

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT**  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2013

*Moore and Caver, Inc.*  
Certified Public Accountants



**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013**

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**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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## CERTIFICATE OF BOARD

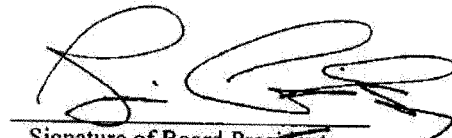
Hughes Springs Independent School District  
Name of School District

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, 2013, at a meeting of the board of trustees of such school district on the 9th day of December, 2013.

  
Signature of Board Secretary

  
Signature of Board President  
Vice 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*

**MOORE and CAVER, Inc.**

*Judy C. Moore, CPA  
N. Preston Caver, CPA*

**Certified Public Accountants**  
808 West Main Se  
P.O. Box 1120  
Atlanta, Texas 75551

*Member  
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Texas Society of CPAs*

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903-796-7148  
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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 and the aggregate remaining fund information for Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2013, 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 and the aggregate remaining fund information of Hughes Springs Independent School District as of August 31, 2013, 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 and budgetary comparison information on pages 6-13 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 15, 2013, 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-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Moore and Caver, Inc.*

*MOORE and CAVER, Inc.*  
Certified Public Accountants

November 15, 2013



**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-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, 2013. 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 \$747,106 as a result of this year's operations. Program revenues accounted for \$1,633,598 or 14.50% of total revenue, and general revenues accounted for \$9,628,936 or 85.50%.

During the year, the District had expenses that were \$747,106 less than the \$11,262,534 generated in tax and other revenues for governmental programs (before special items). Total cost of all of the District's programs increased by \$718,489.

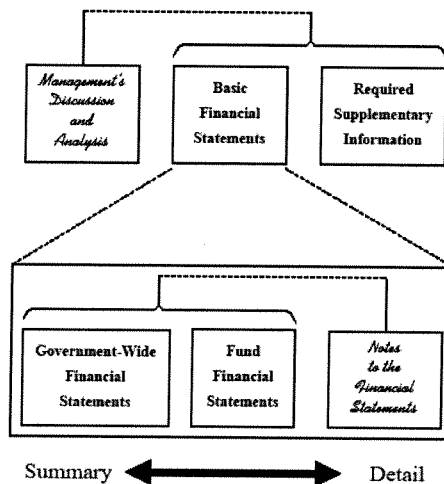
The general fund reported a positive fund balance of \$9,630,433.

**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, 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.

Figure A-1: Required Components of The District's Annual Financial Information



**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-UNAUDITED-**

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 liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

**Figure A-2: Major Features of the Center'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 Center that are not proprietary or fiduciary	Activities the Center operates similar to private businesses: Print shop	Instances in which the Center is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position  *Statement of Activities	*Balance Sheet  *Statement of revenues, expenditures and changes in fund balances	*Statement of Net Position  *Statement of revenues, expenditures and changes in fund balances  *Statement of cash flows	*Statement of Fiduciary Net Position  *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, 2013**

**-UNAUDITED-**

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 increased from \$12,756,781 to \$13,503,887. 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 – were \$9,970,926 at August 31, 2013. This increase in governmental Net Position was the result of the District's revenues exceeding the expenditures.



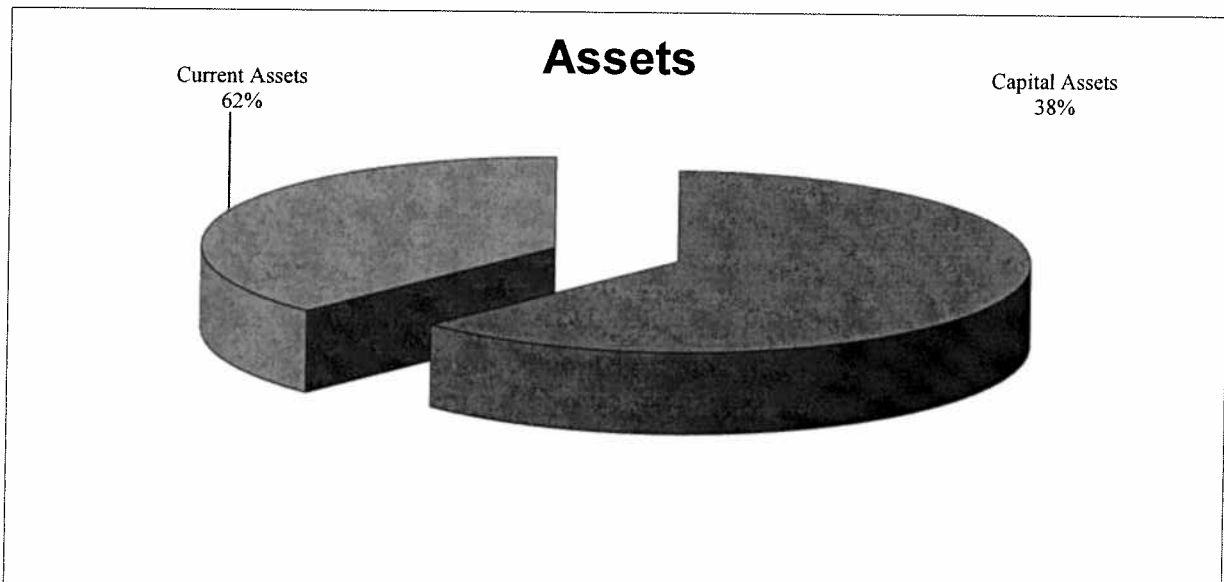
**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-UNAUDITED-**

**Table I  
Hughes Springs Independent School  
District**

**NET POSITION**

	Governmental Activities 2013	Governmental Activities 2012
Current and other assets	\$10,362,068	\$9,857,797
Capital assets	6,172,690	5,964,151
Total assets	<u>16,534,758</u>	<u>15,821,948</u>
Long-term liabilities	2,584,631	2,692,664
Other liabilities	446,240	372,503
Total liabilities	<u>3,030,871</u>	<u>3,065,167</u>
Net Position:		
Invested in capital assets net of related debt	3,588,059	3,271,487
Restricted	44,902	43,178
Unrestricted	9,870,926	9,442,116
Total Net Position	<u>\$13,503,887</u>	<u>\$12,756,781</u>



**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-UNAUDITED-**

**Table II  
Hughes Springs Independent School  
District**

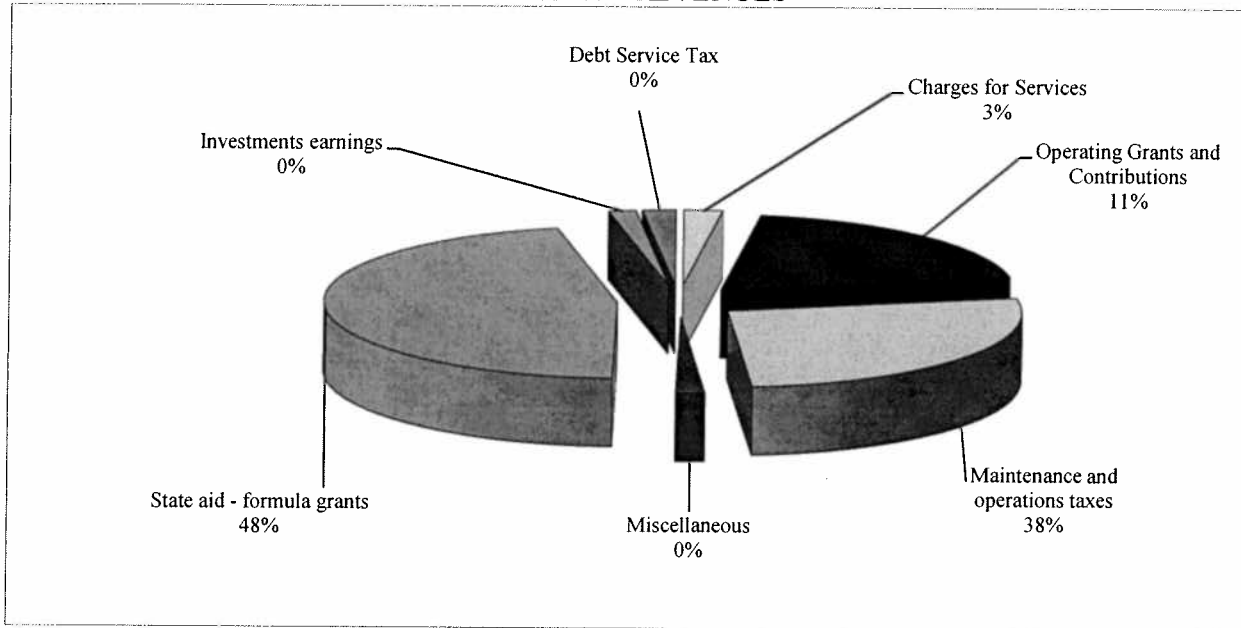
**CHANGES IN NET POSITION**

	Governmental Activities 2013	Governmental Activities 2012
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$380,617	\$312,374
Operating grants and contributions	1,252,981	1,300,307
<b>General Revenues:</b>		
Maintenance and operations taxes	4,243,894	4,159,355
State aid – formula grants	5,397,848	5,223,839
Investment Earnings	14,449	25,373
Miscellaneous	(27,255)	52,354
Total Revenue	11,262,534	11,073,602
<b>Expenses:</b>		
Instruction, curriculum and media services	6,116,424	5,367,676
Instructional and school leadership	453,031	539,109
Student support services	792,158	591,909
Child nutrition	545,946	544,275
Cocurricular activities	716,596	628,468
General administration	501,803	435,309
Plant maintenance, security & data processing	1,093,492	1,378,460
Debt services	129,099	134,706
Payments to Fiscal Agent	166,879	177,027
Total Expenses	10,515,428	9,796,939
Increase in Net Position before transfers and special items	747,106	1,276,663
Beginning Net Position at 9/01	12,756,781	11,480,118
Prior Period Adjustment		
Ending Net Position at 8/31	\$13,503,887	\$12,756,781

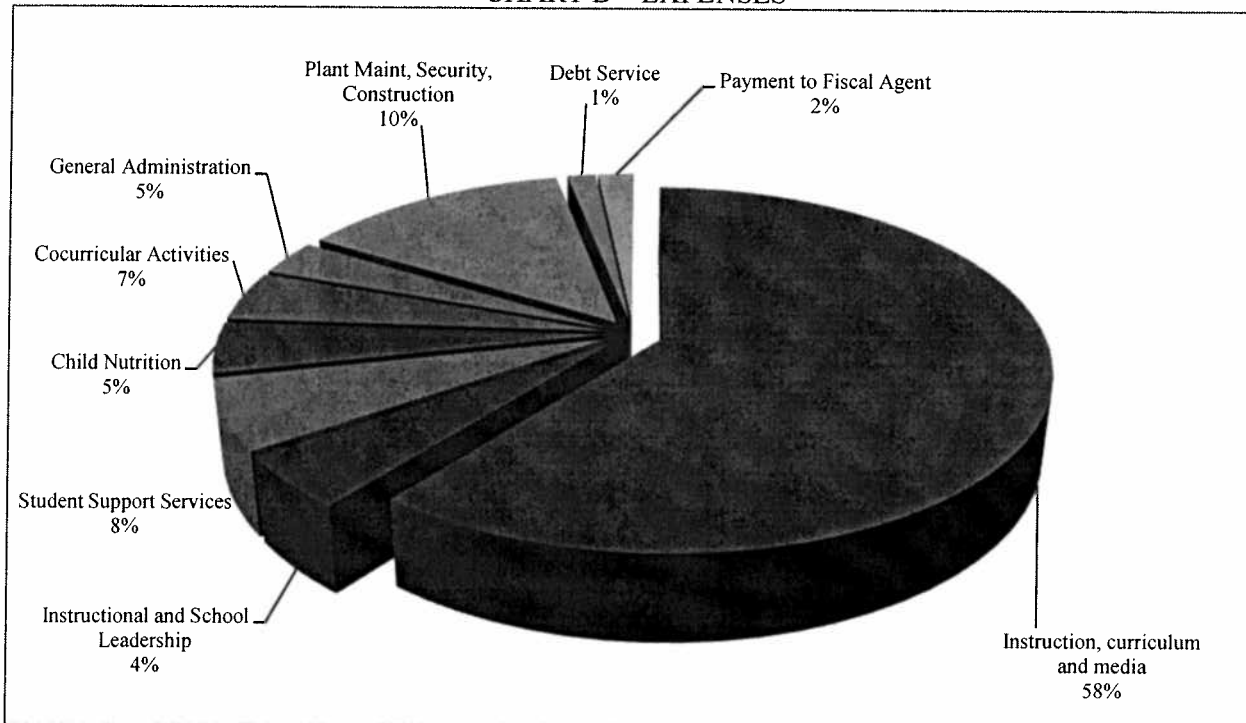
**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-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, 2013**

**-UNAUDITED-**

The District's total revenues increased by 1.71%. The total cost of all programs and services increased by 7.33%. Most of the increases were the results of higher cost in instructional, curriculum and media.

- The District's ADA increased from the prior year.

The cost of all governmental activities this year was \$ 10,515,428. As shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities through District taxes was \$3,496,788 because some of the costs were paid by those who directly benefited from the programs (\$380,617) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,252,981) or by unrestricted grants and other revenue (\$5,385,042).

### **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 \$9,722,168, which is more than last year's total of \$9,275,054. Included in this year's total change in fund balance is an increase of \$456,725 in the District's General 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 2012). 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 \$9,630,433 reported on pages 17 and 45 differs from the General Fund's budgetary fund balance of \$9,029,353 reported in the budgetary comparison schedule on page 45.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2013, the District had \$25,993,702 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 \$598,584 over last year. The increase was primarily construction for new and renovation of facilities, equipment and vehicles.

The District's fiscal year 2013 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.

**Management's Discussion and Analysis  
Hughes Springs Independent School District  
For the Fiscal Year Ended August 31, 2013**

**-UNAUDITED-**

***Debt***

At year-end, the District had outstanding bonds of \$2,580,000, which was a decrease of \$105,000.

The District has copiers under capital leases. Interest rates for the copiers 10.5% and all are 48 or 60 month leases. At year-end, the District had outstanding lease payments of \$4,631.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2014. Amounts appropriated in the General Fund budget are \$9,492,456, an decrease from the final 2013 actual of \$9,540,513. Property taxes (up due to an increase in assessed valuation) account for part of the increase in available revenue. 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 close of 2014. 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, 2013

EXHIBIT A-1

Data Control Codes	Governmental Activities
<hr/>	
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 9,455,042
1220 Property Taxes Receivable (Delinquent)	226,737
1230 Allowance for Uncollectible Taxes	(13,604)
1240 Due from Other Governments	639,590
1290 Other Receivables, net	2,868
1300 Inventories	51,435
Capital Assets:	
1510 Land	100,050
1520 Buildings, Net	3,902,515
1530 Furniture and Equipment, Net	1,875,473
1580 Construction in Progress	294,652
1000 Total Assets	<u>16,534,758</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	212,083
2150 Payroll Deductions & Withholdings	2,496
2160 Accrued Wages Payable	231,075
2300 Unearned Revenue	586
Noncurrent Liabilities	
2501 Due Within One Year	114,631
2502 Due in More Than One Year	2,470,000
2000 Total Liabilities	<u>3,030,871</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	3,588,059
3850 Restricted for Debt Service	9,048
3870 Restricted for Campus Activities	35,854
3900 Unrestricted	9,870,926
3000 Total Net Position	<u>\$ 13,503,887</u>

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, 2013

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 5,933,398	\$ 156,426	\$ 725,164	\$ (5,051,808)
12 Instructional Resources and Media Services	81,891	-	2,899	(78,992)
13 Curriculum and Staff Development	101,135	-	3,650	(97,485)
23 School Leadership	453,031	-	23,993	(429,038)
31 Guidance, Counseling and Evaluation Services	92,342	-	4,630	(87,712)
32 Social Work Services	62,316	-	3,976	(58,340)
33 Health Services	61,446	-	3,396	(58,050)
34 Student (Pupil) Transportation	576,054	-	11,580	(564,474)
35 Food Services	545,946	131,496	415,293	843
36 Extracurricular Activities	716,596	73,210	8,767	(634,619)
41 General Administration	501,803	19,485	16,762	(465,556)
51 Facilities Maintenance and Operations	773,067	-	22,405	(750,662)
52 Security and Monitoring Services	56,225	-	2,414	(53,811)
53 Data Processing Services	264,200	-	8,052	(256,148)
72 Debt Service - Interest on Long Term Debt	128,668	-	-	(128,668)
73 Debt Service - Bond Issuance Cost and Fees	431	-	-	(431)
93 Payments related to Shared Services Arrangements	59,367	-	-	(59,367)
99 Other Intergovernmental Charges	107,512	-	-	(107,512)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 10,515,428</u>	<u>\$ 380,617</u>	<u>\$ 1,252,981</u>	<u>(8,881,830)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	4,243,894
GC	Grants and Contributions not Restricted	5,397,848
IE	Investment Earnings	14,449
MI	Miscellaneous Local and Intermediate Revenue	6,314
FR	Loss on Retired Assets	(33,569)
TR	Total General Revenues & Transfers	<u>9,628,936</u>
CN	Change in Net Position	747,106
NB	Net Position - Beginning	<u>12,756,781</u>
NE	Net Position--Ending	<u>\$ 13,503,887</u>

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 9,345,916	\$ 63,376	\$ 9,409,292
1220 Property Taxes - Delinquent	220,872	5,865	226,737
1230 Allowance for Uncollectible Taxes (Credit)	(13,252)	(352)	(13,604)
1240 Receivables from Other Governments	537,331	102,259	639,590
1260 Due from Other Funds	133,401	1,730	135,131
1290 Other Receivables	2,868	-	2,868
1300 Inventories	17,092	34,343	51,435
1000 Total Assets	<u>\$ 10,244,228</u>	<u>\$ 207,221</u>	<u>\$ 10,451,449</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 204,272	\$ 7,811	\$ 212,083
2150 Payroll Deductions and Withholdings Payable	2,496	-	2,496
2160 Accrued Wages Payable	218,862	12,213	231,075
2170 Due to Other Funds	-	89,381	89,381
2300 Unearned Revenues	-	586	586
2000 Total Liabilities	<u>425,630</u>	<u>109,991</u>	<u>535,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	188,165	5,495	193,660
2600 Total Deferred Inflows of Resources	<u>188,165</u>	<u>5,495</u>	<u>193,660</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	13,252	34,343	47,595
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	12,490	12,490
3480 Retirement of Long-Term Debt	-	9,048	9,048
3490 Other Restricted Fund Balance	-	35,854	35,854
Committed Fund Balance:			
3510 Construction	2,500,000	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	850,000
3540 Self Insurance	14,550	-	14,550
3545 Other Committed Fund Balance	1,167,000	-	1,167,000
3600 Unassigned Fund Balance	5,085,631	-	5,085,631
3000 Total Fund Balances	<u>9,630,433</u>	<u>91,735</u>	<u>9,722,168</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,244,228</u>	<u>\$ 207,221</u>	<u>\$ 10,451,449</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, 2013

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	9,722,168
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(decrease) 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 \$25,395,119 and the accumulated depreciation was \$19,430,968. 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.		3,271,487
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 2013 capital outlays and debt principal payments is to increase (decrease) net position.		1,241,349
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(891,208)
5 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, eliminating interfund transactions, 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.		160,091
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>13,503,887</b>

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, 2013

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 4,458,166	\$ 203,688	\$ 4,661,854
5800	State Program Revenues	5,772,534	147,777	5,920,311
5900	Federal Program Revenues	-	730,518	730,518
5020	Total Revenues	<u>10,230,700</u>	<u>1,081,983</u>	<u>11,312,683</u>
EXPENDITURES:				
Current:				
0011	Instruction	5,023,864	463,002	5,486,866
0012	Instructional Resources and Media Services	80,674	-	80,674
0013	Curriculum and Instructional Staff Development	101,135	-	101,135
0023	School Leadership	453,031	-	453,031
0031	Guidance, Counseling and Evaluation Services	92,342	-	92,342
0032	Social Work Services	62,316	-	62,316
0033	Health Services	61,446	-	61,446
0034	Student (Pupil) Transportation	735,378	-	735,378
0035	Food Services	-	539,722	539,722
0036	Extracurricular Activities	451,294	61,972	513,266
0041	General Administration	475,814	-	475,814
0051	Facilities Maintenance and Operations	906,731	26,898	933,629
0052	Security and Monitoring Services	84,850	-	84,850
0053	Data Processing Services	264,200	-	264,200
Debt Service:				
0071	Principal on Long Term Debt	3,033	105,000	108,033
0072	Interest on Long Term Debt	206	128,462	128,668
0073	Bond Issuance Cost and Fees	431	-	431
Capital Outlay:				
0081	Facilities Acquisition and Construction	576,889	-	576,889
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	59,367	-	59,367
0099	Other Intergovernmental Charges	107,512	-	107,512
6030	Total Expenditures	<u>9,540,513</u>	<u>1,325,056</u>	<u>10,865,569</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>690,187</u>	<u>(243,073)</u>	<u>447,114</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	233,462	233,462
8911	Transfers Out (Use)	(233,462)	-	(233,462)
7080	Total Other Financing Sources (Uses)	<u>(233,462)</u>	<u>233,462</u>	<u>-</u>
1200	Net Change in Fund Balances	456,725	(9,611)	447,114
0100	Fund Balance - September 1 (Beginning)	<u>9,173,708</u>	<u>101,346</u>	<u>9,275,054</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 9,630,433</u>	<u>\$ 91,735</u>	<u>\$ 9,722,168</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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	447,114
<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 (decrease) 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 2013 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		1,241,349
<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>		
		(891,208)
<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, eliminating interfund transactions, 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>		
		(50,149)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>747,106</b>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 AUGUST 31, 2013

EXHIBIT D-1

	Governmental Activities -	
		Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	45,749
Total Assets		45,749
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds		45,749
Total Liabilities		45,749
<b>NET POSITION</b>		
Unrestricted Net Assets		-
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, 2013

EXHIBIT D-2

	Governmental Activities -
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 3,152
Total Operating Revenues	3,152
<b>OPERATING EXPENSES:</b>	
Payroll Costs	3,152
Total Operating Expenses	3,152

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, 2013

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 3,152
Cash Payments for Insurance Claims	(3,152)
Net Cash Provided by Operating Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	5,670
Cash and Cash Equivalents at Beginning of Year	<u>40,079</u>
Cash and Cash Equivalents at End of Year	<u>\$ 45,749</u>
<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	<u>5,670</u>
Net Cash Provided by Operating Activities	<u>\$ 5,670</u>

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, 2013

EXHIBIT E-1

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 57,048
Total Assets	<u>\$ 57,048</u>
LIABILITIES	
Due to Student Groups	\$ 57,048
Total Liabilities	<u>\$ 57,048</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, 2013**

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**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.

**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.

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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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**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 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 revenue 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.

**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, 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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**Revenues – Non-exchange Transactions** – Non-transactions in which the District receives value without directly giving equal value in return, includes property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. 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 revenue 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 or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.

**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 (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 accounts 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.

##### 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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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 Equivalent**

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 certificate 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.

**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, 2013.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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**4. Inventories**

Inventories of supplies on the balance sheet are valued at 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 is allowed to accumulate and can be transferred with the employee to other district. Local leave is to be taken within the same year they are 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.

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:



**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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

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 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.

As of August 31, 2013 Nonspendable Fund Balance includes \$47,595 for inventories, Committed Fund Balance \$14,550 for self-insurance and \$3,350,000 for Construction and Capital Expenditures and \$1,167,000 for Other Committed Funds and Restricted Fund Balance of \$12,490 for Food Service, \$35,854 for Campus Activity Fund and \$9,048 for Debt Service.

**Net Position** - Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investments in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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borrowing used for the acquisition, construction, or improvements if those assets. This net investments is 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 items, 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*. 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 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:

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<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the Year</u>	<u>Change in</u> <u>Net Position</u>
Land	100,050		100,050	
Buildings	21,672,391	17,397,298	4,275,093	
Furniture & Equipment	3,622,678	2,033,670	1,589,008	
Change in Net Position				5,964,151
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			2,685,000	
Lease Payable			7,664	
Change in Net Position				<u>2,692,664</u>
Net Adjustment to Net Position				<u>3,271,487</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 asset balance and the change in Net Position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Position</u>	<u>Adjustments to</u> <u>Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	70,718		
Furniture & Equipment	767,946		
Construction in Progress	<u>294,652</u>		
Total Capital Outlay	<u>1,133,316</u>	<u>1,133,316</u>	<u>1,133,316</u>
<u>Debt Principal Payments</u>			
Bond Principal	105,000		
Lease Principal	<u>3,033</u>		
Total Principal Payments	<u>108,033</u>	<u>108,033</u>	<u>108,033</u>
Total Adjustment to Net Position		<u>\$1,241,349</u>	<u>\$1,241,349</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:

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	<u>Amount</u>	Adjustments to Change in Net <u>Position</u>	Adjustments to Net <u>Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	80,664	(80,664)	
Uncollected taxes (assumed collectible) from Current Year Levy	64,084	64,084	64,084
Uncollected Taxes (assumed collectible) from Prior Year Levy	129,576		129,576
Other Miscellaneous Adjustments		<u>(33,569)</u>	<u>(33,569)</u>
Total		<u>\$(50,149)</u>	<u>\$ 160,091</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 Exhibit J-3 and J-4.

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

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

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	August 31, 2013 <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$46,833
Campus Activity	35,854
Nonappropriated Budget Funds	<u>-0-</u>
All Special Revenue Funds	<u>\$82,687</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, 2013.

**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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) \$9,485,041 and the bank balance was \$9,658,102. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with 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: \$12,681,543.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$ 11,728,837 and occurred during the month of February 2013.
- 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-.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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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 that 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, 2013 are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>More Than 10</u>
		<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	
Lone Star Investment Pool	<u>\$125,132</u>	<u>\$125,132</u>			
Total	<u>\$125,132</u>	<u>\$125,132</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 portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificate of deposits. Statutes authorize the District to invest in (1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificate of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
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**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, 2013, 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, 2012, upon which the levy for the 2012-13 fiscal year was based, was \$379,481,512. The roll was subsequently decreased to a year-end assessed value of \$378,303,672.

Current tax collections for the year ended August 31, 2013 were 99.99% of the year-end adjusted tax levy. As of August 31, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$207,620 the General Fund and \$5,513 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, 2013, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund	\$ -0-	\$ 89,382
Internal Service		44,019
Special Revenue		
Internal Service	89,382	1,730
Internal Service Fund		
General & Special Funds	45,749	
Total	\$ 135,131	\$ 135,131

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Interfund transfers at August 31, 2013, consisted of the following individual fund:

	Transfers to Other Funds	Transfer from Other Funds
General Fund:		
Debt Service Fund	\$ 233,462	\$ -0-
Debt Service:		
General Fund	-0-	233,462
Total	\$ 233,462	\$233,462

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2013, were as follows:

	<u>Property Taxes-net</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 207,620	\$ 537,331	\$ 133,401	\$ 2,868	\$ 881,220
Nonmajor Governmental Funds	<u>5,513</u>	<u>102,259</u>	<u>1,730</u>	<u>-0-</u>	<u>109,502</u>
Total - Governmental Activities	<u>\$ 213,133</u>	<u>\$ 639,590</u>	<u>\$ 135,131</u>	<u>\$ 2,868</u>	<u>\$ 990,722</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, 2013, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>						
General Fund	\$ 204,272	\$ 221,358	\$ -0-	\$ -0-	\$ -0-	\$ 425,630
Nonmajor Gov. Fund	<u>7,811</u>	<u>12,213</u>	<u>89,381</u>	<u>-0-</u>	<u>-0-</u>	<u>109,405</u>
Total - Gov. Activities	<u>\$ 212,083</u>	<u>\$ 233,571</u>	<u>\$ 89,381</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 535,035</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, 2013, was as follows:

	Primary Government			Balance 8/31/13
	Balance 9/1/12	Addition	Deletions	
Land	\$ 100,050	\$ -0-	\$ -0-	\$ 100,050
Buildings	21,672,391	70,718	25,000	21,718,109
Furniture & Equipment	3,622,678	767,948	509,734	3,880,892
Construction in Progress	<u>-0-</u>	<u>294,652</u>	<u>-0-</u>	<u>294,652</u>
Total at Historical Cost	\$ 25,395,119	\$ 1,133,318	\$ 534,734	\$ 25,993,703



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Less Accumulated  
Depreciation for:

Buildings	\$ 17,397,298	\$443,296	\$ 25,000	\$17,815,594
Furniture & Equipment	<u>2,033,671</u>	<u>447,912</u>	<u>476,165</u>	<u>2,005,418</u>
Total Accumulated Depreciation	<u>\$ 19,430,969</u>	<u>\$ 891,208</u>	<u>\$ 501,165</u>	<u>\$19,821,012</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 446,531
Student Transportation	160,487
Media	1,217
Curricular/Extracurricular	212,879
Food Service	6,225
General Administration	25,989
Plant Maint & Operations	<u>37,880</u>
Total Depreciation Expense	<u>\$ 891,208</u>

**G. LOANS PAYABLE**

There were no loans at August 31, 2013.

**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, 2013:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/13</u>
Unlimited Tax School Building Bond, Ser 2006	4.5-5.375	3,300,000	<u>\$ 2,685,000</u>	\$-0-	<u>\$105,000</u>	<u>\$2,580,000</u>
Total			<u>\$ 2,685,000</u>	<u>\$-0-</u>	<u>\$105,000</u>	<u>\$2,580,000</u>

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$110,000	\$123,625	\$233,625
2015	115,000	118,562	233,562
2016	120,000	113,275	233,275
2017	125,000	107,216	232,216
2018	135,000	100,228	235,228
2019-2023	770,000	399,750	1,169,750
2024-2028	975,000	192,938	1,167,938
2029	<u>230,000</u>	<u>6,037</u>	<u>236,037</u>
Total	<u>\$2,580,000</u>	<u>\$1,161,631</u>	<u>\$3,741,631</u>

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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, 2013.

**I. COMMITMENTS UNDER LEASES**

Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ended August 31</u>	<u>Total Requirements</u>
2014	\$ 27,641
2015	27,641
2016	27,641
2017	<u>20,731</u>
Total	<u>\$103,654</u>

Capital Leases

The District has entered into numerous capital leases for the purchase of copiers. The interest rate is 10.5%.

Presented below is a summary of capital lease obligations maturity:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 4,631	\$ 840	\$5,471
Total	<u>\$ 4,631</u>	<u>\$ 840</u>	<u>\$5,471</u>

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activity:</b>					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 2,685,000	\$ -0-	\$ 105,000	\$ 2,580,000	\$ 110,000
Leases Payable	7,664	-0-	3,033	4,631	4,631
Governmental Activities					
Long-term Liabilities	<u>\$2,692,664</u>	<u>\$ -0-</u>	<u>\$108,033</u>	<u>\$ 2,584,631</u>	<u>\$ 114,631</u>

**K. DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. The System operates primarily under the provisions of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8,

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Chapters 803 and 805, respectively. TRS issues a public available financial report that includes financial statements and required supplementary information for the defined benefits pension plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701-2600 or by calling (800) 223-8778 or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under TRS Publication heading.

**Funding Policy.** State law provides for fiscal years 2011, 2012 and 2013 a state contribution rate of 7.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 7.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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. State contributions to TRS made on behalf of Hughes Springs Independent School District's employees for the years ended August 31, 2011, 2012 and 2013 were \$379,419, \$355,737 and \$351,511 respectively. Other contributions made from federal and private grants, from the District for salaries above the state minimum, and new members for the years ended August 31, 2011, 2012, and 2013 in the amount of \$61,328, \$49,176, and \$64,455 respectively.

**L. HEALTH CARE COVERAGE**

During the year ended August 31, 2013, 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.

**M. 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, 2013, Hughes Springs ISD recognized Medicare Part D on-behalf payments of \$23,175.

**N. DEFERRED REVENUE and DEFERRED INFLOW OF RESOURCES**

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Property Taxes	\$188,165	\$-0-	\$5,495	\$193,660
Other Deferred Revenues	-0-	586	-0-	586
<b>Totals</b>	<b>\$188,165</b>	<b>\$586</b>	<b>\$5,495</b>	<b>\$194,246</b>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

**O. 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, 2013, 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	\$ 537,331	\$ -0-	\$ 537,331
Special Revenue	-0-	102,259	102,259
Total	<u>\$ 537,331</u>	<u>\$ 102,259</u>	<u>\$ 639,590</u>

**P. 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	\$4,203,376	\$ -0-	\$ 245	\$-0-	\$4,203,621
Food Sales	-0-	131,496	-0-	-0-	131,496
Investment Income	14,449	-0-	-0-	-0-	14,449
Penalties, interest and other tax related income	56,123	-0-	215	-0-	56,338
Co-curricular student activities	63,010	-0-	-0-	-0-	63,010
Other	121,208	596	-0-	74,288	196,092
Total	<u>\$ 4,458,166</u>	<u>\$132,092</u>	<u>\$ 460</u>	<u>\$74,288</u>	<u>\$4,665,006</u>

**Q. 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, 2013 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.

**R. 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 2013, 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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 \$9,990 to the fund for the year ended August 31, 2013. The District's loss fund maximum was \$18,758. The pool participated in claims exceeding the loss maximum up to \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$10,954.

Changes in the workers' compensation claims liability amounts in fiscal 2013 are represented below:

	<u>2013</u>	<u>2012</u>
Claims payable, beginning of fiscal year	\$ 16,706	\$14,658
Incurred claims and claims adjustment expenses for insured events of the current fiscal year	4,956	8,225
Decrease in provision for insured events of prior fiscal year	<u>(4,084)</u>	<u>(1,954)</u>
	\$17,578	\$20,929
 <u>Payments</u>		
Claims attributable to insured events of current year	600	2,146
Claims attributable to insured events of the prior year's	<u>2,428</u>	<u>2,077</u>
Total Payments	<u>3,028</u>	<u>4,223</u>
Claims payable, end of fiscal year	<u>\$14,550</u>	<u>\$16,706</u>

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

Revenues	
5929 Revenue	\$317,959
Expenditures:	
6100 Payroll	191,627
6200 Consultants	38,333
6300 Supplies and Materials	7,392
6400 Other Operating	77,053
6600 Capital Outlay	3,554

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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**T. IMPLEMENTATION OF GASB STATEMENTS NOS. 63 AND 65**

The District implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended August 31, 2013. These statements required changes in account captions in the statements of net position.

**U. SUBSEQUENT EVENTS**

None Noted.

***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, 2013

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 4,341,578	\$ 4,499,606	\$ 4,458,166	\$ (41,440)
5800	State Program Revenues	4,803,223	5,625,337	5,772,534	147,197
5020	Total Revenues	9,144,801	10,124,943	10,230,700	105,757
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,137,226	5,108,951	5,023,864	85,087
0012	Instructional Resources and Media Services	88,961	88,461	80,674	7,787
0013	Curriculum and Instructional Staff Development	109,617	112,186	101,135	11,051
0023	School Leadership	454,889	467,557	453,031	14,526
0031	Guidance, Counseling and Evaluation Services	90,993	100,743	92,342	8,401
0032	Social Work Services	62,500	73,065	62,316	10,749
0033	Health Services	63,350	69,350	61,446	7,904
0034	Student (Pupil) Transportation	519,970	787,029	735,378	51,651
0036	Extracurricular Activities	453,317	491,135	451,294	39,841
0041	General Administration	511,867	537,329	475,814	61,515
0051	Facilities Maintenance and Operations	985,700	992,410	906,731	85,679
0052	Security and Monitoring Services	28,845	98,355	84,850	13,505
0053	Data Processing Services	247,450	275,383	264,200	11,183
Debt Service:					
0071	Principal on Long Term Debt	32,000	32,000	3,033	28,967
0072	Interest on Long Term Debt	5,000	5,000	206	4,794
0073	Bond Issuance Cost and Fees	500	500	431	69
Capital Outlay:					
0081	Facilities Acquisition and Construction	100,000	842,844	576,889	265,955
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	60,000	60,000	59,367	633
0099	Other Intergovernmental Charges	127,000	127,000	107,512	19,488
6030	Total Expenditures	9,079,185	10,269,298	9,540,513	728,785
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	65,616	(144,355)	690,187	834,542
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	-	-	(233,462)	(233,462)
7080	Total Other Financing Sources (Uses)	-	-	(233,462)	(233,462)
1200	Net Change in Fund Balances	65,616	(144,355)	456,725	601,080
0100	Fund Balance - September 1 (Beginning)	9,173,708	9,173,708	9,173,708	-
3000	Fund Balance - August 31 (Ending)	\$ 9,239,324	\$ 9,029,353	\$ 9,630,433	\$ 601,080



*COMBINING SCHEDULES*

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

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	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 428	\$ -	\$ 14,456
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	44,698	31,288	3,469	9,768
1260	Due from Other Funds	-	-	-	1,532
1300	Inventories	-	-	-	34,343
1000	<b>Total Assets</b>	<u>\$ 44,698</u>	<u>\$ 31,716</u>	<u>\$ 3,469</u>	<u>\$ 60,099</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 7,811
2160	Accrued Wages Payable	7,664	-	-	4,549
2170	Due to Other Funds	37,034	31,498	3,469	906
2300	Unearned Revenues	-	218	-	-
2000	<b>Total Liabilities</b>	<u>44,698</u>	<u>31,716</u>	<u>3,469</u>	<u>13,266</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	34,343
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	12,490
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,833</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ 44,698</u>	<u>\$ 31,716</u>	<u>\$ 3,469</u>	<u>\$ 60,099</u>

255 ESEA II.A Training and Recruiting	270 ESEA VI. Pt B Rural & Low Income	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 3,608	\$ -	\$ -	\$ -	\$ 35,854	\$ 54,346	\$ 9,030	\$ 63,376
-	-	-	-	-	-	5,865	5,865
-	-	-	-	-	-	(352)	(352)
6,374	6,274	388	-	-	102,259	-	102,259
198	-	-	-	-	1,730	-	1,730
-	-	-	-	-	34,343	-	34,343
<u>\$ 10,180</u>	<u>\$ 6,274</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 35,854</u>	<u>\$ 192,678</u>	<u>\$ 14,543</u>	<u>\$ 207,221</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,811	\$ -	\$ 7,811
-	-	-	-	-	12,213	-	12,213
9,812	6,274	388	-	-	89,381	-	89,381
368	-	-	-	-	586	-	586
<u>10,180</u>	<u>6,274</u>	<u>388</u>	<u>-</u>	<u>-</u>	<u>109,991</u>	<u>-</u>	<u>109,991</u>
-	-	-	-	-	-	5,495	5,495
-	-	-	-	-	-	5,495	5,495
-	-	-	-	-	34,343	-	34,343
-	-	-	-	-	12,490	-	12,490
-	-	-	-	-	-	9,048	9,048
-	-	-	-	35,854	35,854	-	35,854
-	-	-	-	35,854	82,687	9,048	91,735
<u>\$ 10,180</u>	<u>\$ 6,274</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 35,854</u>	<u>\$ 192,678</u>	<u>\$ 14,543</u>	<u>\$ 207,221</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, 2013

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	\$ -	\$ -	\$ -	\$ 132,092
5800 State Program Revenues	-	-	-	3,431
5900 Federal Program Revenues	230,670	31,070	3,469	411,862
5020 Total Revenues	<u>230,670</u>	<u>31,070</u>	<u>3,469</u>	<u>547,385</u>
EXPENDITURES:				
Current:				
0011 Instruction	230,670	31,070	3,469	-
0035 Food Services	-	-	-	539,722
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	26,898
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
6030 Total Expenditures	<u>230,670</u>	<u>31,070</u>	<u>3,469</u>	<u>566,620</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,235)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	(19,235)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,068</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,833</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 71,136	\$ 203,228	\$ 460	\$ 203,688
-	-	3,946	140,400	-	147,777	-	147,777
36,510	16,937	-	-	-	730,518	-	730,518
<u>36,510</u>	<u>16,937</u>	<u>3,946</u>	<u>140,400</u>	<u>71,136</u>	<u>1,081,523</u>	<u>460</u>	<u>1,081,983</u>
36,510	16,937	3,946	140,400	-	463,002	-	463,002
-	-	-	-	-	539,722	-	539,722
-	-	-	-	61,972	61,972	-	61,972
-	-	-	-	-	26,898	-	26,898
-	-	-	-	-	-	105,000	105,000
-	-	-	-	-	-	128,462	128,462
<u>36,510</u>	<u>16,937</u>	<u>3,946</u>	<u>140,400</u>	<u>61,972</u>	<u>1,091,594</u>	<u>233,462</u>	<u>1,325,056</u>
-	-	-	-	9,164	(10,071)	(233,002)	(243,073)
-	-	-	-	-	-	233,462	233,462
-	-	-	-	-	-	233,462	233,462
-	-	-	-	9,164	(10,071)	460	(9,611)
-	-	-	-	26,690	92,758	8,588	101,346
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,854</u>	<u>\$ 82,687</u>	<u>\$ 9,048</u>	<u>\$ 91,735</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

	BALANCE SEPTEMBER 1 2012	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2013
<b>Student Activity Fund</b>				
Assets:				
Cash and Temporary Investments	\$ 68,291	\$ 127,475	\$ 138,718	\$ 57,048
Liabilities:				
Due to Student Groups	\$ 68,291	\$ 127,475	\$ 138,718	\$ 57,048

*REQUIRED T.E.A. SCHEDULES*

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.470000	0.878040	15,555,831
2006	1.470000	0.053800	200,539,059
2007	1.340000	0.049000	287,366,235
2008	1.130000	0.063450	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 (School year under audit)	1.119406	0.000000	379,481,512
1000 TOTALS			



(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 52,578	\$ -	\$ 1,031	\$ 361	\$ (4,173)	\$ 47,013
8,722	-	294	17	(541)	7,870
7,355	-	272	9	(529)	6,545
7,091	-	957	34	(431)	5,669
9,772	-	2,652	144	(437)	6,539
16,742	-	6,139	-	(106)	10,497
21,989	-	8,245	-	(163)	13,581
38,181	-	17,874	-	(174)	20,133
75,206	-	38,054	-	(3,992)	33,160
-	4,247,954	4,159,024	-	(13,200)	75,730
<u>\$ 237,636</u>	<u>\$ 4,247,954</u>	<u>\$ 4,234,542</u>	<u>\$ 565</u>	<u>\$ (23,746)</u>	<u>\$ 226,737</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 174,368	\$ 196,544	\$ -	\$ -	\$ 370,912
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	-	-	-
6212	Audit Services	-	-	-	10,300	-	-	10,300
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	107,841	-	-	-	-	107,841
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	3,856	-	6,827	16,241	-	-	26,924
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,250	-	1,250	-	-	-	2,500
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	6,255	-	-	6,255
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,093	-	2,190	7,611	-	-	10,894
6410	Travel, Subsistence, Stipends	-	-	2,420	2,820	-	-	5,240
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	7,143	-	13,304	22,014	-	-	42,461
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 13,342	\$ 107,841	\$ 200,359	\$ 261,785	\$ -	\$ -	\$ 583,327

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 10,632,105

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 963,440
Total Debt & Lease(6500)	(11)	237,132
Plant Maintenance (Function 51, 6100-6400)	(12)	924,151
Food (Function 35, 6341 and 6499)	(13)	224,441
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		261,785

SubTotal:

2,610,949

Net Allowed Direct Cost

\$ 8,021,156

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 21,718,109
Historical Cost of Building over 50 years old	(16)	\$ 92,000
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,880,891
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$107,512 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2013

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	\$ 155,000	\$ 155,000	\$ 132,092	\$ (22,908)
5800	State Program Revenues	3,500	3,500	3,431	(69)
5900	Federal Program Revenues	411,500	411,500	411,862	362
5020	Total Revenues	570,000	570,000	547,385	(22,615)
EXPENDITURES:					
0035	Food Services	550,853	569,453	539,722	29,731
0051	Facilities Maintenance and Operations	33,120	33,120	26,898	6,222
6030	Total Expenditures	583,973	602,573	566,620	35,953
1200	Net Change in Fund Balances	(13,973)	(32,573)	(19,235)	13,338
0100	Fund Balance - September 1 (Beginning)	66,068	66,068	66,068	-
3000	Fund Balance - August 31 (Ending)	\$ 52,095	\$ 33,495	\$ 46,833	\$ 13,338

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, 2013

EXHIBIT J-4

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	\$ -	\$ -	\$ 460	\$ 460
5020	Total Revenues	-	-	460	460
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	-	105,000	105,000	-
0072	Interest on Long Term Debt	-	128,462	128,462	-
6030	Total Expenditures	-	233,462	233,462	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(233,462)	(233,002)	460
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	233,462	233,462
7080	Total Other Financing Sources (Uses)	-	-	233,462	233,462
1200	Net Change in Fund Balances	-	(233,462)	460	233,922
0100	Fund Balance - September 1 (Beginning)	-	8,588	8,588	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ (224,874)	\$ 9,048	\$ 233,922

*REPORTS ON  
INTERNAL CONTROLS, COMPLIANCE  
AND  
FEDERAL AWARDS*

**MOORE and CAVER, Inc.**  
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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, 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, 2013 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 15, 2013.

**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 instance of noncompliance or other matters that is 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 and Caver, Inc.*

MOORE and CAVER, Inc.  
Certified Public Accountants

November 15, 2013

**MOORE and CAVER, Inc.**

**Certified Public Accountants**

808 West Main St.

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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, 2013. 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 cost.

***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, 2013.

### ***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, 2013, and have issued our report thereon dated September 30, 2013, 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 and Caver, Inc.*

*MOORE and CAVER, Inc.*  
Certified Public Accountants

November 15, 2013

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013

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

1. Type of auditor's report issued on the financial statements: Unqualified.
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: Unqualified
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
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 :**

There were no findings or questioned costs in the current 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, 2013

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PRIOR YEAR'S FINDING/NONCOMPLIANCE

There were no finding in the prior year.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2013

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CORRECTIVE ACTION:

None required

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101034903	\$ 230,670
*IDEA - Part B, Formula	84.027	13696001034903	31,070
*IDEA - Part B, Preschool	84.173	1366101201034903	3,469
Total Special Education Cluster (IDEA)			34,539
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13696001034903	16,937
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501034903	36,510
Total Passed Through State Department of Education			\$ 318,656
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 318,656</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71400801	\$ 99,199
*National School Lunch Program - Cash Assistance	10.555	71400801	276,657
*National School Lunch Prog. - Non-Cash Assistance	10.555	71400801	36,006
Total CFDA Number 10.555			312,663
Total Child Nutrition Cluster			411,862
Total Passed Through the State Department of Agriculture			\$ 411,862
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 411,862</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 730,518</b>

\*Clustered Programs

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

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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 Springd Independent School District

Fiscal Year 2013

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	



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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, 2013 and have issued our report thereon dated November 15, 2013. 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, 2013, 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 and Caver*

Moore and Caver, Inc.  
Certified Public Accountants  
November 15, 2013