

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2015

Moore, Caver and Setser, Inc.
Certified Public Accountants

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD


Hughes Springs Independent School District
Name of School District

Cass
County

034-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 14th day of December, 2015.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
Hughes Springs Independent School District
871 Taylor St.
Hughes Springs, Texas 75656

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business activities fund, each major fund and the aggregate remaining fund information of Hughes Springs Independent School District as of August 31, 2015, 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 6-13 and 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hughes Springs Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, agency funds financial statements, and schedule of federal awards, as required By Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, agency funds financial statements and schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund and agency fund financial statements, and schedule of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole. The combining and individual nonmajor fund, agency funds financial statements, and schedule of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, on our consideration of Hughes Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Hughes Springs Independent School District's internal control over financial reporting and compliance.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 19, 2015

**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

-UNAUDITED-

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hughes Springs Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements which begin on page 15.

FINANCIAL HIGHLIGHTS

The District's Net Position increased by \$124,056 as a result of this year's operations. Program revenues accounted for \$1,563,274 or 13.32% of total revenue, and general revenues accounted for \$10,175,722 or 86.68%.

During the year, the District had expenses that were \$124,056 less than the \$11,738,996 generated in tax and other revenues for governmental programs (before special items). Total cost of all of the District's programs increased by \$352,983. Implementation of accounting pronouncement GASB #68 resulted in a prior period adjustment (decrease) of \$802,241. Net Position decreased (net of changes related to operations) \$678,185 for the year ending August 31, 2015.

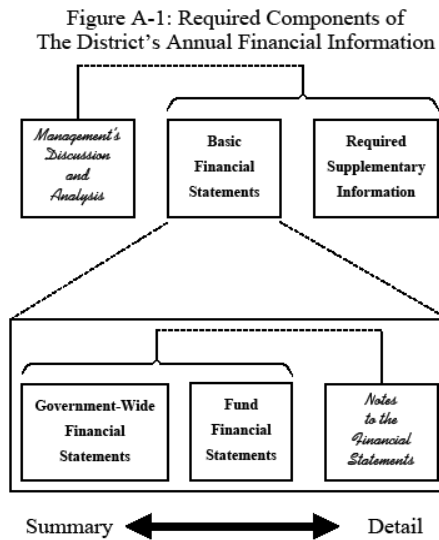
The general fund reported a positive fund balance of \$6,353,815.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 and 16). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 17) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For

governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements,



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

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fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 15. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the

Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

Figure A-2: Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's Governmental (except Fiduciary Funds) and the Agency's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: Print shop	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position	*Balance Sheet	*Statement of Net Position	*Statement of Fiduciary Net Position
	*Statement of Activities	*Statement of revenues, expenditures and changes in fund balances	*Statement of revenues, expenditures and changes in fund balances	*Statement of Changes in Fiduciary Net Position
Accounting basis And measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus.
Type of asset/liability Information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
Type of Inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

Proprietary funds—the internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 24. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Net Position of the District's governmental activities decreased from \$13,458,703 to \$12,780,518. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,286,163 at August 31, 2015. This decrease in governmental Net Position was the result of a prior period adjustment relating to the implementation of GASB 68.



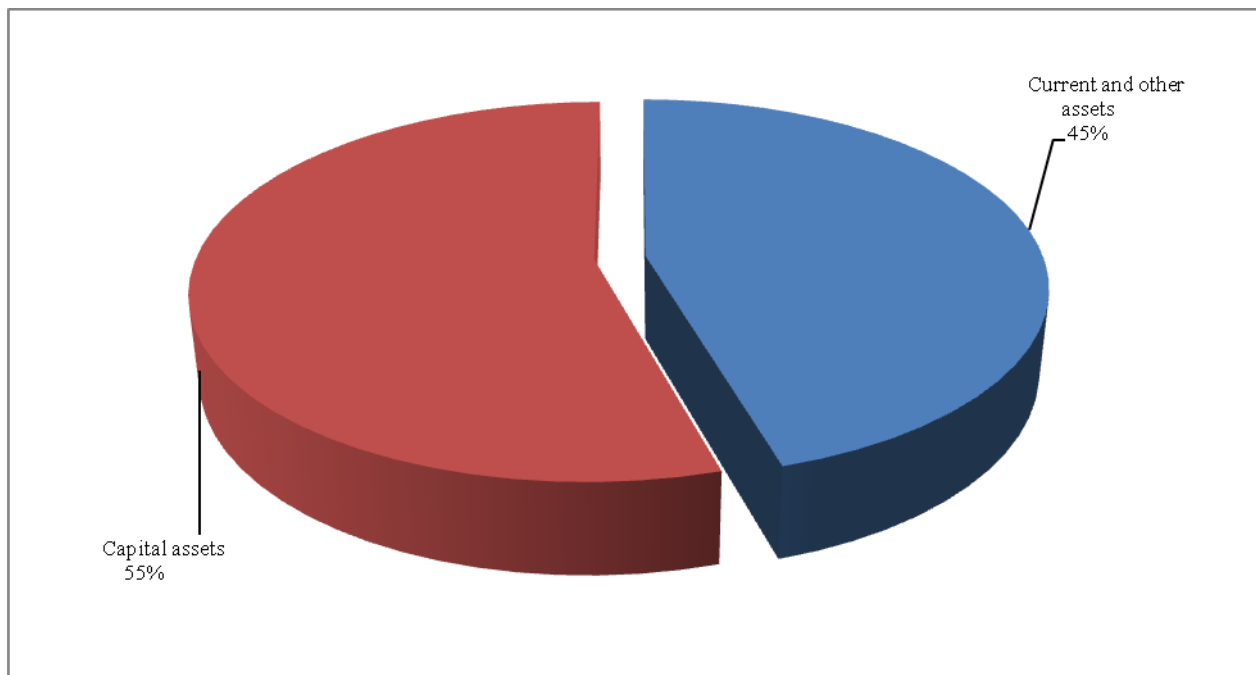
**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

-UNAUDITED-

**Table I
Hughes Springs Independent School
District**

NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Current and other assets	\$7,393,039	\$9,288,948
Capital assets	8,881,272	7,456,848
Total assets	<u>16,274,311</u>	<u>16,745,796</u>
Deferred Outflows of Resources	<u>222,011</u>	<u>-0-</u>
Long-term liabilities	3,146,396	2,485,553
Other liabilities	352,808	801,540
Total liabilities	<u>3,499,204</u>	<u>3,287,093</u>
Deferred Inflows of Resources	<u>216,600</u>	<u>-0-</u>
Net Position:		
Invested in capital assets net of related debt	6,442,941	4,971,295
Restricted	51,414	50,832
Unrestricted	6,286,163	8,436,576
Total Net Position	<u>\$12,780,518</u>	<u>\$13,458,703</u>



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

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**Table II
Hughes Springs Independent School
District**

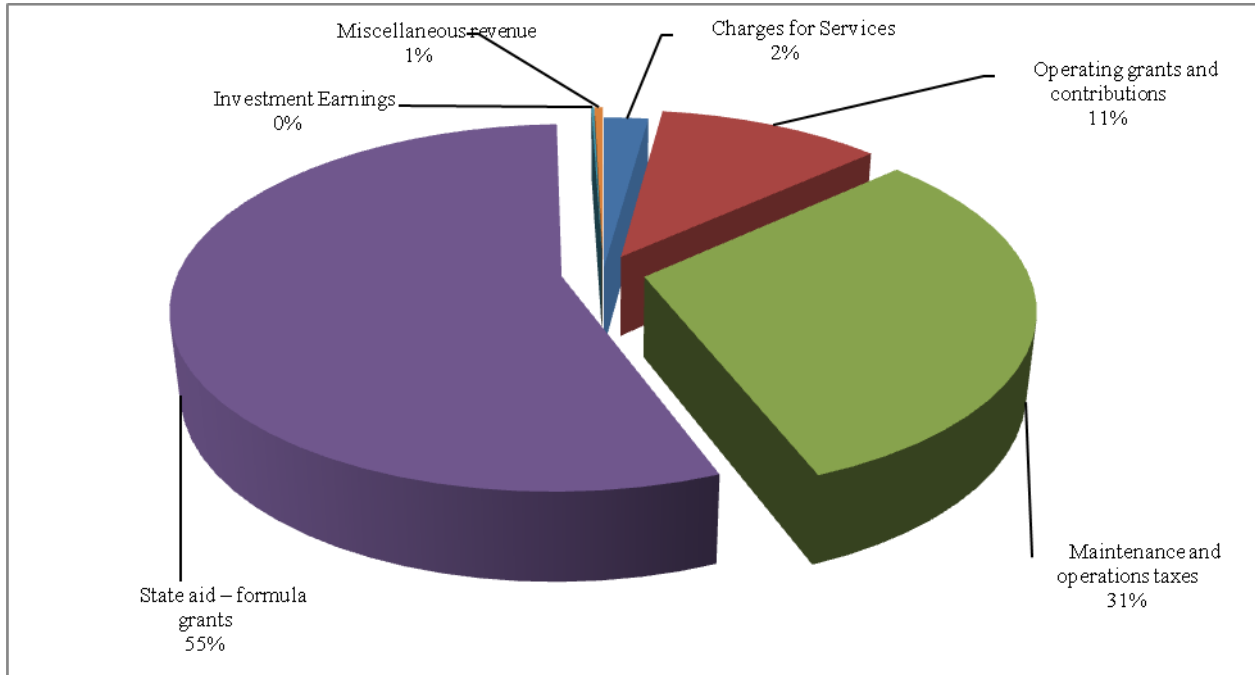
CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Revenues:		
Program Revenues:		
Charges for Services	\$256,380	\$314,720
Operating grants and contributions	1,306,894	1,207,932
General Revenues:		
Maintenance and operations taxes	3,614,851	4,089,920
State aid – formula grants	6,498,470	5,495,740
Investment Earnings	14,866	17,833
Miscellaneous	47,535	90,628
Total Revenue	11,738,996	11,216,773
Expenses:		
Instruction, curriculum and media services	6,683,377	6,278,396
Instructional and school leadership	555,360	495,631
Student support including transportation	769,939	808,693
Child nutrition	514,336	538,160
Cocurricular activities	751,277	767,469
General administration	589,568	643,132
Plant maintenance, security, data processing & capital outlay	1,409,307	1,490,168
Debt services	185,362	168,870
Capital Outlay	80,426	-0-
Payments to Fiscal Agent	75,988	71,438
Total Expenses	11,614,940	11,261,957
Increase in Net Position before transfers and special items	124,056	(45,184)
Beginning Net Position at 9/01	13,458,703	13,503,887
Prior Period Adjustment	(802,241)	-0-
Ending Net Position at 8/31	\$12,780,518	\$13,458,703

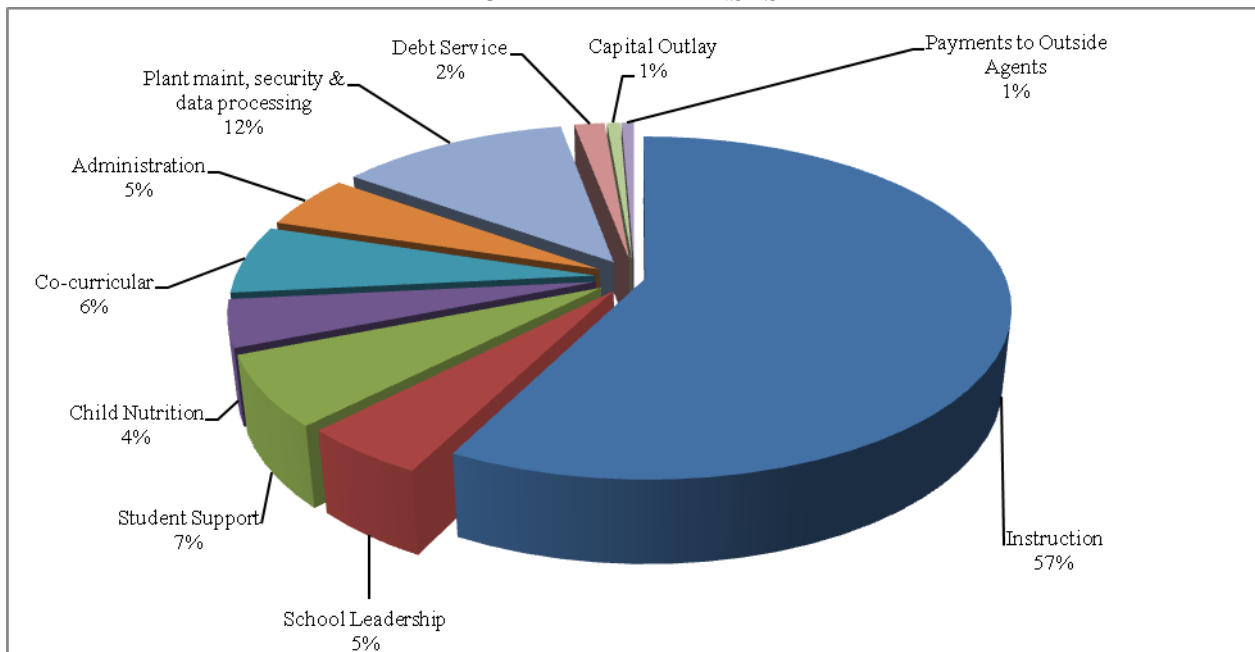
**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

-UNAUDITED-

**TABLE II
CHART A – REVENUES**



**TABLE II
CHART B – EXPENSES**



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

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The District's total revenues increased by 4.7%. The total cost of all programs and services increased by 3.1%. Most of the increases were the results of higher cost in instructional, curriculum and media and for equipment and furniture having an individual cost of less than \$5,000.

The cost of all governmental activities this year was \$ 11,614,940. As shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities through District taxes was \$3,490,795 because some of the costs were paid by those who directly benefited from the programs (\$256,380) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,306,894) or by unrestricted grant and other revenue (\$6,560,871).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 17) reported a combined fund balance of \$6,832,626, which is less than last year's total of \$8,301,840. Included in this year's total change in fund balance is a decrease of \$1,838,463 in the District's General Fund primarily due to transfers to the Capital Project Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2014). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$6,353,815 reported on pages 17 and 49 differs from the General Fund's budgetary fund balance of \$8,485,822 reported in the budgetary comparison schedule on page 49.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$30,647,475 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of \$2,398,200 over last year. The increase was primarily construction for new and renovation of facilities, equipment and vehicles.

The District's fiscal year 2015/16 has plans for major capital asset expenditures. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt

Long term debt (bonds) decreased \$51,000 for the year ending August 31, 2015. As of year-end, the District had outstanding bonds of \$2,302,000. The District has no loans and no capital leases.

**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2015**

-UNAUDITED-

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2016. Amounts appropriated in the General Fund budget are \$10,354,073, an increase from the final 2015 actual of \$9,892,234. ADA is up which also accounts for the increase in available revenue. If these estimates are realized, the District's budgetary General Fund balance is expected to remain close to the same at the end of 2015. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the

District's business office, at Hughes Springs Independent School District, 871 Taylor St., Hughes Springs, Texas.

BASIC FINANCIAL STATEMENTS

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,466,279
1220 Property Taxes Receivable (Delinquent)	232,836
1230 Allowance for Uncollectible Taxes	(13,970)
1240 Due from Other Governments	1,656,780
1290 Other Receivables, net	1,319
1300 Inventories	49,795
Capital Assets:	
1510 Land	100,050
1520 Buildings, Net	7,002,921
1530 Furniture and Equipment, Net	1,778,301
1000 Total Assets	16,274,311
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	222,011
1700 Total Deferred Outflows of Resources	222,011
LIABILITIES	
2110 Accounts Payable	61,057
2160 Accrued Wages Payable	291,751
Noncurrent Liabilities	
2501 Due Within One Year	110,000
2502 Due in More Than One Year	2,328,331
2540 Net Pension Liability (District's Share)	708,065
2000 Total Liabilities	3,499,204
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	216,600
2600 Total Deferred Inflows of Resources	216,600
NET POSITION	
3200 Net Investment in Capital Assets	6,442,941
3850 Restricted for Debt Service	9,398
3870 Restricted for Campus Activities	42,016
3900 Unrestricted	6,286,163
3000 Total Net Position	\$ 12,780,518

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,477,852	\$ 21,295	\$ 779,159	\$ (5,677,398)
12 Instructional Resources and Media Services	98,554	-	3,947	(94,607)
13 Curriculum and Staff Development	106,971	-	4,699	(102,272)
23 School Leadership	555,360	-	29,644	(525,716)
31 Guidance, Counseling and Evaluation Services	92,076	-	4,832	(87,244)
32 Social Work Services	65,913	-	4,577	(61,336)
33 Health Services	95,895	-	4,838	(91,057)
34 Student (Pupil) Transportation	516,055	-	14,047	(502,008)
35 Food Services	514,336	107,867	391,640	(14,829)
36 Extracurricular Activities	751,277	117,542	11,459	(622,276)
41 General Administration	500,504	9,676	18,092	(472,736)
51 Facilities Maintenance and Operations	1,086,789	-	25,455	(1,061,334)
52 Security and Monitoring Services	75,173	-	4,767	(70,406)
53 Data Processing Services	247,345	-	9,738	(237,607)
72 Debt Service - Interest on Long Term Debt	184,127	-	-	(184,127)
73 Debt Service - Bond Issuance Cost and Fees	1,235	-	-	(1,235)
81 Capital Outlay	80,426	-	-	(80,426)
93 Payments related to Shared Services Arrangements	75,988	-	-	(75,988)
99 Other Intergovernmental Charges	89,064	-	-	(89,064)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,614,940	\$ 256,380	\$ 1,306,894	(10,051,666)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	3,614,851
GC	Grants and Contributions not Restricted	6,498,470
IE	Investment Earnings	14,866
MI	Miscellaneous Local and Intermediate Revenue	47,535
TR	Total General Revenues	10,175,722
CN	Change in Net Position	124,056
NB	Net Position - Beginning	13,458,703
PA	Prior Period Adjustment	(802,241)
NE	Net Position--Ending	\$ 12,780,518

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 4,945,279	\$ 403,669	\$ 63,381	\$ 5,412,329
1220 Property Taxes - Delinquent	228,334	-	4,502	232,836
1230 Allowance for Uncollectible Taxes (Credit)	(13,700)	-	(270)	(13,970)
1240 Receivables from Other Governments	1,550,410	-	106,370	1,656,780
1260 Due from Other Funds	149,883	-	1,731	151,614
1290 Other Receivables	1,319	-	-	1,319
1300 Inventories	18,547	-	31,248	49,795
1000 Total Assets	<u>\$ 6,880,072</u>	<u>\$ 403,669</u>	<u>\$ 206,962</u>	<u>\$ 7,490,703</u>
LIABILITIES				
2110 Accounts Payable	\$ 53,464	\$ 6,326	\$ 1,267	\$ 61,057
2160 Accrued Wages Payable	269,384	-	22,367	291,751
2170 Due to Other Funds	-	-	97,664	97,664
2000 Total Liabilities	<u>322,848</u>	<u>6,326</u>	<u>121,298</u>	<u>450,472</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	203,409	-	4,196	207,605
2600 Total Deferred Inflows of Resources	<u>203,409</u>	<u>-</u>	<u>4,196</u>	<u>207,605</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	18,547	-	30,054	48,601
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	9,398	9,398
3490 Other Restricted Fund Balance	-	-	42,016	42,016
Committed Fund Balance:				
3510 Construction	2,500,000	-	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	-	850,000
3540 Self Insurance	16,788	-	-	16,788
3545 Other Committed Fund Balance	1,167,000	-	-	1,167,000
3600 Unassigned Fund Balance	1,801,480	397,343	-	2,198,823
3000 Total Fund Balances	<u>6,353,815</u>	<u>397,343</u>	<u>81,468</u>	<u>6,832,626</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,880,072</u>	<u>\$ 403,669</u>	<u>\$ 206,962</u>	<u>\$ 7,490,703</u>

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	6,832,626
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$28,249,275 and the accumulated depreciation was (\$20,792,427). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		4,971,295
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.		2,520,048
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$708,065, a Deferred Resource Inflow related to TRS in the amount of \$216,600 and a Deferred Resource Outflow related to TRS in the amount of \$222,011. This amounted to a decrease in Net Position in the amount of \$702,654.		(702,654)
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,044,624)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		203,827
19 Net Position of Governmental Activities	\$	12,780,518

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,753,409	\$ -	\$ 158,184	\$ 3,911,593
5800	State Program Revenues	6,960,241	-	95,072	7,055,313
5900	Federal Program Revenues	-	-	750,053	750,053
5020	Total Revenues	<u>10,713,650</u>	<u>-</u>	<u>1,003,309</u>	<u>11,716,959</u>
EXPENDITURES:					
Current:					
0011	Instruction	5,611,117	-	453,485	6,064,602
0012	Instructional Resources and Media Services	97,827	-	-	97,827
0013	Curriculum and Instructional Staff Development	108,030	-	-	108,030
0023	School Leadership	562,152	-	-	562,152
0031	Guidance, Counseling and Evaluation Services	92,911	-	-	92,911
0032	Social Work Services	66,480	-	-	66,480
0033	Health Services	97,138	-	-	97,138
0034	Student (Pupil) Transportation	445,930	-	-	445,930
0035	Food Services	4,768	-	498,477	503,245
0036	Extracurricular Activities	493,159	-	46,401	539,560
0041	General Administration	479,378	-	-	479,378
0051	Facilities Maintenance and Operations	1,071,767	-	-	1,071,767
0052	Security and Monitoring Services	75,771	-	-	75,771
0053	Data Processing Services	284,487	-	-	284,487
Debt Service:					
0071	Principal on Long Term Debt	-	-	166,000	166,000
0072	Interest on Long Term Debt	-	-	65,349	65,349
0073	Bond Issuance Cost and Fees	1,235	-	-	1,235
Capital Outlay:					
0081	Facilities Acquisition and Construction	45,625	2,253,634	-	2,299,259
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	75,988	-	-	75,988
0099	Other Intergovernmental Charges	89,064	-	-	89,064
6030	Total Expenditures	<u>9,702,827</u>	<u>2,253,634</u>	<u>1,229,712</u>	<u>13,186,173</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,010,823</u>	<u>(2,253,634)</u>	<u>(226,403)</u>	<u>(1,469,214)</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	2,592,937	256,349	2,849,286
8911	Transfers Out (Use)	(2,849,286)	-	-	(2,849,286)
7080	Total Other Financing Sources (Uses)	<u>(2,849,286)</u>	<u>2,592,937</u>	<u>256,349</u>	<u>-</u>
1200	Net Change in Fund Balances	(1,838,463)	339,303	29,946	(1,469,214)
0100	Fund Balance - September 1 (Beginning)	<u>8,192,278</u>	<u>58,040</u>	<u>51,522</u>	<u>8,301,840</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,353,815</u>	<u>\$ 397,343</u>	<u>\$ 81,468</u>	<u>\$ 6,832,626</u>

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(1,469,214)
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		2,520,048
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,044,624)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		18,259
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$165,036. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$65,449. The result of these amounts is to increase the change in net position by \$99,587.</p>		
		99,587
Change in Net Position of Governmental Activities	\$	124,056

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 53,950
Total Assets	53,950
LIABILITIES	
Current Liabilities:	
Due to Other Funds	53,950
Total Liabilities	53,950
NET POSITION	
Restricted for Other Purposes	-
Total Net Position	\$ -

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 2,150
Total Operating Revenues	2,150
OPERATING EXPENSES:	
Payroll Costs	2,150
Total Operating Expenses	2,150
Operating Income	-
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ -

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,150
Cash Received from Assessments - Other Funds	13,838
Cash Payments for Insurance Claims	(2,150)
Net Cash Provided by Operating Activities	13,838
Net Increase in Cash and Cash Equivalents	13,838
Cash and Cash Equivalents at Beginning of Year	40,112
Cash and Cash Equivalents at End of Year	\$ 53,950
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Due to Other Funds	13,838
Net Cash Provided by Operating Activities	\$ 13,838

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2015

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 88,557
Total Assets	<u>\$ 88,557</u>
LIABILITIES	
Due to Student Groups	\$ 88,557
Total Liabilities	<u>\$ 88,557</u>

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hughes Springs Independent School District (the "District") is a public education agency operating under the applicable laws and regulations of the state of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board and other authoritative sources identified in *Statements on Auditing Standards No. 69* of the American Institute of Public Accountants and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense to each function.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance report the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanations to better identify the relationship between government-wide statements and the governmental fund statements.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis of accounting, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, the phrase “available” for exchange transactions means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the District receives value without directly giving equal value in return, includes property taxes, grants, and donations. On the government-wide financial statements, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers revenues available if they are collected within 60 days of the end of the current fiscal period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The net position is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.

Expenditures/Expenses – On the accrual basis of accounting (government-wide financial statements), expenses are recognized at the time they are incurred. On the modified accrual basis of accounting (fund based financial statements), expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D. FUND ACCOUNTING

The District reports its financial activities through the use of “fund accounting.” The activities of the District are organized on the basis of funds. The operations of each fund are accounted for within a separated set of self-balancing accounts to reflect results of activities. Fund accounting segregate funds according to their intended purpose and is used to assist management in demonstrating compliance with finance-related legal and contractual provisions. As required by the Texas Education Agency, the following fund types are included in the financial statements.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

Governmental Funds

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **The Capital Projects Fund** – The capital project fund accounts for major construction projects.

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is Worker's Compensation Self-funded Insurance.

Fiduciary Funds:

1. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

E. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

The District's Cash Management and Investment Policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgaged backed securities prohibited by the Public Funds Investments Act); public fund investment pools; or in any manner and amount provided by law for deposits of the District. At all times, such securities are to have a fair value of not less than 110 percent of the amount of the deposits collateralized, adjusted by amount of applicable depository insurance.

The District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased. All other monetary assets are treated as investments including certificates of deposit, investment pools, money market investments, and other securities defined under the Public Funds Investment Act.

2. Investments

Investments are stated at fair value, which is the amount at which the investment can be exchanged in a current transaction between willing parties. Management of the District believes that in the areas of investment practice, management reports, and establishment of appropriate policies, the District adhered to the requirements of the State of Texas Public Funds Investment Act. Additionally, management of the District believes that investment practices of the District were in accordance with local policies.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

3. Receivables and Payables

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at 6.00 percent of outstanding property tax at August 31, 2015.

4. Inventories

Inventories of supplies on the balance sheet are valued at the first in/first out (FIFO) method and include food, consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are purchased. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

5. Grant Fund Accounting

The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of two years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

6. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Amounts recorded as long-term debt represent obligations that will be met by future revenue resources that are not available as of the current balance sheet date.

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

7. Compensated Absences

State personal leave days are allowed to accumulate and can be transferred with the employee to other district. Local leave is to be taken within the same year it is earned. Any local days not used by the employee in the year earned will be paid \$25 per day in their July payroll. Therefore, there was no liability accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

8. Capital Assets

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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

Buildings	20 – 50 years
Building Improvements	20 – 50 years
Vehicles	5 – 10 years
Office Equipment and Furniture	4 – 7 years
Computer Equipment	3 – 5 years

The District has no restriction on any assets.

9. Self-Insured Workers Compensation

During the year, the District participated in a public entity risk pool for workers' compensation insurance. The plan was established pursuant to Texas Revised Code Statutes Annotated Art. 8309h and Texas Government code, Ch. 791.

10. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as due to/from other funds. All balances between funds are reported as transfers. See Note IV-D for additional discussion of interfund receivables and payables.

A description of the basic types of Interfund transactions and the related accounting policies are as follows:

For reporting at the government-wide financial statement level, the District eliminates direct interfund charges for services and the balances created within the same activity categories (i.e. governmental vs. business-type). This process ensures neither governmental nor business-type activities report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party. The Internal Service Fund is essentially a repository for income, expenses, assets and liabilities of the District's workers' compensation.

11. Fund Equity

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance – amounts constrained to specific purposes by their provider (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body.

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As of August 31, 2015:

	<u>General</u>	<u>Other</u>	<u>Total</u>
<u>Nonspendable:</u>			
Inventory	\$18,547	\$30,054	\$48,601
<u>Restricted:</u>			
Campus Activity		42,016	42,016
Debt Service Fund		9,398	9,398
<u>Committed:</u>			
Construction	2,500,000		2,500,000
Capital Equip Expenditures	850,000		850,000
Self Insurance	16,788		16,788
Other	1,167,000		1,167,000
<u>Unassigned:</u>	<u>\$1,801,480</u>	<u>397,343</u>	<u>2,198,823</u>
	<u>\$6,353,815</u>	<u>\$478,811</u>	<u>\$6,832,626</u>

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements if those assets. This net investments in capital assets amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported unrestricted.

12. Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

13. Application of Restricted or Unrestricted Assets

During the budgeting process, allocation of expenses are determined as to whether it originated following specific guidelines related to restricted assets retained in the fund or whether for other purposes (non-restricted). Restricted assets will be used before unrestricted assets when payments are budgeted for an expenditures, which meets the specific guidelines, set forth by the granting agency.

14. Control Totals

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

15. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial

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statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

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

Capital Assets at the <u>Beginning of the year</u>	<u>Historic Cost</u>	Accumulated <u>Depreciation</u>	Net Value at the Beginning <u>of the Year</u>	Change in <u>Net Position</u>
Land	100,050		100,050	
Buildings	23,621,870	18,322,598	5,299,272	
Furniture & Equipment	4,481,842	2,469,829	2,012,013	
Construction-in-Progress	45,513		45,513	
Change in Net Position				7,456,848
Long-term Liabilities at the <u>Beginning of the year</u>			Payable at the Beginning <u>of the Year</u>	
Bonds Payable			2,485,553	
Lease Payable			-0-	
Change in Net Position				<u>2,485,553</u>
Net Adjustment to Net Position				<u>4,971,295</u>

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

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

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	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	2,228,968		
Furniture & Equipment	240,080		
Construction in Progress	<u>-0-</u>		
Total Capital Outlay	<u>2,469,048</u>	<u>2,469,048</u>	<u>2,469,048</u>
 <u>Debt Principal Payments</u>			
Bond Principal	51,000		
Lease Principal	<u>0-</u>		
Total Principal Payments	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>
Total Adjustment to Net Position		<u>\$2,520,048</u>	<u>\$2,520,048</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	52,525	(52,525)	
Uncollected taxes (assumed collectible) from Current Year Levy	74,562	74,562	74,562
Uncollected Taxes (assumed collectible) from Prior Year Levy	133,043		133,043
Other Adjustment (CAB Accretion)	3,778	<u>(3,778)</u>	<u>(3,778)</u>
Total		<u>\$ 18,259</u>	<u>\$ 203,827</u>

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

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2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the Board legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant amendments.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2015 <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$30,054
Campus Activity	42,016
Nonappropriated Budget Funds	<u>-0-</u>
All Special Revenue Funds	<u>\$72,070</u>

5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	\$-0-
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A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2015.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded final budget in the General Fund 199, Function 11. In aggregate expenditures were not more than budget.

NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITORY CONTRACT LAW

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

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$5,429,571 and the bank balance was \$5,701,894. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with

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securities pledged to the District and held by the District's agent. The TEA maintains copies of all safekeeping receipts in the name of the District.

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

- a. Depository: 1st National Bank of Hughes Springs, Hughes Springs, Texas
- b. The fair market value of collateral held by a third party bank in depository bank's name and specifically noted by the third party bank as pledged to the District, as of the date of the highest combined balance on deposit was: \$12,373,131.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$ 8,875,606 and occurred during the month of November 2014.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$ 500,000.
- e. The amount of unsecured deposits was \$-0-.

District Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

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

Foreign Currency Risk: The district does not invest in foreign currency, therefore has no foreign currency risk.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since the government invests in only external investment pools that meet the requirements of Government Code 2256.016 and 2256.019 they have no custodial credit risk for investments.

The District invests in an external investment pool. Financial reports issued by the pool can be obtained from First Public, LLC, 7620 Guadalupe, Austin, TX 78752. The pool is registered with the SEC and has an AAA rating.

The District's investments at August 31, 2015 are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>More Than 10</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
Lone Star Investment Pool	<u>\$125,265</u>	<u>\$125,265</u>			
Total	<u>\$125,265</u>	<u>\$125,265</u>			

The **Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy addresses the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the

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portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) banker's acceptance notes; (7) Mutual Funds; (8) Investments pools; (9) guaranteed investment contracts; (10) and common trust funds. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value. The Act also requires the District to have an independent auditor perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for real and personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent and subject to interest if not paid by February 1 of the year following the October 1 levy date. On June 30 of each year, a tax lien attaches to the property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The tax rates assessed for the year ended August 31, 2015, to finance General Fund operations was \$1.119046 per \$100 valuation and Debt Service was 0.0000 per \$100 valuation. The assessed value of the property tax roll on August 1, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$324,728,218. The roll was subsequently decreased to a year-end assessed value of \$324,274,213.

Current tax collections for the year ended August 31, 2015 were 99.62% of the year-end adjusted tax levy. As of August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$214,634 the General Fund and \$4,232 for the Debt Service Fund.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND PAYABLES AND RECEIVABLES AND TRANSFERS

Interfund balances at August 31, 2015, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund		\$ 97,664
Internal Service		52,219
Special Revenue		
Internal Service		1,731
General Fund	\$ 97,664	
Internal Service Fund		
General & Special Funds	53,950	
Total	\$ 151,614	\$ 151,614

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Interfund transfers at August 31, 2015, consisted of the following individual fund:

	Transfers to Other Funds	Transfer from Other Funds
General Fund:		
Debt Service Fund	\$ 231,349	
Capital Project Fund	2,592,937	
Special Revenue	25,000	
Debt Service:		
General Fund		\$ 231,349
Capital Project Fund		
General Fund		2,592,937
Special Fund		
General Fund		25,000
Total	<u>\$ 2,849,286</u>	<u>\$ 2,849,286</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

	Property Taxes-net	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 214,634	\$ 1,550,410	\$ 149,883	\$ 1,319	\$ 1,916,246
Capital Project	-0-	-0-	-0-	-0-	-0-
Nonmajor Governmental Funds	4,232	106,370	1,731	-0-	112,333
Total - Governmental Activities	<u>\$ 218,866</u>	<u>\$ 1,656,780</u>	<u>\$ 151,614</u>	<u>\$ 1,319</u>	<u>\$ 2,028,579</u>
Proprietary Fund	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Payables at August 31, 2015, were as follows:

	Accounts Payable	Salaries and Benefits	Due To Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:						
General Fund	\$ 53,464	\$ 269,384	\$ -0-	\$ -0-	\$ -0-	\$ 322,848
Capital Project	6,326	-0-	-0-	-0-	-0-	6,326
Nonmajor Gov. Fund	1,267	22,367	97,664	-0-	-0-	121,298
Total - Gov. Activities	<u>\$ 61,057</u>	<u>\$ 291,751</u>	<u>\$ 97,664</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 450,472</u>
Proprietary Fund	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,950</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,950</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

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	Balance 9/1/14	Addition	Primary Government		Balance 8/31/15
			Deletions	Adjustments	
Land	\$ 100,050	\$ -0-	\$ -0-	\$ -0-	\$ 100,050
Buildings	23,621,870	2,247,142	-0-	27,339	25,896,351
Furniture & Equipment	4,481,842	240,080	70,848	-0-	4,651,074
Construction in Progress	45,513	-0-	45,513	-0-	-0-
Total at Historical Cost	\$ 28,249,275	\$ 2,487,222	\$ 116,361	\$ 27,339	\$ 30,647,475
Less Accumulated Depreciation for:					
Buildings	\$ 18,322,598	\$ 570,832	\$ -0-	\$ -0-	\$ 18,893,430
Furniture & Equipment	2,469,829	473,792	70,848	-0-	2,872,773
Total Accumulated Depreciation	\$ 20,792,427	\$ 1,044,624	\$ 70,848	\$ -0-	\$ 21,766,203

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 478,414
Student Transportation	199,033
Media	1,217
Curricular/Extracurricular	219,727
Food Service	19,048
General Administration	25,764
Plant Maint & Operations	<u>101,421</u>
Total Depreciation Expense	<u>\$ 1,044,624</u>

G. LOANS PAYABLE

There were no loans at August 31, 2015.

H. BONDS PAYABLE

Bond indebtedness of the District is reflected in the General Long-term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Long-term debt includes general obligation serial bonds. Bond premiums and discounts are amortized using the effective interest method.

The following is a summary of the changes in the District's general Long-term Debt Account Group for the year ended August 31, 2015:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/14	Issued	Retired	Amounts Outstanding 8/31/15
Unlimited Tax Refunding, Series 2014	2.95%	\$ 2,153,000	\$ 2,153,000		\$ 51,000	\$ 2,102,000
Capital Appreciation Bonds	1.0-1.25%	200,000	<u>200,000</u>	\$ -0-	<u>-0-</u>	\$ 200,000
Total			<u>\$ 2,353,000</u>	<u>\$ -0-</u>	<u>\$ 51,000</u>	<u>\$ 2,302,000</u>
CAB Accretion & Premium			<u>\$ 132,553</u>	<u>\$ 3,778</u>	<u>\$ -0-</u>	<u>\$ 136,331</u>

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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended <u>August 31,</u>	<u>Principal</u>	<u>Premiums & Interest</u>	<u>Total Requirements</u>
2016	110,000	213,013	323,013
2017	90,000	142,009	232,009
2018	148,000	59,826	207,826
2019	152,000	55,401	207,401
2020	157,000	50,843	207,843
2021-2025	860,000	180,688	1,040,688
2026-2029	<u>785,000</u>	<u>47,156</u>	<u>832,156</u>
Total	<u>\$2,302,000</u>	<u>\$748,936</u>	<u>\$3,050,936</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

I. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2015, as follows:

Year Ended <u>August 31</u>	<u>Total Requirements</u>
2016	31,277
2017	<u>31,277</u>
Total	<u>\$62,554</u>

Capital Leases

The District had no capital leases in effect at year end.

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activity:					
Unlimited Tax Refund, Series 2015	2,153,000	-0-	\$ 51,000	2,102,000	110,000
Capital Appreciation Bonds	<u>200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>	<u>-0-</u>
Governmental Activities Long-term Liabilities	<u>\$2,353,000</u>	<u>\$ -0-</u>	<u>\$ 51,000</u>	<u>\$ 2,302,000</u>	<u>\$ 110,000</u>
CAB Accretion & Premium	<u>\$ 132,553</u>	<u>\$ 3,778</u>	<u>\$ -0-</u>	<u>\$136,331</u>	<u>\$ -0-</u>

K. HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of the Hughes Springs Independent School District were covered by a health insurance plan (the "plan"). The District's contribution for single employee coverage is \$225 per month. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The plan was authorized by Texas Education Code, Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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L. MEDICARE PART D PROGRAM

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as revenue and expenditures/expenses by each reporting entity. For the year ended August 31, 2015, Hughes Springs ISD recognized Medicare Part D on-behalf payments of \$28,507.

M. DEFERRED REVENUE and DEFERRED INFLOW OF RESOURCES (Govt. Funds)

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Property Taxes	\$203,409	\$-0-	\$4,196	\$207,605
Other Deferred Revenues	-0-	-0-	-0-	-0-
Totals	<u>\$203,409</u>	<u>\$-0-</u>	<u>\$4,196</u>	<u>\$207,605</u>

N. DUE FROM STATE AGENCY

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal & State Grants	Total
General	\$ 1,550,410	\$ -0-	\$ 1,550,410
Special Revenue	-0-	106,370	106,370
Total	<u>\$ 1,550,410</u>	<u>\$ 106,370</u>	<u>\$ 1,656,780</u>

O. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Trust, Int Ser & Campus Act. Fund	Total
Property Taxes	\$3,592,716	\$ -0-	\$ 98	\$-0-	\$3,592,814
Food Sales	-0-	107,180	-0-	-0-	107,180
Investment Income	14,794	-0-	-0-	94	14,888
Penalties, interest and other tax related income	44,112	-0-	68	-0-	44,180
Co-curricular student activities	56,908	-0-	-0-	-0-	56,908
Other	44,879	4,021	-0-	48,873	97,773
Total	<u>\$ 3,753,409</u>	<u>\$ 111,201</u>	<u>\$ 166</u>	<u>\$ 48,967</u>	<u>\$3,913,743</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

P. COMMITMENTS AND CONTINGENCIES

(1) Litigation – The District may be subjected to loss contingencies arising principally in the normal course of operations. As of the report date, the District was not involved in any outstanding litigation.

(2) Grant Programs - The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Q. RISK MANAGEMENT

In the normal course of operation the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. For insured programs, there were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

In management’s estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for self-insured insurance risk pool.

Workers’ Compensation

The District contributed fixed cost of \$9,901 to the fund for the year ended August 31, 2015. The District’s loss fund maximum was \$18,778. The pool participated in claims exceeding the loss maximum up to \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$14,112.

Changes in the workers’ compensation claims liability amounts in fiscal 2015 are represented below:

	<u>2015</u>	<u>2014</u>
Claims payable, beginning of fiscal year	\$ 10,160	\$14,550
Incurred claims and claims adjustment expenses for insured events of the current fiscal year	8,167	4,552
Decrease in provision for insured events of prior fiscal year	<u>(10)</u>	<u>(2,473)</u>
	\$18,317	\$16,629
<u>Payments</u>		
Claims attributable to insured events of the current year	874	4,534
Claims attributable to insured events of the prior year’s	<u>655</u>	<u>1,935</u>
Total Payments	<u>1,529</u>	<u>6,469</u>
Claims payable, end of fiscal year	<u>\$16,788</u>	<u>\$10,160</u>

R. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District participates in a cooperative program for Special Education with five other school districts. Although seventeen percent of the activity of the cooperative is attributable to Hughes Springs Independent School District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. Atlanta Independent School District is the fiscal agent manager and is responsible for all financial activities of the cooperative. The

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

following table represents the revenues and expenditures attributable to Hughes Springs Independent School District's participation.

5929 Revenue	\$379,259
Expenditures:	
6100 Payroll	272,928
6200 Consultants	53,894
6300 Supplies and Materials	13,117
6400 Other Operating	37,868
6600 Capital Outlay	1,452

S. SUBSEQUENT EVENTS

None Noted.

T. DEFINED BENEFIT PENSION PLANS

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer 034-903 - 2014 Employer Contributions	\$ 67,204	
Employer 034-903 - 2014 Member Contributions	\$ 396,621	
Employer 034-903 - 2014 NECE On-behalf Contributions	\$ 357,895	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll,
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Hughes Springs ISD's proportionate share of the net pension liability:	\$1,265,270	\$ 708,065	\$ 291,380

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2014, the District reported a liability of \$708,065 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 708,065
State's proportionate share that is associated with District	<u>\$3,778,782</u>
Total	<u>\$4,486,847</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0026508%. Since this is the first year of implementation, the District does not have the proportion measure as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$349,341 and revenue of \$349,341 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$10,950	\$-0-
Changes in actuarial assumptions	\$46,025	\$-0-
Difference between projected and actual investment earnings	\$-0-	\$216,414
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$-0-	\$186
Contributions paid to TRS subsequent to the measurement date	\$-0-	\$-0-
Total net amounts, as of August 31, 2014 Measurement Date	\$56,975	\$216,600

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 56,975	\$216,600
Contributions made subsequent to the Measurement Date	\$165,036	\$-0-
Reported by District as of August 31, 2015	\$222,011	\$216,600

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:

	Pension Expense Amount
2016	\$(44,523)
2017	\$(44,523)
2018	\$(44,523)
2019	\$9,580
2020	\$8,887
Thereafter	-0-

U. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The net effect (decrease) on the beginning Net Position (see Exhibit B-1) was (\$802,241).

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

V. IMPLEMENTATION OF GASB #68 - ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

REQUIRED SUPPLEMENTARY INFORMATION

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,857,362	\$ 3,857,362	\$ 3,753,409	\$ (103,953)
5800	State Program Revenues	6,328,416	6,328,416	6,960,241	631,825
5020	Total Revenues	10,185,778	10,185,778	10,713,650	527,872
EXPENDITURES:					
Current:					
0011	Instruction	5,610,619	5,600,884	5,611,117	(10,233)
0012	Instructional Resources and Media Services	98,618	102,618	97,827	4,791
0013	Curriculum and Instructional Staff Development	105,693	113,193	108,030	5,163
0023	School Leadership	564,564	565,174	562,152	3,022
0031	Guidance, Counseling and Evaluation Services	97,919	97,919	92,911	5,008
0032	Social Work Services	66,675	71,675	66,480	5,195
0033	Health Services	66,188	102,059	97,138	4,921
0034	Student (Pupil) Transportation	548,336	519,336	445,930	73,406
0035	Food Services	5,070	5,070	4,768	302
0036	Extracurricular Activities	510,550	499,175	493,159	6,016
0041	General Administration	493,767	483,767	479,378	4,389
0051	Facilities Maintenance and Operations	1,101,008	1,086,008	1,071,767	14,241
0052	Security and Monitoring Services	72,233	80,844	75,771	5,073
0053	Data Processing Services	276,994	290,512	284,487	6,025
Debt Service:					
0071	Principal on Long Term Debt	32,000	32,000	-	32,000
0072	Interest on Long Term Debt	4,250	4,250	-	4,250
0073	Bond Issuance Cost and Fees	1,250	1,250	1,235	15
Capital Outlay:					
0081	Facilities Acquisition and Construction	50,000	50,000	45,625	4,375
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	76,000	76,000	75,988	12
0099	Other Intergovernmental Charges	110,500	110,500	89,064	21,436
6030	Total Expenditures	9,892,234	9,892,234	9,702,827	189,407
1100	Excess of Revenues Over Expenditures	293,544	293,544	1,010,823	717,279
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(2,849,286)	(2,849,286)
1200	Net Change in Fund Balances	293,544	293,544	(1,838,463)	(2,132,007)
0100	Fund Balance - September 1 (Beginning)	8,192,278	8,192,278	8,192,278	-
3000	Fund Balance - August 31 (Ending)	\$ 8,485,822	\$ 8,485,822	\$ 6,353,815	\$ (2,132,007)

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0026508%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 708,065
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,778,782
Total	\$ 4,486,847
District's Covered-Employee Payroll	\$ 6,197,193
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	11.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2015

EXHIBIT G-3

	2015
Contractually Required Contribution	\$ 165,036
Contribution in Relation to the Contractually Required Contribution	(165,036)
	\$ -0-
Contribution Deficiency (Excess)	-
District's Covered-Employee Payroll	\$ 6,590,643
Contributions as a Percentage of Covered-Employee Payroll	2.50%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING SCHEDULES



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ 10,844	\$ -	\$ -	\$ 1,172
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	18,095	63,608	-	9,791
1260	Due from Other Funds	-	-	-	1,533
1300	Inventories	-	-	-	31,248
1000	Total Assets	<u>\$ 28,939</u>	<u>\$ 63,608</u>	<u>\$ -</u>	<u>\$ 43,744</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 1,267
2160	Accrued Wages Payable	14,058	1,231	-	4,671
2170	Due to Other Funds	14,881	62,377	-	7,752
2000	Total Liabilities	<u>28,939</u>	<u>63,608</u>	<u>-</u>	<u>13,690</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	30,054
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,054</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 28,939</u>	<u>\$ 63,608</u>	<u>\$ -</u>	<u>\$ 43,744</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 42,016	\$ 54,032	\$ 9,349	\$ 63,381
-	-	-	-	-	4,502	4,502
-	-	-	-	-	(270)	(270)
5,642	-	9,221	-	106,357	13	106,370
198	-	-	-	1,731	-	1,731
-	-	-	-	31,248	-	31,248
<u>\$ 5,840</u>	<u>\$ -</u>	<u>\$ 9,221</u>	<u>\$ 42,016</u>	<u>\$ 193,368</u>	<u>\$ 13,594</u>	<u>\$ 206,962</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,267	\$ -	\$ 1,267
2,407	-	-	-	22,367	-	22,367
3,433	-	9,221	-	97,664	-	97,664
<u>5,840</u>	<u>-</u>	<u>9,221</u>	<u>-</u>	<u>121,298</u>	<u>-</u>	<u>121,298</u>
-	-	-	-	-	4,196	4,196
-	-	-	-	-	4,196	4,196
-	-	-	-	30,054	-	30,054
-	-	-	-	-	9,398	9,398
-	-	-	42,016	42,016	-	42,016
-	-	-	42,016	72,070	9,398	81,468
<u>\$ 5,840</u>	<u>\$ -</u>	<u>\$ 9,221</u>	<u>\$ 42,016</u>	<u>\$ 193,368</u>	<u>\$ 13,594</u>	<u>\$ 206,962</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 111,201
5800 State Program Revenues	-	-	-	3,084
5900 Federal Program Revenues	234,845	63,608	-	388,556
5020 Total Revenues	<u>234,845</u>	<u>63,608</u>	<u>-</u>	<u>502,841</u>
EXPENDITURES:				
Current:				
0011 Instruction	234,845	63,608	-	-
0035 Food Services	-	-	-	498,477
0036 Extracurricular Activities	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
6030 Total Expenditures	<u>234,845</u>	<u>63,608</u>	<u>-</u>	<u>498,477</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	4,364
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	25,000
1200 Net Change in Fund Balance	-	-	-	29,364
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,054</u></u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 46,817	\$ 158,018	\$ 166	\$ 158,184
-	-	91,988	-	95,072	-	95,072
39,752	23,292	-	-	750,053	-	750,053
<u>39,752</u>	<u>23,292</u>	<u>91,988</u>	<u>46,817</u>	<u>1,003,143</u>	<u>166</u>	<u>1,003,309</u>
39,752	23,292	91,988	-	453,485	-	453,485
-	-	-	-	498,477	-	498,477
-	-	-	46,401	46,401	-	46,401
-	-	-	-	-	166,000	166,000
-	-	-	-	-	65,349	65,349
<u>39,752</u>	<u>23,292</u>	<u>91,988</u>	<u>46,401</u>	<u>998,363</u>	<u>231,349</u>	<u>1,229,712</u>
-	-	-	416	4,780	(231,183)	(226,403)
-	-	-	-	25,000	231,349	256,349
-	-	-	416	29,780	166	29,946
-	-	-	41,600	42,290	9,232	51,522
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,016</u>	<u>\$ 72,070</u>	<u>\$ 9,398</u>	<u>\$ 81,468</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
STUDENT ACTIVITY FUND				
Assets:				
Cash and Temporary Investments	\$ 75,106	\$ 221,729	\$ 208,278	\$ 88,557
Liabilities:				
Due to Student Groups	\$ 75,106	\$ 221,729	\$ 208,278	\$ 88,557
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 75,106	\$ 221,729	\$ 208,278	\$ 88,557
Liabilities:				
Due to Student Groups	\$ 75,106	\$ 221,729	\$ 208,278	\$ 88,557

REQUIRED T.E.A. SCHEDULES



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.340000	0.049000	287,366,235
2008	1.130000	0.093450	336,604,483
2009	1.130000	0.000000	280,918,803
2010	1.130000	0.000000	419,422,137
2011	1.119406	0.000000	333,290,085
2012	1.119406	0.000000	371,683,023
2013	1.119406	0.000000	379,481,412
2014	1.119406	0.000000	366,967,669
2015 (School year under audit)	1.119406	0.000000	324,274,213
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 56,692	\$ -	\$ 902	\$ 44	\$ (3,719)	\$ 52,027
5,278	-	395	14	(186)	4,683
5,878	-	544	30	(248)	5,056
9,196	-	1,167	-	(247)	7,782
11,025	-	2,043	-	(245)	8,737
13,551	-	2,512	-	(310)	10,729
18,314	-	5,251	-	(396)	12,667
34,888	-	16,214	-	(507)	18,167
78,032	-	36,218	-	(8,147)	33,667
-	3,629,945	3,550,624	-	-	79,321
<u>\$ 232,854</u>	<u>\$ 3,629,945</u>	<u>\$ 3,615,870</u>	<u>\$ 88</u>	<u>\$ (14,005)</u>	<u>\$ 232,836</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 150,000	\$ 150,000	\$ 111,201	\$ (38,799)
5800 State Program Revenues	3,400	3,400	3,084	(316)
5900 Federal Program Revenues	415,000	415,000	388,556	(26,444)
5020 Total Revenues	<u>568,400</u>	<u>568,400</u>	<u>502,841</u>	<u>(65,559)</u>
EXPENDITURES:				
0035 Food Services	<u>575,254</u>	<u>575,254</u>	<u>498,477</u>	<u>76,777</u>
6030 Total Expenditures	<u>575,254</u>	<u>575,254</u>	<u>498,477</u>	<u>76,777</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,854)	(6,854)	4,364	11,218
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
1200 Net Change in Fund Balances	(6,854)	(6,854)	29,364	36,218
0100 Fund Balance - September 1 (Beginning)	<u>690</u>	<u>690</u>	<u>690</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ (6,164)</u>	<u>\$ (6,164)</u>	<u>\$ 30,054</u>	<u>\$ 36,218</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 166	\$ 166
5020	Total Revenues	-	-	166	166
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	-	166,000	166,000	-
0072	Interest on Long Term Debt	-	65,349	65,349	-
6030	Total Expenditures	-	231,349	231,349	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(231,349)	(231,183)	166
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	231,349	231,349
1200	Net Change in Fund Balances	-	(231,349)	166	231,515
0100	Fund Balance - September 1 (Beginning)	9,232	9,232	9,232	-
3000	Fund Balance - August 31 (Ending)	\$ 9,232	\$ (222,117)	\$ 9,398	\$ 231,515

*REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS*





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

Independent Auditor's Report

Board of Trustees
Hughes Springs Independent School District
871 Taylor St.
Hughes Springs, Texas 75656

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report on them dated November 19, 2015.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hughes Springs Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

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

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 19, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees
Hughes Springs Independent School District
871 Taylor St.
Hughes Springs, Texas 75656

Report on compliance for Each Major Federal Program

We have audited Hughes Springs Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hughes Springs Independent School District's major federal programs for the year ended August 31, 2015. Hughes Springs Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hughes Springs Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hughes Springs Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hughes Springs Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended August 31, 2015.

Report on Internal Control over Compliance

Management of Hughes Springs Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Hughes Springs Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Hughes Springs Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Hughes Springs Independent School District as of and for the year ended August 31, 2015, and have issued our report thereon dated November 19, 2015, which contains an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 19, 2015

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Summary of Auditor's Results:

1. Type of auditor's report issued on the financial statements: Unmodified
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec._510(a): No
7. Major programs include:

CFDA #Program

10.553 School Breakfast Program
10.555 National School Lunch Program – Cash Assistance
10.555 National School Lunch Program – Non-Cash Assistance
8. Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements:

No findings in current audit year.

III. Findings and Questioned Costs Related to the Federal Awards AA-1:

None.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR'S FINDING/NONCOMPLIANCE

2014-01 Expenditures in Excess of Appropriations – This finding was not repeated in the current audit year.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

CORRECTIVE ACTION:

No findings in current audit year.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101034903	\$ 14,058
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101034903	220,787
Total CFDA Number 84.010A			234,845
Total Title I, Part A Cluster			234,845
*IDEA - Part B, Formula	84.027	15696001034903	62,377
*IDEA - Part B, Formula	84.027	16696001034903	1,231
Total CFDA Number 84.027			63,608
Total Special Education Cluster (IDEA)			63,608
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	15696001034903	23,292
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501034903	37,345
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501034903	2,407
Total CFDA Number 84.367A			39,752
Total Passed Through State Department of Education			\$ 361,497
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 361,497
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 86,757
*National School Lunch Program - Cash Assistance	10.555	71301501	268,774
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301501	33,025
Total CFDA Number 10.555			301,799
Total Child Nutrition Cluster			388,556
Total Passed Through the State Department of Agriculture			\$ 388,556
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 388,556
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 750,053

*Clustered Programs

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs: the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplement Food Program (CFDA 10.565) and the Food Distribution Program on Indian Reservation (CFDA 10.567). USDA deleted this number from the CFDA on May 8, 2008. The audit covering Hughes Springs fiscal year beginning September 1, 2012, and future audits, will therefore identify commodity assistance by the CFDA number of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Hughes Springs Independent School District

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 5,805
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 708,065
SF13	Pension Expense (6147) at fiscal year-end.	\$ 65,449



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REPORT TO MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE INDICATING
THAT NO MATERIAL WEAKNESSES IN INTERNAL CONTROLS OVER FINANCIAL
REPORTING WERE IDENTIFIED IN THE AUDIT

Board of Trustees
The Superintendent
Management
Hughes Springs Independent School District
871 Taylor St.
Hughes Springs, Texas 75656

We have audited the financial statements of the Hughes Springs Independent School District for the year ended August 31, 2015 and have issued our report thereon dated November 19, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

In planning and performing our audit of the financial statements of Hughes Springs Independent School District as of and for the year ended August 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered The District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiency, as defined above.

Significant Accounting Policies

We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate relates to accounts payable or receivable from the State of Texas as of August 31. These estimates are based on TEA's "near final" report of the summary of finance of which will not be finalized until spring of the following year. We evaluated the key factors and

assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). Our journal entries mainly related to adjustments necessary to year end accounting. Most of these journal entries are typically considered the responsibility of the District. Some of the adjusting entries involve post August 31 information (such as taxes collected within 60 days of year end). For the current audit period, management and the audit team agreed on the appropriateness of all entries made.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Contracting Audit

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

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit. All information needs were met in a complete and expedient manner. I wish to commend the Superintendent and Business office for the quality in which they perform these duties.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, the School Financial Audits Division of Texas Education Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Moore, Caver and Setser, Inc.

Moore, Caver and Setser, Inc.
Certified Public Accountants
November 19, 2015