Members

| | | <u>Term Expires</u> |
|-----------------|------------------|---------------------|
| Karen Brackin | Itasca, Texas | 2030 |
| Kent Eubank | Whitney, Texas | 2026 |
| Bill Galiga | Hillsboro, Texas | 2028 |
| Dr. Allan Lane | Whitney, Texas | 2030 |
| Jolene Lehmann | Bynum, Texas | 2026 |
| Dwight Lloyd | Itasca, Texas | 2028 |
| Tony Marley | Hillsboro, Texas | 2026 |
| Jennifer Nowlin | Whitney, Texas | 2028 |
| Kevin Ray | Covington, Texas | 2026 |
| Bill Siddons | Hillsboro, Texas | 2030 |
| Rick Sullins | Abbott, Texas | 2030 |
| David Teel | Hillsboro, Texas | 2028 |

PRINCIPAL ADMINISTRATIVE OFFICERS

| | |
|----------------------|---|
| Dr. Tom Mills | President |
| Jessyca Brown | Vice-President of Institutional Affairs |
| Melissa Boyle | Vice-President of Administrative Services |
| Irene Accomando | Vice-President of Student Learning & Success |
| Lizza Ross | Vice-President of Student Experience |
| Ashlee Ferguson | Executive Director Institutional Advancement |
| Kevin Rocha | Executive Director Information Technology & Learning Innovation |
| John Versluis | Executive Director of Texas Heritage Museum |
| Tamy Rogers | Executive Director of Human Resources |
| Brian Bennett | Dean of Instruction, Business & Industry Pathways |
| Dr. Alisa Carter | Dean of STEM Pathways |
| Dr. Agapito Flores | Dean of Health & Public Service Pathways |
| Randy Graves | Dean of Student Experience |
| Nancy McKenzie | Dean of Arts & Humanities Pathways |
| Kathleen Pustejovski | Dean of Enrollment Services |
| Adrian Riojas | Dean of Student Experience |
| Kathryn McVicker | Comptroller |



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*Member of
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Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Hill College
Hillsboro, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows of Hill College, as of and for the year ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hill College's basic financial statements as listed in the table of contents.

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, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hill College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, in fiscal year ending August 31, 2024, the College adopted new accounting guidance, GASB Statement No. 100, Accounting Changes and Error Corrections. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hill College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing*

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hill College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hill College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Share of Net Pension Liability, the Schedule of College's Contributions for Pensions, the Schedule of College's Share of Net OPEB Liability, the Schedule of College's Contributions for OPEB, and the Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hill College's basic financial statements. The Supplementary Schedules (Schedules A-F), which include the Schedule of Expenditures of Federal Awards (Schedule E) and the Schedule of Expenditures of State Awards (Schedule F), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Supplementary Schedules (Schedules A-F), which include the Schedule of Expenditures of Federal Awards (Schedule E) and the Schedule of Expenditures of State Awards (Schedule F) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Organizational Data but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 7, 2025, on our consideration of the Hill 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hill College’s 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 Hill College’s internal control over financial reporting and compliance.



Temple, Texas
April 7, 2025

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, 2024. 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.

The College implemented GASB 96 Subscription-based Information Technology Arrangements (SBITA) in 2023. Due to this implementation the College restated ending net position for 2022 as noted for the addition of subscription assets and subscription liabilities and the corresponding annual subscription payment activity. This resulted in an increase in capital assets (net) of \$1,909,690 and an increase in the current and noncurrent portions of long-term debt of \$412,167 and \$1,448,399, respectively, and a corresponding change in the 2022 ending net position with an increase of \$49,124.

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

| | 2024 | 2023 | (Restated) 2022 |
|--|----------------------|----------------------|----------------------------|
| Assets: | | | |
| Current Assets | \$ 21,677,947 | \$ 25,456,955 | \$ 25,293,934 |
| Capital Assets | 32,590,586 | 27,390,102 | 27,447,027 |
| Other Noncurrent Assets | 7,368,834 | 5,030,466 | 4,658,783 |
| Total Assets | \$ 61,637,367 | \$ 57,877,523 | \$ 57,399,744 |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows Related to Pensions | \$ 3,008,976 | \$ 3,298,502 | \$ 1,344,472 |
| Deferred Outflows Related to OPEB | 1,112,610 | 1,753,155 | 3,203,429 |
| Total Deferred Outflows of Resources | 4,121,586 | 5,051,657 | 4,547,901 |
| Liabilities: | | | |
| Current Liabilities | \$ 7,344,800 | \$ 7,104,156 | \$ 7,189,673 |
| Noncurrent Liabilities | 16,947,209 | 16,785,387 | 18,305,980 |
| Total Liabilities | \$ 24,292,009 | \$ 23,889,543 | \$ 25,495,653 |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows Related to Pensions | \$ 1,245,393 | \$ 1,848,160 | \$ 2,450,038 |
| Deferred Inflows Related to OPEB | 4,898,395 | 5,399,492 | 2,912,422 |
| Total Deferred Inflows of Resources | 6,143,788 | 7,247,652 | 5,362,460 |
| Net Position: | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 31,351,935 | \$ 25,873,072 | \$ 25,586,461 |
| Restricted-nonexpendable | 2,759,081 | 2,399,104 | 2,356,119 |
| Restricted-expendable | 108,102 | 562,704 | (522,302) |
| Unrestricted | 1,104,038 | 2,957,105 | 3,669,254 |
| Total Net Position | \$ 35,323,156 | \$ 31,791,985 | \$ 31,089,532 |
| <i>GASB 68 and 75 Impact on Net Position:</i> | | | |
| Total Net Position | \$ 35,323,156 | \$ 31,791,985 | \$ 31,089,532 |
| Deferred Outflows Related to Pensions | (3,008,976) | (3,298,502) | (1,344,472) |
| Deferred Outflows Related to OPEB | (1,112,610) | (1,753,155) | (3,203,429) |
| Deferred Inflows Related to Pensions | 1,245,393 | 1,848,160 | 2,450,038 |
| Deferred Inflows Related to OPEB | 4,898,395 | 5,399,492 | 2,912,422 |
| Net Pension Liability | 5,371,623 | 4,561,816 | 1,897,300 |
| Net OPEB Liability | 10,707,161 | 11,021,458 | 14,877,531 |
| Net OPEB Liability-Current Portion | 308,113 | 294,183 | 312,173 |
| Total Impact of GASB 68 & 75 | 18,409,099 | 18,073,452 | 17,901,563 |
| Net Position Net of GASB 68 & 75 Impact | 53,732,255 | 49,865,437 | 48,991,095 |
| Less: | | | |
| Invested in Capital Assets, Net of Related Debt | 31,351,935 | 25,873,072 | 25,586,461 |
| Restricted-nonexpendable | 2,759,081 | 2,399,104 | 2,356,119 |
| Restricted-expendable | 108,102 | 562,704 | (522,302) |
| Unrestricted Net Position, Exclusive of Plant Assets and Plant-Related Debt | 19,513,137 | 21,030,557 | 21,570,817 |

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, \$22,411,161, net of accumulated depreciation. The buildings owned by Hill College are only 40% depreciated, which is an indication of the age of the facilities. Most buildings are relatively new and are in good condition. The \$3,759,844 increase in total assets from FY23 to FY24 is due primarily to increases in “Investments” (current and noncurrent) and “Capital Assets, Net” combined with decreases in “Cash and cash equivalents” and “Accounts Receivable, Net”.

Other than \$68,627 in “Dorm Deposits Payable”, all other noncurrent liabilities are the result of GASB 68 pension liability, GASB 75 Other Postemployment Benefit (OPEB) liability, and GASB 96 Subscription-based Information Technology Arrangements (SBITA) liability.

It is important to note that current liabilities are only 34% 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 \$3,531,171 increase in Total Net Position from FY23 to FY24 is primarily due to an increase in “State Appropriations” resulting from a change in the State’s Formula Funding for community colleges going from “contact-hour funding” to “performance-tier funding” with State House Bill 8.

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 \$1,294,102 in FY22, and a decrease of \$540,260, and \$1,517,420, in FY23 and FY24, respectively, which is due to the implementation of GASB 96 SBITA liability in FY23.

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

| | 2024 | 2023 | (Restated) 2022 |
|--|----------------------|----------------------|----------------------------|
| Operating Revenues: | | | |
| Tuition and fees (net of discounts) | \$ 3,946,045 | \$ 6,514,950 | \$ 3,189,828 |
| Federal grants and contracts | 144,535 | 179,379 | 7,087,673 |
| State grants and contracts | 645,554 | 675,406 | 615,704 |
| Non-governmental grants and contracts | 388,498 | 2,312,107 | 1,977,700 |
| Auxiliary enterprises (net of discounts) | 367,966 | 629,942 | 394,026 |
| General operating revenues | 211,693 | 197,348 | 170,066 |
| Total Operating Revenues | 5,704,291 | 10,509,132 | 13,434,997 |
| Operating Expenses: | | | |
| Instruction | 10,166,330 | 9,314,081 | 9,213,504 |
| Academic support | 2,448,028 | 2,107,592 | 2,111,659 |
| Student services | 3,224,537 | 2,930,469 | 2,389,480 |
| Institutional support | 6,849,857 | 5,871,512 | 5,562,752 |
| Operation and maintenance of plant | 3,451,445 | 4,282,131 | 2,863,818 |
| Scholarships and fellowships | 2,283,911 | 2,706,751 | 8,423,637 |
| Auxiliary enterprises | 1,633,063 | 1,617,023 | 1,591,195 |
| Depreciation | 1,447,091 | 1,393,249 | 1,337,985 |
| Total Operating Expenses | 31,504,262 | 30,222,808 | 33,494,030 |
| Operating Loss | (25,799,971) | (19,713,676) | (20,059,033) |
| Non-Operating Revenues (Expenses): | | | |
| State Appropriations | 12,480,613 | 8,581,074 | 8,255,710 |
| Maintenance ad valorem taxes | 2,849,043 | 2,266,608 | 2,046,393 |
| Branch campus maintenance tax | 6,062,872 | 5,307,943 | 4,726,365 |
| Federal revenue, non-operating | 5,213,362 | 2,959,873 | 5,753,496 |
| Gifts | 890,082 | 533,571 | 126,823 |
| Investment income (loss) | 1,595,927 | 698,165 | (86,342) |
| Other non-operating revenues (expenses) | 9,180 | 13,675 | 292,587 |
| Net Non-Operating Revenues | 29,101,079 | 20,360,909 | 21,115,032 |
| Income Before Other Revenues (Expenses) | 3,301,108 | 647,233 | 1,055,999 |
| Other Revenues (Expenses): | | | |
| Additions to permanent endowments | 230,063 | 55,220 | 64,064 |
| Increase (Decrease) in Net Position | 3,531,171 | 702,453 | 1,120,063 |
| Net Position, Beginning of Year, as Previously Reported | 31,791,985 | 31,089,532 | 29,969,469 |
| Cumulative Effect of Change in Accounting Principle | - | - | - |
| Prior Period Adjustment | - | - | - |
| Net Position, Beginning of Year, as Restated | 31,791,985 | 31,089,532 | 29,969,469 |
| Net Position at End of Year | \$ 35,323,156 | \$ 31,791,985 | \$ 31,089,532 |

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 considering 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 \$4,804,841 (46%) decrease in “Total Operating Revenues” from FY23 to FY24 is primarily due to the decrease in “Tuition and fees (net of discounts)” resulting from an increase in tuition discounts, combined with the decrease in “Non-governmental grants and contracts” (i.e., private scholarships).

The \$1,281,454 (4%) increase in “Total Operating Expenses” is primarily due to increases in “Instruction”, “Academic support”, and “Institutional support”, offset with the decrease in “Operation and maintenance of plant”.

The \$8,740,170 (43%) increase in “Net Non-Operating Revenues” is primarily due to increases in “State Appropriations”, “Ad Valorem and Branch Campus” taxes, “Federal revenue, non-operating” (e.g., PELL, SEOG), and “Investment Income”.

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

| | 2024 | 2023 | (Restated) |
|---|-----------------|-----------------|-------------------|
| | 2022 | | |
| Cash Flows from | | | |
| Operating Activities | \$ (20,245,652) | \$ (16,817,467) | \$ (18,277,435) |
| Noncapital Financing Activities | 25,921,878 | 17,877,099 | 19,642,553 |
| Capital and Related Financing Activities | (6,925,954) | (1,679,859) | (1,691,351) |
| Investing Activities | (2,980,944) | 216,237 | (1,079) |
| | <hr/> | <hr/> | <hr/> |
| Net Increase in Cash and Cash Equivalents | (4,230,672) | (403,990) | (327,312) |
| Cash at Beginning of Year | 11,496,821 | 11,900,811 | 12,228,123 |
| | <hr/> | <hr/> | <hr/> |
| Cash at End of Year | \$ 7,266,149 | \$ 11,496,821 | \$ 11,900,811 |

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 the following 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

For additional information concerning Capital Assets and Debt Obligations, see Notes 5 and 7, respectively.

Discussion of Currently Known Facts, Decisions, or Conditions

Hill College continues to maintain an A2 bond rating with Moody’s Investors Services, and to remain debt free.

FINANCIAL STATEMENTS

Hill College
Exhibit 1
Statement of Net Position
August 31, 2024 and August 31, 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------------------|---------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | 6,507,549 | 10,914,684 |
| Short Term Investments | 10,157,970 | 7,750,082 |
| Accounts Receivable (Net) | 4,347,242 | 6,531,417 |
| Deferred Charges | 75 | 909 |
| Prepaid Expenses | 664,851 | 259,603 |
| Other Current Assets | 260 | 260 |
| Total Current Assets | <u>21,677,947</u> | <u>25,456,955</u> |
| Noncurrent Assets | | |
| Restricted Cash and Cash Equivalents | 758,600 | 582,137 |
| Restricted Investments | 113,823 | 112,574 |
| Endowment Investments | 2,089,559 | 1,813,268 |
| Other Noncurrent Investments | 4,406,852 | 2,522,487 |
| Deferred Charges | - | - |
| Capital Assets, (Net) (Note 5) | 32,590,586 | 27,390,102 |
| Total Noncurrent Assets | <u>39,959,420</u> | <u>32,420,568</u> |
| Total Assets | <u><u>61,637,367</u></u> | <u><u>57,877,523</u></u> |
| Deferred Outflows of Resources: | | |
| Deferred Outflows Related to Pensions | 3,008,976 | 3,298,502 |
| Deferred Outflows Related to OPEB | 1,112,610 | 1,753,155 |
| Total Deferred Outflows of Resources | <u>4,121,586</u> | <u>5,051,657</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 857,416 | 694,151 |
| Accrued Liabilities | 112,750 | 87,892 |
| Funds Held for Others | 201,448 | 153,158 |
| SBITA payable - Current portion | 438,853 | 404,117 |
| Deferred Revenue | 5,426,220 | 5,470,655 |
| Net OPEB Liability - Current Portion | 308,113 | 294,183 |
| Total Current Liabilities | <u>7,344,800</u> | <u>7,104,156</u> |
| Noncurrent Liabilities | | |
| Dorm Deposits Payable | 68,627 | 89,200 |
| SBITA payable | 799,798 | 1,112,913 |
| Net Pension Liability | 5,371,623 | 4,561,816 |
| Net OPEB Liability | 10,707,161 | 11,021,458 |
| Total Noncurrent Liabilities | <u>16,947,209</u> | <u>16,785,387</u> |
| Total Liabilities | <u><u>24,292,009</u></u> | <u><u>23,889,543</u></u> |
| Deferred Inflows of Resources: | | |
| Deferred Inflows Related to Pensions | 1,245,393 | 1,848,160 |
| Deferred Inflows Related to OPEB | 4,898,395 | 5,399,492 |
| Total Deferred Inflows of Resources | <u>6,143,788</u> | <u>7,247,652</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 31,351,935 | 25,873,072 |
| Restricted for: | | |
| Nonexpendable | | |
| Student Aid | 2,759,081 | 2,399,104 |
| Expendable | | |
| Student Aid | 108,102 | 562,704 |
| Unrestricted | 1,104,038 | 2,957,105 |
| Total Net Position (Schedule D) | <u><u>35,323,156</u></u> | <u><u>31,791,985</u></u> |

Hill College Foundation
Exhibit 1-A
Statement of Financial Position
August 31, 2023 and August 31, 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 359,082 | \$ 525,331 |
| Investments | 714,268 | 475,249 |
| Internal balances | 2,255 | 4,366 |
| | <u>1,075,605</u> | <u>1,004,946</u> |
| Total Current Assets | | |
| Noncurrent Assets: | | |
| Receivables-restricted | 107,852 | 113,256 |
| Investments-restricted | 8,491,372 | 7,055,219 |
| Capital Assets, net of accumulated depreciation | 1,523,218 | 1,179,694 |
| | <u>10,122,442</u> | <u>8,348,169</u> |
| Total Noncurrent Assets | | |
| Total Assets | <u>11,198,047</u> | <u>9,353,115</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 73,700 | 15,369 |
| | <u>73,700</u> | <u>15,369</u> |
| Total Current Liabilities | | |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Operating | 704,756 | 654,479 |
| Fixed Assets | 1,523,218 | 1,179,694 |
| Total without donor restrictions | <u>2,227,974</u> | <u>1,834,173</u> |
| With donor restrictions | 8,896,373 | 7,503,573 |
| Total Net Assets | <u>11,124,347</u> | <u>9,337,746</u> |
| Total Liabilities and Net Assets | <u>\$ 11,198,047</u> | <u>\$ 9,353,115</u> |

Hill College
Exhibit 2
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2024 and August 31, 2023

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|
| Operating Revenues | | |
| Tuition and Fees (net of discounts of \$5,658,876 and \$2,892,115 respectively) | \$ 3,946,045 | \$ 6,514,950 |
| Federal Grants and Contracts | 144,535 | 179,379 |
| State Grants and Contracts | 645,554 | 675,406 |
| Non-Governmental Grants and Contracts | 388,498 | 2,312,107 |
| Auxiliary Enterprises (net of discounts of \$887,156 and \$426,866 respectively) | 367,966 | 629,942 |
| General Operating Revenues | <u>211,693</u> | <u>197,348</u> |
| Total Operating Revenues (Schedule A) | 5,704,291 | 10,509,132 |
| Operating Expenses | | |
| Instruction | 10,166,330 | 9,314,081 |
| Academic Support | 2,448,028 | 2,107,592 |
| Student Services | 3,224,537 | 2,930,469 |
| Institutional Support | 6,849,857 | 5,871,512 |
| Operation and Maintenance of Plant | 3,451,445 | 4,282,131 |
| Scholarships | 2,283,911 | 2,706,751 |
| Auxiliary Enterprises | 1,633,063 | 1,617,023 |
| Depreciation and Amortization | <u>1,447,091</u> | <u>1,393,249</u> |
| Total Operating Expenses (Schedule B) | 31,504,262 | 30,222,808 |
| Operating Loss | (25,799,971) | (19,713,676) |
| Non-Operating Revenues (Expenses) | | |
| State Appropriations | 12,480,613 | 8,581,074 |
| Maintenance Ad Valorem Taxes | 2,849,043 | 2,266,608 |
| Branch Campus Maintenance Tax | 6,062,872 | 5,307,943 |
| Federal Revenue, Non Operating | 5,213,362 | 2,959,873 |
| Gifts | 890,082 | 533,571 |
| Investment Income | 1,595,927 | 698,165 |
| Other Non-Operating Revenues (Expenses) | <u>9,180</u> | <u>13,675</u> |
| Net Non-Operating Revenues (Schedule C) | 29,101,079 | 20,360,909 |
| Income Before Other Revenues (Expenses) | 3,301,108 | 647,233 |
| Other Revenues (Expenses) | | |
| Additions to Permanent and Term Endowments | <u>230,063</u> | <u>55,220</u> |
| Total Other Revenues | 230,063 | 55,220 |
| Increase (decrease) in Net Position | 3,531,171 | 702,453 |
| Net Position | | |
| Net Position - Beginning of Year | <u>31,791,985</u> | <u>31,089,532</u> |
| Net Position - End of Year | <u>\$ 35,323,156</u> | <u>\$ 31,791,985</u> |

Hill College Foundation
Exhibit 2-A
Statement of Activities
Years Ended August 31, 2023 and August 31, 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------------|----------------------------|
| Revenues, Gains and Other Support: | | |
| Interest and Dividends | \$ 214,889 | \$ 188,194 |
| Gain/(Loss) on Sale of Securities | 795,306 | 230,848 |
| Unrealized Gain/(Loss) | 573,252 | 279,810 |
| Farm and Lease Revenue | 114,814 | 111,383 |
| Other Miscellaneous Revenue | 534 | 12,974 |
| | <u>1,698,795</u> | <u>823,209</u> |
| Total revenues, gains and other support | | |
| Expenses: | | |
| Programs: | | |
| Contribution to Hill College | 117,110 | 11,004 |
| Total programs | <u>117,110</u> | <u>11,004</u> |
| Investment Management Fees | 122,766 | 103,549 |
| Legal Fees | - | 138 |
| Accounting Fees | 2,955 | 3,561 |
| Property Taxes | 6,592 | 6,786 |
| Insurance | 4,754 | 8,569 |
| Other Expenses | 1,541 | 2,038 |
| | <u>255,718</u> | <u>135,645</u> |
| Total Expenses | | |
| Increase in Net Assets | 1,443,077 | 687,564 |
| Net Assets, Beginning of Year | <u>9,337,746</u> | <u>8,650,182</u> |
| Prior Period Adjustment | 343,524 | - |
| Net Assets, End of Year | <u>\$ 11,124,347</u> | <u>\$ 9,337,746</u> |

Hill College
Exhibit 3
Statement of Cash Flows
Years Ended August 31, 2024 and August 31, 2023

| | 2024 | 2023 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from students and other customers | \$ 4,792,292 | \$ 3,208,473 |
| Receipts from grants and contracts | 2,556,120 | 6,402,552 |
| Payments to suppliers for goods and services | (8,540,934) | (8,680,150) |
| Payments to or on behalf of employees | (16,981,400) | (15,241,438) |
| Payments for scholarships | (2,283,911) | (2,706,751) |
| Other receipts | 212,181 | 199,847 |
| Net cash used by operating activities | (20,245,652) | (16,817,467) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Receipts from state appropriations | 10,348,209 | 6,840,505 |
| Receipts from nonoperating federal revenues | 5,213,362 | 2,959,873 |
| Receipts from ad valorem taxes | 8,833,278 | 7,494,774 |
| Receipts from student organizations and other agency transactions | 129,070 | 160,334 |
| Payments to student organizations and other agency transactions | (80,780) | (180,853) |
| Gifts for other than capital purposes | 1,469,559 | 588,791 |
| Other payments | 9,180 | 13,675 |
| Net cash provided by noncapital financing activities | 25,921,878 | 17,877,099 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchases of capital assets | (6,488,026) | (1,231,693) |
| Repayments of SBITA payable | (437,928) | (448,166) |
| Net cash used by capital and related financing activities | (6,925,954) | (1,679,859) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (8,904,429) | (3,761,185) |
| Sale of investments | 5,160,784 | 3,836,637 |
| Interest on investments | 762,701 | 140,785 |
| Net cash provided (used) by investing activities | (2,980,944) | 216,237 |
| Increase (decrease) in cash and cash equivalents | (4,230,672) | (403,990) |
| Cash and cash equivalents - September 1 | 11,496,821 | 11,900,811 |
| Cash and cash equivalents - August 31 | \$ 7,266,149 | \$ 11,496,821 |
| Reconciliation of net operating loss to net cash provided (used) | | |
| by operating activities: | | |
| Operating loss | \$ (25,799,971) | \$ (19,713,676) |
| Adjustments to reconcile operating loss to net cash used | | |
| by operating activities: | | |
| Depreciation and Amortization expense | 1,447,091 | 1,393,249 |
| Payments made directly by state for benefits | 2,132,404 | 1,740,569 |
| Changes in assets and liabilities: | | |
| Receivables (net) | 2,290,224 | (798,077) |
| Deferred charges | 834 | 509,358 |
| Prepaid expenses | (405,248) | (98,164) |
| Other assets | - | - |
| Accounts payable, Accrued Liabilities, Dorm Room Deposits, OPEB, and Pension | 676,990 | (816,171) |
| Deferred revenue, Deferred Outflows, and Deferred Inflows | (587,976) | 965,445 |
| Net cash used by operating activities | \$ (20,245,652) | \$ (16,817,467) |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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 for an amount that equals at least 25 percent of the total current funds budgeted expenditures. For the years ended August 31, 2024, and August 31, 2023, the minimum unrestricted fund balance to be maintained was \$6,779,919 and \$6,227,480, respectively. 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.

GASB 100

The college has adopted GASB Statement 100, 'Accounting Changes and Error Corrections' in FY 2023-2024. The college had no changes in accounting principal, accounting estimates, or changes to/within the college that require a correction of previously issued financial statements.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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 \$7,918,089 and \$5,554,249 at August 31, 2024 and August 31, 2023 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 \$25,000 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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

Deferred Revenue

Tuition and fees of \$4,295,181, dorm rental and food service fees of \$365,348, federal and state grants of \$154,657, taxes of \$261,620, and unspent capital contributions from the Foundation of \$349,414, have been reported as deferred revenues at August 31, 2024.

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.

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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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>2024</u> | <u>2023</u> |
|---------------------------|---------------------|----------------------|
| Bank Deposits | | |
| Demand Deposits | \$ 7,262,409 | \$ 11,493,081 |
| Cash and Cash Equivalents | | |
| Petty Cash on Hand | <u>3,740</u> | <u>3,740</u> |
| Total Cash and Deposits | <u>\$ 7,266,149</u> | <u>\$ 11,496,821</u> |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

Reconciliation of Deposits and Investments to Exhibit 1:

| Type of Security | Market Value August 31, 2024 | Market Value August 31, 2023 |
|---|---|---|
| Total Cash and Deposits | \$ 7,266,149 | \$ 11,496,821 |
| Certificate of Deposit | 3,459,258 | 2,308,407 |
| Investment Pools | 7,918,089 | 5,554,249 |
| Equity/Stock Mutual Funds & Bonds | 896,216 | 971,052 |
| Stocks | 3,000,884 | 2,522,487 |
| U.S. Government Securities (Treasuries) | 1,493,757 | 842,216 |
| Total Investments | \$ 16,768,204 | \$ 12,198,411 |
| Total Deposits and Investments | \$ 24,034,353 | \$ 23,695,232 |
| Cash and Cash Equivalents (Exhibit 1) | 6,507,549 | 10,914,684 |
| Restricted Cash and Cash Equivalents (Exhibit 1) | 758,600 | 582,137 |
| Short Term Investments (Exhibit 1) | 10,157,970 | 7,750,082 |
| Restricted Investments (Exhibit 1) | 113,823 | 112,574 |
| Endowment Investments (Exhibit 1) | 2,089,559 | 1,813,268 |
| Other Noncurrent Investments (Exhibit 1) | 4,406,852 | 2,522,487 |
| Total Deposits and Investments (Exhibit 1) | \$ 24,034,353 | \$ 23,695,232 |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

As of August 31, 2024, the District had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|---|----------------------|---|---------------------|-----------------------|---------------------|
| | | Less than 1 | 1 to 2 | Greater than 2 | N/A |
| Certificates of Deposit | \$ 3,459,258 | \$ 2,239,881 | \$ 1,219,377 | \$ - | \$ - |
| Investment Pools | 7,918,089 | 7,918,089 | - | - | - |
| Equity/Stock Mutual Funds & Bonds | 896,216 | - | - | 896,216 | - |
| Stocks | 3,000,884 | - | - | - | 3,000,884 |
| U.S. Government Securities (Treasuries) | 1,493,757 | | 1,493,757 | | |
| Total Fair Value | \$ 16,768,204 | \$ 10,157,970 | \$ 2,713,134 | \$ 896,216 | \$ 3,000,884 |

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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

5. Capital Assets

Capital assets activity for the year ended August 31, 2024 was as follows:

| | Balance September 1, 2023 | Increases | Decreases | Balance August 31, 2024 |
|---|--|---------------------|------------------|--|
| Not Depreciated: | | | | |
| Land | \$ 405,370 | \$ 1,833,215 | \$ - | \$ 2,238,585 |
| Collections | 28,907 | - | - | 28,907 |
| Construction in Progress | 792,641 | 4,036,580 | 96,606 | 4,732,615 |
| Total Not Depreciated | 1,226,918 | 5,869,795 | 96,606 | 7,000,107 |
| Buildings and Other Capital Assets: | | | | |
| Buildings and Building Improvements | 35,002,522 | 124,542 | | 35,127,064 |
| Other Real Estate Improvements | 2,522,717 | 46,890 | - | 2,569,607 |
| Total Buildings and Other Real Estate Improvements | 37,525,239 | 171,432 | - | 37,696,671 |
| Library Books | 441,155 | 24,045 | 196,470 | 268,730 |
| Furniture, Machinery, and Equipment | 6,067,022 | 519,361 | | 6,586,383 |
| SBITA assets-intangibles | 2,359,449 | 159,548 | | 2,518,997 |
| Total Buildings and Other Capital Assets | 46,392,865 | 874,386 | 196,470 | 47,070,781 |
| Accumulated Depreciation/Amortization: | | | | |
| Depreciation: | | | | |
| Buildings and Building Improvements | 13,357,544 | 636,019 | | 13,993,563 |
| Other Real Estate Improvements | 1,197,090 | 94,857 | | 1,291,947 |
| Total Buildings and Other Real Estate Improvements | 14,554,634 | 730,876 | - | 15,285,510 |
| Library Books | 256,999 | 29,244 | 196,470 | 89,773 |
| Furniture, Machinery, and Equipment | 4,692,914 | 275,056 | | 4,967,970 |
| Amortization: | | | | |
| SBITA assets-intangibles | 725,134 | 411,915 | | 1,137,049 |
| Total Accumulated Depreciation and Amortization | 20,229,681 | 1,447,091 | 196,470 | 21,480,302 |
| Net Capital Assets | \$ 27,390,102 | \$ 5,297,090 | \$ 96,606 | \$ 32,590,586 |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

Capital assets activity for the year ended August 31, 2023 was as follows:

| | (Restated) Balance September 1, 2022 | Increases | Decreases | Balance August 31, 2023 |
|--|---|-------------------|-------------------|-------------------------------|
| Not Depreciated: | | | | |
| Land | \$ 405,370 | \$ - | \$ - | \$ 405,370 |
| Collections | 28,907 | - | - | 28,907 |
| Construction in Progress | 304,453 | 488,188 | - | 792,641 |
| Total Not Depreciated | <u>738,730</u> | <u>488,188</u> | <u>-</u> | <u>1,226,918</u> |
| Buildings and Other Capital Assets: | | | | |
| Buildings and Building Improvements | 34,885,039 | 560,647 | 443,164 | 35,002,522 |
| Other Real Estate Improvements | 2,522,717 | - | - | 2,522,717 |
| Total Buildings and Other Real Estate Improvements | <u>37,407,756</u> | <u>560,647</u> | <u>443,164</u> | <u>37,525,239</u> |
| Library Books | 438,279 | 29,621 | 26,745 | 441,155 |
| Furniture, Machinery, and Equipment | 5,671,050 | 430,551 | 34,579 | 6,067,022 |
| SBITA assets-intangibles | 2,254,818 | 104,631 | - | 2,359,449 |
| Total Buildings and Other Capital Assets | <u>45,771,903</u> | <u>1,125,450</u> | <u>504,488</u> | <u>46,392,865</u> |
| Accumulated Depreciation/Amortization: | | | | |
| Depreciation: | | | | |
| Buildings and Building Improvements | 12,900,364 | 623,030 | 165,850 | 13,357,544 |
| Other Real Estate Improvements | 1,103,406 | 93,684 | - | 1,197,090 |
| Total Buildings and Other Real Estate Improvements | <u>14,003,770</u> | <u>716,714</u> | <u>165,850</u> | <u>14,554,634</u> |
| Library Books | 253,546 | 30,198 | 26,745 | 256,999 |
| Furniture, Machinery, and Equipment | 4,461,162 | 266,331 | 34,579 | 4,692,914 |
| Amortization: | | | | |
| SBITA assets-intangibles | 345,128 | 380,006 | - | 725,134 |
| Total Accumulated Depreciation and Amortization | <u>19,063,606</u> | <u>1,393,249</u> | <u>227,174</u> | <u>20,229,681</u> |
| Net Capital Assets | <u>\$ 27,447,027</u> | <u>\$ 220,389</u> | <u>\$ 277,314</u> | <u>\$ 27,390,102</u> |

The beginning balance was restated with the implementation of GASB 96.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

6. Noncurrent Liabilities

Noncurrent liability activity for the year ended August 31, 2024 was as follows:

| | Balance September 1, 2023 | Additions | Reductions | Balance August 31, 2024 | Current Portion |
|---------------------------------|--|-------------------|-------------------|--|----------------------------|
| Net Pension Liability | 4,561,816 | 809,807 | - | \$ 5,371,623 | N/A |
| Net OPEB Liability | 11,315,641 | 13,930 | 314,297 | 11,015,274 | 308,113 |
| Total Noncurrent Liabilities | <u>\$ 15,877,457</u> | <u>\$ 823,737</u> | <u>\$ 314,297</u> | <u>\$ 16,386,897</u> | <u>\$ 308,113</u> |

Noncurrent liability activity for the year ended August 31, 2023 was as follows:

| | Balance September 1, 2022 | Additions | Reductions | Balance August 31, 2023 | Current Portion |
|---------------------------------|--|---------------------|---------------------|--|----------------------------|
| Net Pension Liability | 1,897,300 | 2,664,516 | - | \$ 4,561,816 | N/A |
| Net OPEB Liability | 15,189,704 | - | 3,874,063 | 11,315,641 | 294,183 |
| Total Noncurrent Liabilities | <u>\$ 17,087,004</u> | <u>\$ 2,664,516</u> | <u>\$ 3,874,063</u> | <u>\$ 15,877,457</u> | <u>\$ 294,183</u> |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

7. Debt Obligations – Subscription-Based Information Technology Arrangements (SBITA) Payable

Debt obligations activity for the year ended August 31, 2024 was as follows:

| | Balance | | | Balance | |
|---------------------|---------------------|-------------------|-------------------|---------------------|------------------|
| | September 1, | | | August 31, | Current |
| | 2023 | Additions | Reductions | 2024 | Portion |
| SBITA Payable | 1,517,030 | 159,549 | 437,928 | 1,238,651 | 438,853 |
| Total SBITA Payable | <u>\$ 1,517,030</u> | <u>\$ 159,549</u> | <u>\$ 437,928</u> | <u>\$ 1,238,651</u> | <u>\$438,853</u> |

Debt obligations activity for the year ended August 31, 2023 was as follows:

| | (Restated) | | | Balance | |
|---------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
| | Balance | | | August 31, | Current |
| | September 1, | | | 2023 | Portion |
| | 2022 | Additions | Reductions | | |
| SBITA Payable | 1,860,566 | 104,631 | 448,167 | 1,517,030 | 404,117 |
| Total SBITA Payable | <u>\$ 1,860,566</u> | <u>\$ 104,631</u> | <u>\$ 448,167</u> | <u>\$ 1,517,030</u> | <u>\$ 404,117</u> |

The beginning balance was restated with the implementation of GASB 96.

The College as a lessee, has entered into Subscription-Based Information Technology Arrangements (SBITA) involving various intangible software summarized below:

Subscriptions of Software (intangible asset) with annual installments ranging from \$33,810 to \$452,032

Imputed interest rates ranging from 0.55% to 3.26%

Due dates ranging from October 2024 to May 2028

The balance outstanding at August 31, 2024 was: \$ 1,238,651

| | Principal | Interest | Total |
|-------------|------------------|-----------------|------------------|
| 2025 | 438,853 | 13,179 | 452,032 |
| 2026 | 381,663 | 8,308 | 389,971 |
| 2027 | 385,303 | 4,667 | 389,970 |
| 2028 | 32,832 | 978 | 33,810 |
| | <u>1,238,651</u> | <u>27,132</u> | <u>1,265,783</u> |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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 workload 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%20Documents/acfr-2022.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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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.

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Member | 8.25% | 8.00% |
| Non-Employer Contributing Entity (State) | 8.25% | 8.00% |
| Employers | 8.25% | 8.00% |
| College Contributions | \$ 396,197 | \$ 350,629 |
| State of Texas On-Behalf Contributions | \$ 354,850 | \$ 308,501 |
| Member Contributions | \$ 762,094 | \$ 683,762 |

The College’s contributions to the TRS pension plan in 2024 were \$452,359 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 2024 were \$354,850.

- 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

Hill College
Notes to Financial Statements
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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, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|--|
| Valuation Date | August 31, 2022 rolled forward to August 31, 2023 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term Expected Rate | 7.00% |
| Municipal Bond Rate as of August 2023 | 4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" |
| Last year ending August 31 in Projection Period (100 years) | 2122 |
| Inflation | 2.30% |
| Salary Increases | 2.95% to 8.95% including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

Source: Teacher Retirement System of Texas 2023 Annual Comprehensive 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.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 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 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. 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.

Hill College
Notes to Financial Statements
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The long-term rate of return on pension plan investments is 7.00 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, 2023 are summarized below:

| Asset Class | Target Allocation¹ % | Long-Term Expected Geometric Real Rate of Return² | Expected Contribution to Long-Term Portfolio Returns |
|--|--|---|---|
| Global Equity | | | |
| USA | 18.0 % | 4.0 % | 1.00 % |
| Non-U.S. Developed | 13.0 | 4.5 | 0.90 |
| Emerging Markets | 9.0 | 4.8 | 0.70 |
| Private Equity | 14.0 | 7.0 | 1.50 |
| Stable Value | | | |
| Government Bonds | 16.0 % | 2.5 % | 0.50 % |
| Absolute Return (including Credit Sensitive Investments) | 0.0 | 3.6 | 0.00 |
| Stable Value Hedge Funds | 5.0 | 4.1 | 0.20 |
| Real Return | | | |
| Real Estate | 15.0 % | 4.9 % | 1.10 % |
| Energy, Natural Resources and Infrastructure | 6.0 | 4.8 | 0.40 |
| Commodities | 0.0 | 4.4 | 0.00 |
| Risk Parity | | | |
| Risk Parity | 8.0 % | 4.5 % | 0.40 % |
| Asset Allocation Leverage | | | |
| Cash | 2.0 % | 3.7 % | 0.00 % |
| Asset Allocation Leverage | (6.0) | 4.4 | (0.10) |
| Inflation Expectation | | | 2.30 % |
| Volatility Drag ³ | | | (0.90) % |
| Expected Return | 100.00 % | | 8.00 % |

¹Target allocations are based on the FY2023 policy model.

²Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023).

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

Source: Teacher Retirement System of Texas 2023 Annual Comprehensive Financial Report

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability using the discount rate of 7.00 percent, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) and one percentage point higher (8.00 percent) than the current rate.

| | 1% Decrease in Discount Rate 6.00% | Discount Rate 7.00% | 1% Increase in Discount Rate 8.00% |
|--|--|------------------------|--|
| Hill College's proportionate share of the net pension liability: | 8,030,873 | 5,371,623 | \$ 3,160,454 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, the College reported a liability of \$5,371,623 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 | \$ 5,371,623 |
| State's proportionate share that is associated with Hill College | 4,741,959 |
| Total | \$ 10,113,582 |

The actuarial evaluation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023. 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, 2022 through August 31, 2023.

At the measurement date of August 31, 2023, the employer's proportion of the collective net pension liability was 0.0078200542%, which was an increase of 0.000136016% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2024, the College recognized pension expense of \$715,995 and revenue of \$715,995 for support provided by the State.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

At August 31, 2024, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual economic experience | \$ 191,393 | \$ 65,044 |
| Changes in actuarial assumptions | 508,050 | 124,331 |
| Differences between projected and actual investment earnings | 1,678,470 | 896,768 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 178,704 | 159,250 |
| Contributions paid to TRS subsequent to the measurement date | 452,359 | - |
| Total | <u>\$ 3,008,976</u> | <u>\$ 1,245,393</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> |
|----------------------------------|-----------------------------------|
| 2025 | \$ 290,508 |
| 2026 | 147,281 |
| 2027 | 640,048 |
| 2028 | 206,170 |
| 2029 | 27,217 |
| Thereafter | - |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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 \$87,531 and \$86,531 for the fiscal years ended August 31, 2024, and 2023, 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 \$12,332,675 and \$11,338,029 for fiscal years 2024 and 2023, respectively. The total payroll of employees covered by the Teacher Retirement System was \$10,714,611 and \$9,545,381 for fiscal years 2024 and 2023, respectively. The total payroll of employees covered by the Optional Retirement System was \$2,678,186 and \$2,632,926 for fiscal years 2024 and 2023, respectively. The total payroll of employees covered by the PARS plan was \$1,195,596 and \$944,524 for fiscal years 2024 and 2023, 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 \$23,000 and \$22,500 for tax years 2024 and 2023, respectively, with a make-up provision for individuals fifty years or older of \$7,500 and \$7,500 for tax years 2024 and 2023, respectively. Thirty-six employees of the College contributed a total of \$176,656 under this plan for the year 2024, and thirty-six employees contributed a total of \$174,370 under this plan for 2023. The College does not contribute to this plan.

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Notes to Financial Statements
August 31, 2024 and 2023

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 \$81,164 for 2024 and \$57,807 for 2023. 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, \$982.82 for employee and spouse, \$864.52 for employee and child, and \$1,222.52 for employee and family, and totaled \$1,233,086 for the year ended August 31, 2024. For the year ended August 31, 2023, the state's contribution per full-time employee for HealthSelect of Texas was \$622.60 for employees, \$980.60 for employee and spouse, \$862.30 for employee and child, and \$1,220.30 for employee and family, and totaled \$1,225,145.

The cost of providing those benefits for 91 retirees in the year ended 2024 was \$363,301 (retiree benefits for 82 retirees cost \$355,396 for the year ended 2023). For 207 active employees, the cost of providing benefits was \$869,786 for the year ended 2024 (active employee benefits for 212 employees cost \$869,749 for the year ended 2023). 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)

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.

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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 2023

| | | |
|--------------------|----|----------|
| 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)
Annual Comprehensive Financial Report*

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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, 2024 and 2023

| | 2024 | 2023 |
|--|----------------|----------------|
| Employers | \$ 801,018,586 | \$ 699,999,453 |
| Members (Employees) | \$ 181,951,869 | \$ 190,659,955 |
| Nonemployer Contributing Entity (State of Texas) | \$ 42,250,455 | \$ 36,750,724 |

Source: Employees Retirement System of Texas (ERS) Annual Comprehensive 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 2022 to require that all funds in the plan be invested in cash and equivalents securities.

Hill College
Notes to Financial Statements
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Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------------|--|
| Valuation Date | August 31, 2023 |
| 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 | 3.81% |
| Projected Annual Salary Increase | 2.3% to 8.95%, including inflation |
| Annual Healthcare Trend Rate | <p><u>HealthSelect</u> 5.6% for FY2025, 5.30% for FY2026, 5.00% for FY2027, 4.75% for FY2028, 4.60% for FY2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2032 and later years</p> <p><u>HealthSelect Medicare Advantage</u> 16.40% for FY2025, 8.40% for FY2026, 5.00% for FY2027, 4.75% for FY2028, 4.60% for FY2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2032 and later years</p> <p><u>Pharmacy</u> 10.00% for FY2025 and FY2026, decreasing 100 basis points per year to 5.00% for FY2031 and 4.30% for FY2032 and later years</p> |
| Inflation Assumption Rate | 2.30% |
| Ad hoc Postemployment Benefit Changes | None |
| Mortality Rate | <p><u>Higher Education Members</u></p> <p>* <i>Service Retirees, Survivors and other Inactive Members:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021</p> <p>* <i>Disability Retirees:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members</p> <p>* <i>Active Members:</i> Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.</p> |

Source: Employees Retirement System of Texas (ERS) Annual Comprehensive 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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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 3.59%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.81%, which amounted to an increase of 0.22%. 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 (3.81%) in measuring the net OPEB liability.

| | 1% Decrease in Discount Rate (2.81%) | Discount Rate (3.81%) | 1% Increase in Discount Rate (4.81%) |
|---|--|-----------------------------|--|
| Hill College's proportionate share of the net OPEB liability: | \$ 12,781,643 | \$ 11,015,274 | \$ 9,594,538 |

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% for HealthSelect and 16.40% for HealthSelect Medicare Advantage and 10% for Pharmacy. 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: 4.60% decreasing to 3.30%; HealthSelect Medicare Advantage: 15.40 to 3.30% Pharmacy: 9.00% to 3.30%) | Current Healthcare Cost Trend Rates (HealthSelect: 5.60% decreasing to 4.30%; HealthSelect Medicare Advantage: 16.40% to 4.30% Pharmacy: 10.00% to 4.30%) | 1% Increase in (HealthSelect: 6.60% decreasing to 5.30%; HealthSelect Medicare Advantage: 17.4% to 5.30% Pharmacy: 11.00% to 5.30%) |
|---|--|---|--|
| Hill College's proportionate share of the net OPEB liability: | \$9,474,667 | \$11,015,274 | \$12,971,853 |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2024, the College reported a liability of \$11,015,274 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 | \$ 11,015,274 |
| State's proportionate share that is associated with Hill College | 11,153,951 |
| Total | \$ 22,169,225 |

The net OPEB liability was measured as of August 31, 2023, 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, 2022 through August 31, 2023.

At the measurement date of August 31, 2023, the employer’s proportion of the collective net OPEB liability was 0.04122864%, which was an increase of 0.00150647% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2024, the College recognized OPEB expense of (331,015) and revenue of (331,015) 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:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- The proportion of future retirees assumed to cover dependent children.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

- The discount rate assumption was changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023 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 September 1, 2023 are not expected to have a significant impact on plan costs for fiscal year 2024 and are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

At August 31, 2024, 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 | \$ - | \$ 291,360 |
| Changes in actuarial assumptions | 367,458 | 3,440,217 |
| Differences between projected and actual investment earnings | 890 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 465,191 | 1,166,818 |
| Contributions paid to ERS subsequent to the measurement date | 279,071 | - |
| Total | <u>\$ 1,112,610</u> | <u>\$ 4,898,395</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:

| <u>Year Ended August 31:</u> | <u>Pension Expense Amount</u> |
|----------------------------------|-----------------------------------|
| 2025 | \$ (1,146,937) |
| 2026 | (1,206,464) |
| 2027 | (1,057,444) |
| 2028 | (594,257) |
| 2029 | (59,754) |
| Thereafter | - |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

13. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2024 and 2023 were as follows:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------|---------------------|---------------------|
| Student Receivables | \$ 5,288,590 | \$ 6,108,300 |
| Taxes Receivables | 650,382 | 546,430 |
| Federal Receivables | 469,233 | 1,800,306 |
| State Receivables | 36,896 | 18,665 |
| Other Receivables | 11,081 | 3,656 |
| Subtotal | 6,456,182 | 8,477,357 |
| Allowance for doubtful accounts | (2,108,940) | (1,945,940) |
| Total Receivables | <u>\$ 4,347,242</u> | <u>\$ 6,531,417</u> |

Payables

Payables at August 31, 2024 and 2023 were as follows:

| | <u>2024</u> | <u>2023</u> |
|-----------------|-------------------|-------------------|
| Vendors Payable | \$ 857,416 | \$ 694,151 |
| Total Payables | <u>\$ 857,416</u> | <u>\$ 694,151</u> |

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 (e.g., revenue and expenses are not reported). Contract and grant award funds received, but not yet expended are reported as Deferred Revenue.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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>2024</u> | <u>2023</u> |
|------------------------------------|-------------------------|-------------------------|
| Assessed Valuation of the District | \$ 5,039,476,547 | \$ 4,547,934,320 |
| Less: Exemptions | 770,343,505 | 681,159,160 |
| Net Taxable Income | 4,269,133,042 | 3,866,775,160 |
| Less: Freeze Taxable | 652,972,341 | 569,990,997 |
| Less: over 65/DP Adjustment | 310,816 | 434,181 |
| Freeze Adjusted Taxable | <u>\$ 3,615,849,885</u> | <u>\$ 3,296,349,982</u> |

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Authorized Tax Rate per \$100 valuation (current operations-maximum per enabling legislation) | 0.500000 | 0.500000 |
| Assessed Tax Rate per \$100 valuation (current operations) | 0.075230 | 0.080530 |

Taxes levied for the year ended August 31, 2024 and 2023 amounted to \$3,184,930 and \$2,809,940, 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.

| | <u>2024</u> | <u>2023</u> |
|----------------------------------|---------------------------|---------------------------|
| | <u>Current Operations</u> | <u>Current Operations</u> |
| Current Taxes Collected | \$ 2,707,109 | \$ 2,153,638 |
| Delinquent Taxes Collected | 85,895 | 66,767 |
| Penalties and Interest Collected | 56,039 | 46,203 |
| Total Collections | <u>\$ 2,849,043</u> | <u>\$ 2,266,608</u> |

Tax collections for the year ended August 31, 2024 and 2023 were 96.02% and 95.89%, 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.

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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, 2024 and August 31, 2023, respectively, Hill College abated property taxes totaling \$66,773 and \$86,505.

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 2024 (including penalties and interest)</u> | <u>Collections in Fiscal Year 2023 (including penalties and interest)</u> |
|--|---|---|
| Alvarado | \$ 1,159,000 | \$ 1,011,698 |
| Cleburne | 2,122,615 | 1,885,943 |
| Godley | 399,227 | 340,117 |
| Grandview | 302,581 | 263,014 |
| Joshua | 1,452,901 | 1,258,892 |
| Keene | 137,453 | 118,797 |
| Rio Vista | 161,636 | 138,246 |
| Venus | 327,459 | 291,236 |
| Total | <u>\$ 6,062,872</u> | <u>\$ 5,307,943</u> |

Hill College
Notes to Financial Statements
August 31, 2024 and 2023

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, 2024 and 2023.

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's most recently audited financial statements, fiscal year 2023, are included in the College's annual report as a discrete component unit (see table of contents). There was no audit of the fiscal year 2024 financial statements, as the Foundation has adopted the practice of having an audit every other year. Complete financial statements for 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 Ten Fiscal Years**

| Fiscal year ending August 31* | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| College's proportionate share of collective net pension liability (NPL) (%) | 0.0078201% | 0.0076840% | 0.0074502% | 0.0078639% | 0.0082289% | 0.0076235% | 0.0072722% | 0.0069101% | 0.0079268% | 0.0090791% |
| College's proportionate share of collective net pension liability (\$) | \$ 5,371,623 | \$ 4,561,816 | \$ 1,897,300 | \$ 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 | 4,741,959 | 3,924,941 | 1,748,229 | 3,776,692 | 3,745,228 | 3,626,346 | 2,064,195 | 2,351,637 | 2,452,737 | 2,117,111 |
| Total | 10,113,582 | 8,486,757 | 3,645,529 | 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 | \$ 10,714,611 | \$ 9,545,381 | \$ 8,444,890 | \$ 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 | 50.13% | 47.79% | 22.47% | 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 | 73.15% | 75.62% | 88.79% | 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 Pension Contributions
Last Ten Fiscal Years**

| Fiscal year ending August 31* | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Legally required contributions | \$ 452,359 | \$ 396,197 | \$ 350,629 | \$ 316,116 | \$ 324,335 | \$ 287,977 | \$ 257,186 | \$ 238,340 | \$ 219,552 | \$ 234,602 |
| Actual contributions | 452,359 | 396,197 | 350,629 | 316,116 | 324,335 | 287,977 | 257,186 | 238,340 | 219,552 | 234,602 |
| Contributions deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| College's covered employee payroll amount | \$ 10,714,611 | \$ 9,545,381 | \$ 8,444,890 | \$ 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 | 4.22% | 4.15% | 4.15% | 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 Seven Fiscal Years**

| Fiscal year ending August 31* | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| College's proportionate share of collective net OPEB liability (%) | 0.0412286% | 0.0397222% | 0.0423400% | 0.0447038% | 0.0444104% | 0.0419377% | 0.0295774% |
| College's proportionate share of collective net OPEB liability (\$) | \$ 11,015,274 | \$ 11,315,641 | \$ 15,189,704 | \$ 14,772,197 | \$ 15,349,423 | \$ 12,429,393 | \$ 10,077,909 |
| State's proportionate share of net OPEB liability associated with College | 11,153,951 | 12,028,152 | 14,959,695 | 13,776,174 | 14,812,814 | 12,515,488 | 9,808,608 |
| Total | 22,169,225 | 23,343,793 | 30,149,399 | 28,548,371 | 30,162,237 | 24,944,881 | 19,886,517 |
| College's covered payroll amount | \$ 12,332,675 | \$ 11,338,029 | \$ 12,334,075 | \$ 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 | 89.32% | 99.80% | 123.15% | 139.02% | 148.20% | 117.11% | 93.48% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.63% | 0.57% | 0.38% | 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 OPEB Contributions
Employee Retirement System of Texas
State Retiree Health Plan
For the Last Seven Fiscal Years**

| Fiscal year ending August 31* | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Legally required contributions | \$ 279,071 | \$ 261,694 | \$ 220,464 | \$ 244,288 | \$ 231,716 | \$ 119,915 | \$ 275,770 |
| Actual contributions | 279,071 | 261,694 | 220,464 | 244,288 | 231,716 | 119,915 | 275,770 |
| Contributions deficiency (excess) | - | - | - | - | - | - | - |
| College's covered employee payroll amount | \$ 12,332,675 | \$ 11,338,029 | \$ 12,334,075 | \$ 10,625,680 | \$ 10,357,199 | \$ 10,613,426 | \$ 10,780,859 |
| Contributions as a percentage of covered payroll | 2.26% | 2.31% | 1.79% | 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 Schedules for Pensions
Year Ended August 31, 2024

1. Changes of Benefit Terms:

There was an 8%, with a minimum of \$4,000, pay raise for all full-time employees effective September 1, 2022.

2. Changes of Assumptions

The actuarial valuation was performed as of August 31, 2022. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted July 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023.

- The actuarial assumptions and methods are the same as used in the prior year's Net Pension Liability.

Hill College
Notes to Required Supplementary Information Schedules for OPEB
Year Ended August 31, 2024

1. Changes of Benefit Terms:

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2024, are provided for in the FY2024 Assumed Per Capita Health Benefit Costs.

2. Changes of Assumptions

The following assumptions or other inputs have been updated since the previous valuation:

Demographic Assumptions:

Since the last valuation was prepared for this plan, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.

Economic Assumptions:

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent available information.

Other Inputs:

The discount rate was changed from 3.59% to 3.81% as a result of requirements by GASB No. 75 to reflect the yield or index rate for 20-year, tax exempt general obligation 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, 2024 (With Memorandum Totals for the Year Ended August 31, 2023)

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total Educational Activities</u> | <u>Auxiliary Enterprises</u> | <u>2024 Total</u> | <u>2023 Total</u> |
|--|---------------------|---------------------|---|----------------------------------|-----------------------|-----------------------|
| Tuition: | | | | | | |
| State Funded Credit Courses: | | | | | | |
| In-District Resident Tuition | \$ 3,267,566 | \$ - | \$ 3,267,566 | \$ - | \$ 3,267,566 | \$ 3,135,274 |
| Out-of-District Resident Tuition | 2,558,168 | - | 2,558,168 | - | 2,558,168 | 2,572,805 |
| Non-Resident Tuition | 370,261 | - | 370,261 | - | 370,261 | 385,540 |
| TPEG - Credit (set aside)* | - | 376,602 | 376,602 | - | 376,602 | 368,331 |
| State-Funded Continuing Education | 47,536 | - | 47,536 | - | 47,536 | 53,285 |
| TPEG - Credit (set aside)* | - | 558 | 558 | - | 558 | 1,040 |
| Non-State Funded Continuing Education | - | - | - | - | - | - |
| Total Tuition | 6,243,531 | 377,160 | 6,620,691 | - | 6,620,691 | 6,516,275 |
| Fees: | | | | | | |
| Out of District Fee | 808,721 | - | 808,721 | - | 808,721 | 824,157 |
| General Fees | 312,852 | - | 312,852 | - | 312,852 | 236,925 |
| Student Service Fee | - | - | - | 288,777 | 288,777 | 286,810 |
| Building Use Fee | - | - | - | 698,123 | 698,123 | 689,126 |
| Laboratory Fee | 153,492 | - | 153,492 | - | 153,492 | 167,803 |
| Technology fee | 722,265 | - | 722,265 | - | 722,265 | 685,969 |
| Total Fees | 1,997,330 | - | 1,997,330 | 986,900 | 2,984,230 | 2,890,790 |
| Scholarship Allowances and Discounts: | | | | | | |
| Remissions and Exemptions - State | - | - | - | (240,647) | (240,647) | (229,082) |
| Title IV Federal Grants | (1,979,753) | - | (1,979,753) | - | (1,979,753) | (992,602) |
| TPEG Awards | (405,774) | - | (405,774) | - | (405,774) | (248,196) |
| Other State Grants | (343,314) | - | (343,314) | - | (343,314) | (85,771) |
| Other Local Grants | (2,689,388) | - | (2,689,388) | - | (2,689,388) | (1,336,464) |
| Total Scholarship Allowances | (5,418,229) | - | (5,418,229) | (240,647) | (5,658,876) | (2,892,115) |
| Total Net Tuition and Fees | 2,822,632 | 377,160 | 3,199,792 | 746,253 | 3,946,045 | 6,514,950 |
| Additional Operating Revenues: | | | | | | |
| Federal Grants and Contracts | 12,434 | 132,101 | 144,535 | - | 144,535 | 179,379 |
| State Grants and Contracts | - | 645,554 | 645,554 | - | 645,554 | 675,406 |
| Non-Governmental Grants and Contracts | - | 388,498 | 388,498 | - | 388,498 | 2,312,107 |
| General Operating Revenues | 211,693 | - | 211,693 | - | 211,693 | 197,348 |
| Total Additional Operating Revenues | 224,127 | 1,166,153 | 1,390,280 | - | 1,390,280 | 3,364,240 |
| Auxiliary Enterprises: | | | | | | |
| Residential Life | - | - | - | 1,143,213 | 1,143,213 | 985,812 |
| Less Discounts | - | - | - | (887,156) | (887,156) | (426,866) |
| Bookstore | - | - | - | 74,242 | 74,242 | 21,969 |
| Cosmetology | - | - | - | 7,903 | 7,903 | 13,995 |
| Concessions | - | - | - | 29,764 | 29,764 | 35,032 |
| Total Net Auxiliary Enterprises | - | - | - | 367,966 | 367,966 | 629,942 |
| Total Operating Revenues | \$ 3,046,759 | \$ 1,543,313 | \$ 4,590,072 | \$ 1,114,219 | \$ 5,704,291 | \$ 10,509,132 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

*In accordance with Education Code 56.033, \$377,160 and \$369,371 for years August 31, 2024 and 2023, 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, 2024 (With Memorandum Totals for the Year Ended August 31, 2023)

| | Operating Expenses | | | | | |
|--|-----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | Salaries and Wages | Benefits | | Other Expenses | 2024 Total | 2023 Total |
| | | State | Local | | | |
| Unrestricted - Educational Activities | | | | | | |
| Instruction | \$ 7,986,704 | \$ 1,059,731 | \$ 473,028 | \$ 491,625 | \$ 10,011,088 | \$ 8,845,456 |
| Public Service | - | - | - | - | - | - |
| Academic Support | 1,393,101 | 253,759 | 152,275 | 648,893 | 2,448,028 | 2,107,592 |
| Student Services | 2,152,017 | 440,777 | 248,258 | 211,052 | 3,052,104 | 2,709,556 |
| Institutional Support | 2,620,386 | 378,137 | 2,118,008 | 1,714,497 | 6,831,028 | 5,847,529 |
| Operation and Maintenance of Plant | 210,973 | - | 20,956 | 3,219,516 | 3,451,445 | 4,282,131 |
| Scholarships and Fellowships | - | - | - | - | - | - |
| Total Unrestricted Educational Activities | 14,363,181 | 2,132,404 | 3,012,525 | 6,285,583 | 25,793,693 | 23,792,264 |
| Restricted - Educational Activities | | | | | | |
| Instruction | \$ 30,000 | \$ - | \$ - | \$ 125,242 | \$ 155,242 | \$ 468,625 |
| Public Service | - | - | - | - | - | - |
| Academic Support | - | - | - | - | - | - |
| Student Services | 45,245 | - | 10,024 | 117,164 | 172,433 | 220,913 |
| Institutional Support | - | - | - | 18,829 | 18,829 | 23,983 |
| Operation and Maintenance of Plant | - | - | - | - | - | - |
| Scholarships and Fellowships | - | - | - | 2,283,911 | 2,283,911 | 2,706,751 |
| Total Restricted Educational Activities | 75,245 | - | 10,024 | 2,545,146 | 2,630,415 | 3,420,272 |
| Total Educational Activities | 14,438,426 | 2,132,404 | 3,022,549 | 8,830,729 | 28,424,108 | 27,212,536 |
| Auxiliary Enterprises | 58,158 | 165 | 2,607 | 1,572,133 | 1,633,063 | 1,617,023 |
| Depreciation Expense - Buildings and Other Real Estate Improvements | - | - | - | 730,876 | 730,876 | 716,715 |
| Depreciation Expense - Equipment and Furniture | - | - | - | 304,300 | 304,300 | 296,528 |
| Amortization Expense - SBITA | - | - | - | 411,915 | 411,915 | 380,006 |
| Total Operating Expenses | \$ 14,496,584 | \$ 2,132,569 | \$ 3,025,156 | \$ 11,849,953 | \$ 31,504,262 | \$ 30,222,808 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

Hill College
Schedule C
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2024 (With Memorandum Totals for the Year Ended August 31, 2023)

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Auxiliary Enterprises</u> | <u>Investment in Plant</u> | <u>2024 Total</u> | <u>2023 Total</u> |
|-------------------------------------|----------------------|--------------------|----------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| NON-OPERATING REVENUES: | | | | | | |
| State Appropriations: | | | | | | |
| Education and General State Support | \$ 10,039,172 | \$ - | \$ - | \$ - | \$ 10,039,172 | \$ 6,531,631 |
| State Group Insurance | 902,071 | - | - | - | 902,071 | 1,663,269 |
| State Retirement Matching | 1,230,333 | - | 165 | - | 1,230,498 | 77,300 |
| Texas Heritage Museum | 308,872 | - | - | - | 308,872 | 308,874 |
| Total State Appropriations | 12,480,448 | - | 165 | - | 12,480,613 | 8,581,074 |
| Maintenance Ad Valorem Taxes | 2,849,043 | - | - | - | 2,849,043 | 2,266,608 |
| Branch Campus Maintenance Tax | 6,062,872 | - | - | - | 6,062,872 | 5,307,943 |
| Federal Revenue, Non Operating | 6,395 | 5,206,967 | - | - | 5,213,362 | 2,959,873 |
| Gifts | 851,337 | - | 38,745 | - | 890,082 | 533,571 |
| Investment Income | 845,848 | 112,392 | 12,695 | - | 970,935 | 437,195 |
| Gain (Loss) on Sale of Investments | 189,161 | 18,787 | - | - | 207,948 | (34,323) |
| Unrealized Gain on Investments | 352,129 | 64,915 | - | - | 417,044 | 295,293 |
| Other Non-Operating Revenue | 22,525 | - | - | - | 22,525 | 27,733 |
| Total Non-Operating Revenues | 23,659,758 | 5,403,061 | 51,605 | - | 29,114,424 | 20,374,967 |
| NON-OPERATING EXPENSES: | | | | | | |
| Interest on Capital Related Debt | - | - | - | (13,345) | (13,345) | (14,058) |
| Other Non-Operating Expense | - | - | - | - | - | - |
| Interfund Transfers | 5,418,229 | (4,967,308) | (450,921) | - | - | - |
| Total Non-Operating Expenses | 5,418,229 | (4,967,308) | (450,921) | (13,345) | (13,345) | (14,058) |
| Net Non-Operating Revenues | \$ 29,077,987 | \$ 435,753 | \$ (399,316) | \$ (13,345) | \$ 29,101,079 (Exhibit 2) | \$ 20,360,909 (Exhibit 2) |

Hill College
Schedule D
Schedule of Net Position by Source and Availability
Year Ended August 31, 2024 (With Memorandum Totals for the Year Ended August 31, 2023)

| | Detail by Source | | | | | Available for Current Operations | |
|--|-----------------------|---------------------|-------------------|---|------------------------------------|----------------------------------|---------------------|
| | Unrestricted | Restricted | | Capital Assets Net of Depreciation & Related Debt | Total | Yes | No |
| | | Expendable | Non-Expendable | | | | |
| Current: | | | | | | | |
| Unrestricted | \$ (455,560) | \$ - | \$ - | \$ - | \$ (455,560) | \$ (455,560) | \$ - |
| Board Designated | 3,778,982 | - | - | - | 3,778,982 | 3,778,982 | - |
| Restricted | - | 108,102 | - | - | 108,102 | - | 108,102 |
| Auxiliary Enterprises | (2,219,384) | - | - | - | (2,219,384) | (2,219,384) | - |
| Loan | - | - | - | - | - | - | - |
| Endowment | - | - | 2,759,081 | - | 2,759,081 | - | 2,759,081 |
| Plant: | | | | | | | |
| Investment in Plant | - | - | - | 31,351,935 | 31,351,935 | - | 31,351,935 |
| Total Net Position, August 31, 2024 | 1,104,038 | 108,102 | 2,759,081 | 31,351,935 | 35,323,156 (Exhibit 1) | 1,104,038 | 34,219,118 |
| Total Net Position, August 31, 2023 | 2,957,105 | 562,704 | 2,399,104 | 25,873,072 | 31,791,985 (Exhibit 2) | 2,957,105 | 28,834,880 |
| Net Increase (Decrease) in Net Position | \$ (1,853,067) | \$ (454,602) | \$ 359,977 | \$ 5,478,863 | \$ 3,531,171 (Exhibit 2) | \$ (1,853,067) | \$ 5,384,238 |

HILL COLLEGE
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2024

| <u>Federal Grantor/ Pass Through Grantor / Program Title</u> | <u>Federal Assistance Listing 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 | | 86,699 |
| Federal College Work Study Program | 84.033 | | 33,695 |
| Federal Pell Grant Program | 84.063 | | 5,086,573 |
| Direct Loans | 84.268 | | <u>3,860,231</u> |
| Total Student Financial Aid Assistance Cluster | | | 9,067,198 |
| Pass-Through From: | | | |
| Texas Higher Education Coordinating Board | | | |
| Carl Perkins Vocational Education-Basic | 84.048 | 214230 | 132,101 |
| <i>Total U.S. Department of Education</i> | | | <u><u>9,199,299</u></u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 9,199,299</u></u> |

Notes to Schedule on following page.

HILL COLLEGE
Schedule E (Continued)
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2024

Note 1: Federal Assistance Reconciliation

| | |
|--|----------------------------|
| Federal Grants and Contracts Revenue per Schedule A | \$ 144,535 |
| Less: Indirect/Administrative Costs Recoveries | (18,829) |
| Add: Non-Operating Federal Revenue from Schedule C | 5,213,362 |
| Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position | <u>\$ 5,339,068</u> |
| Reconciling Item: | |
| Add: Direct Student Loans | \$ 3,860,231 |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | <u><u>\$ 9,199,299</u></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, 2024

| Grantor Agency / Program Title | Grant Contract Number | Expenditures |
|---|--------------------------------------|---------------------------------|
| <i>Texas Higher Education Coordinating Board</i> | | |
| TX Educational Opportunity Grant Program (TEOG) | | \$ 477,809 |
| Texas College Work Study Program | | 13,409 |
| Governor's Emergency Education Relief (GEER) - Reporting Modernization | 25547 | - |
| Texas Reskilling/Upskilling Through Education (TRUE) | 25713 | 24,992 |
| Open Education Records | | - |
| Nursing Shortage Reduction Program (NSRP) | 27005 | 38,706 |
| <i>Total Texas Higher Education Coordinating Board</i> | | <u>554,916</u> |
| <i>Texas Education Agency</i> | | |
| Mentor Connect Program | | 10,130 |
| Pathways in Technology (P-TECH) | | 80,508 |
| <i>Total Texas Education Agency</i> | | <u>90,638</u> |
| TOTAL EXPENDITURES OF STATE AWARDS | | <u><u>\$ 645,554</u></u> |

Notes to Schedule on following page.

HILL COLLEGE
Schedule F (Continued)
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2024

Note 1: State Assistance Reconciliation

| | |
|--|--------------------------|
| State Revenues - per Schedule A | |
| State Grants and Contracts | \$ 645,554 |
| Less: Indirect/Administrative Cost Recoveries | - |
| Total State Revenues per Schedule of Expenditures of State Awards | <u>\$ 645,554</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



LOTT, VERNON & COMPANY, P.C.
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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, as listed in table of contents, of Hill College (The "College"), as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 7, 2025.

Report on 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) as a basis for designing 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 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 or significant deficiencies may exist that were not identified.

**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)**

Report on 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 financial statements. 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.



Temple, Texas
April 7, 2025



LOTT, VERNON & COMPANY, P.C.
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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

Opinion on Each Major Federal Program

We have audited Hill College's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Hill College's major federal programs for the year ended August 31, 2024. Hill College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hill College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hill College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hill College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hill College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hill College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hill College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hill College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Hill College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
April 7, 2025

HILL COLLEGE
Schedule of Findings and Questioned Costs
August 31, 2024

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 X no
 Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

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

7. Identification of major programs:

| <u>Name of Federal Programs</u> | <u>Federal ALN</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 |

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, 2024

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.