

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018**

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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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, 2018 at a meeting of the Board of Trustees of such school district on the _____ day of January, 2019.

Signature of Board Secretary

Signature of Board President

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



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

Independent Auditors' Report

Board of Trustees
Hughes Springs Independent School District
871 Taylor Street
Hughes Springs, TX 75656

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hughes Springs Independent School District as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements during fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 53, schedule of the District's proportionate share of the net pension liability (TRS) on page 54, schedule of District's contributions to TRS Pension plan on page 55, schedule of the District's proportionate share of the OPEB liability (TRS) on page 56, and schedule of District's contributions to TRS OPEB plan on page 57 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 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements 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 financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hughes Springs Independent School District's internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 10, 2019

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT 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, 2018. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

The District's Net Position is \$5,256,142 as a result of this year's operations.

During the year, the District had expenses that were \$1,022,685 less than the \$9,747,491 generated in tax and other revenues for governmental programs (before special items).

The general fund reported a positive fund balance of \$6,964,444.

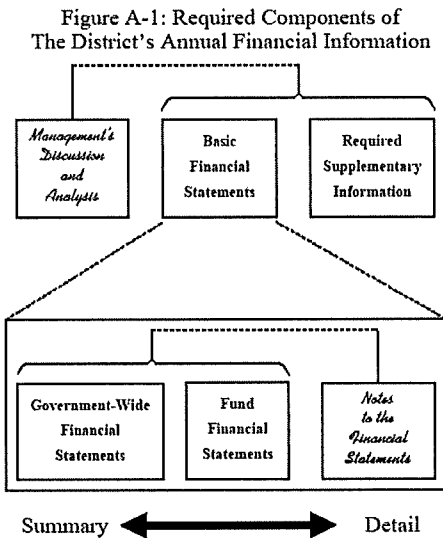
USING THIS ANNUAL REPORT

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 12 and 13). 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 14) 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.

The notes to the financial statements (starting on page 23) 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.



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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 12. 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 plus deferred outflows and liabilities plus deferred inflows) 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.

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.

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

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 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 and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 21 and 22. 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.

Government-Wide Financial Analysis

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

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$7,918,020).

The Statement of Net Position includes the District's portion of the Teacher Retirement System (TRS) net OPEB liability as a result of the implementation of GASB 75 in the current year 2018 only. The financials also reflect deferred outflows and inflows of resources to record the liability. The information is not available for the prior year 2017 financial statements.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position of the District's governmental activities decreased from \$12,151,477 to \$5,256,142. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$319,395) at August 31, 2018. This decrease in governmental Net Position was primarily the result of the District's implementation of GASB 75.

**Table I
Hughes Springs Independent School District
NET POSITION**

	Governmental Activities 2018	Governmental Activities 2017	Total % Change
Current and other assets	\$ 7,947,305	\$ 7,848,446	1.26%
Capital assets	7,526,068	8,124,361	-7.36%
Total Assets	<u>15,473,373</u>	<u>15,972,807</u>	<u>-3.13%</u>
Deferred outflows of resources	<u>855,936</u>	<u>999,985</u>	<u>-14.41%</u>
Other liabilities	715,532	628,445	13.86%
Long term liabilities	1,975,925	2,102,000	-6.00%
TRS net pension liability	1,714,985	1,976,918	-13.25%
TRS net OPEB liability	4,515,568	-	100.00%
Total Liabilities	<u>8,922,010</u>	<u>4,707,363</u>	<u>89.53%</u>
Deferred inflow of resources	<u>2,151,157</u>	<u>113,952</u>	<u>1787.77%</u>
Net Position:			
Net investment in capital assets	5,572,068	6,022,361	-7.48%
Restricted	3,469	47,718	-92.73%
Unrestricted	<u>(319,395)</u>	<u>6,081,398</u>	<u>-105.25%</u>
Total Net Position	<u>\$ 5,256,142</u>	<u>\$ 12,151,477</u>	<u>-56.74%</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table II
Hughes Springs Independent School District
CHANGES IN NET POSITION**

	Governmental Activities 2018	Governmental Activities 2017	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 193,049	\$ 258,439	-25.30%
Operating grants and contributions	(622,269)	1,246,140	-149.94%
General Revenues:			
Property taxes	2,454,118	2,658,625	-7.69%
State aid - formula grants	7,602,295	7,701,350	-1.29%
Investment earnings	11,310	7,662	47.61%
Miscellaneous and Other	108,988	57,692	88.91%
Gain on Sale of Assets	-	6,577	-100.00%
Total Revenues	9,747,491	11,936,485	-18.34%
Expenses:			
Instruction, curriculum and media services	4,830,249	7,288,706	-33.73%
Instructional and school leadership	384,861	621,836	-38.11%
Guidance, counseling and evaluation services	37,340	122,729	-69.58%
Social Work and Health services and student transportatio	455,945	775,650	-41.22%
Food services	399,167	465,723	-14.29%
Extracurricular activities	493,801	889,058	-44.46%
General administration	378,894	469,544	-19.31%
Facilities maintenance, security & monitoring	1,088,214	1,263,713	-13.89%
Data processing	434,153	363,930	19.30%
Debt service	60,576	64,669	-6.33%
Capital Outlay	-	14,212	-100.00%
Payments to Shared Service Arrangements	87,430	99,501	-12.13%
Other Intergovernmental Charges	74,176	78,688	-5.73%
Total Expenses	8,724,806	12,517,959	-30.30%
Increase (Decrease) in Net Position	1,022,685	(581,474)	275.88%
Net Position - Beginning of Year	12,151,477	12,732,951	-4.57%
Prior Period Adjustment	(7,918,020)	-	-100.00%
Net Position - End of Year	\$ 5,256,142	\$ 12,151,477	-56.74%

The cost of all governmental activities this year was \$8,724,806. As shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through District taxes was \$2,454,118 because some of the costs were paid by those who directly benefited from the programs \$193,049 or by other governments and organizations that subsidized certain programs with grants and contributions (\$622,269) or by unrestricted grants, interest, or other revenue \$7,722,593.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

**Table III
Hughes Springs Independent School District
NET CHANGES IN FUND BALANCES**

	Governmental Funds 2018	Governmental Funds 2017	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 2,811,958	\$ 2,988,506	\$ (176,548)	-5.9%
State Program Revenues	8,159,897	8,158,371	1,526	0.0%
Federal Program Revenues	749,814	692,278	57,536	8.3%
Total Revenues	<u>11,721,669</u>	<u>11,839,155</u>	<u>(117,486)</u>	<u>-1.0%</u>
Expenditures:				
Instruction	6,449,079	6,387,115	61,964	1.0%
Instructional resources & media services	101,964	104,173	(2,209)	-2.1%
Curriculum and Instructional Staff Development	111,064	112,481	(1,417)	-1.3%
School leadership	582,058	603,596	(21,538)	-3.6%
Guidance, counseling & evaluation services	107,552	112,558	(5,006)	-4.4%
Social Work Services	70,137	75,545	(5,408)	-7.2%
Health services	112,270	103,604	8,666	8.4%
Student (pupil) transportation	465,276	476,738	(11,462)	-2.4%
Food service	456,435	448,190	8,245	1.8%
Extracurricular activities	531,384	652,781	(121,397)	-18.6%
General administration	460,071	434,631	25,440	5.9%
Facilities maintenance & operations	1,110,599	1,097,989	12,610	1.1%
Security & monitoring services	99,801	89,410	10,391	11.6%
Data processing services	456,644	362,176	94,468	26.1%
Debt service	208,576	232,759	(24,183)	-10.4%
Capital outlay	184,856	324,924	(140,068)	-43.1%
Other intergovernmental charges	161,606	178,189	(16,583)	-9.3%
Total Expenditures	<u>11,669,372</u>	<u>11,796,859</u>	<u>(127,487)</u>	<u>-1.1%</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	52,297	42,296	10,001	23.6%
Other Financing Sources (Uses)	<u>-</u>	<u>11,971</u>	<u>(11,971)</u>	<u>-100.0%</u>
Net Change in Fund Balances				
Net Change in Fund Balances	52,297	54,267	(1,970)	-3.6%
Fund Balance - Beginning of Year	6,983,237	6,928,970	54,267	0.8%
Fund Balance - End of Year	<u>\$ 7,035,534</u>	<u>\$ 6,983,237</u>	<u>\$ 52,297</u>	<u>0.7%</u>

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$7,035,534, which is more than last year's total of \$6,983,237. Included in this year's total change in fund balance is an increase of \$56,488 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 2017).

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$6,964,444 reported on pages 14 and 53 differs from the General Fund's budgetary fund balance of \$6,500,164 reported in the budgetary comparison schedule on page 53.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$7,526,068 net invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net decrease in capital assets over last year. Current year additions totaling \$408,536 consisted of a truck, plasma table, and printer for the Ag department, a 2018 bus, a scoreboard, a playground and building renovations.

The District's fiscal year 2018-2019 has plans for major capital asset expenditures. More detailed information about the District's capital assets is presented in Note I to the financial statements.

Debt

Long term debt (bonds) decreased (\$148,000) for the year ending August 31, 2018. As of year-end, the District had outstanding bonds of \$1,954,000. The District has no loans or capital leases. More detailed information about the District's debt is presented in Notes J and L to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts appropriated in the General Fund budget are \$11,460,702, an increase from the final 2018 actual of \$10,542,407. This increase is due to increased property tax valuations and changes to the funding formula even though ADA is slightly down from the prior year. If these estimates are realized, the District's budgetary General Fund balance is expected to remain close to the same at the close of 2019. 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 Street., Hughes Springs, Texas.

BASIC FINANCIAL STATEMENTS

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,456,480
1120 Current Investments	3,545,289
1220 Property Taxes - Delinquent	292,351
1230 Allowance for Uncollectible Taxes	(79,031)
1240 Due from Other Governments	681,819
1250 Accrued Interest Receivable	1,964
1267 Due from Fiduciary Funds	662
1300 Inventories	47,771
Capital Assets:	
1510 Land	100,050
1520 Buildings and Improvements, Net	5,900,590
1530 Furniture and Equipment, Net	1,525,428
1000 Total Assets	15,473,373
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	779,895
1706 Deferred Outflow Related to TRS OPEB	76,041
1700 Total Deferred Outflows of Resources	855,936
LIABILITIES	
2110 Accounts Payable	14,317
2160 Accrued Wages Payable	533,730
2180 Due to Other Governments	166,183
2300 Unearned Revenue	1,302
Noncurrent Liabilities:	
2501 Due Within One Year	152,000
2502 Due in More Than One Year	1,823,925
2540 Net Pension Liability (District's Share)	1,714,985
2545 Net OPEB Liability (District's Share)	4,515,568
2000 Total Liabilities	8,922,010
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	262,286
2606 Deferred Resource Inflow Related to TRS OPEB	1,888,871
2600 Total Deferred Inflows of Resources	2,151,157
NET POSITION	
3200 Net Investment in Capital Assets	5,572,068
3850 Restricted for Debt Service	3,469
3900 Unrestricted	(319,395)
3000 Total Net Position	\$ 5,256,142

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, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,655,926	\$ 3,727	\$ (666,736)	\$ (5,318,935)
12 Instructional Resources and Media Services	88,318	-	(12,250)	(100,568)
13 Curriculum and Instructional Staff Development	86,005	-	(15,247)	(101,252)
23 School Leadership	384,861	-	(88,955)	(473,816)
31 Guidance, Counseling and Evaluation Services	37,340	-	(3,720)	(41,060)
32 Social Work Services	49,100	-	(14,661)	(63,761)
33 Health Services	82,266	-	(19,790)	(102,056)
34 Student (Pupil) Transportation	324,579	-	(45,049)	(369,628)
35 Food Services	399,167	80,061	368,849	49,743
36 Extracurricular Activities	493,801	71,743	(36,269)	(458,327)
41 General Administration	378,894	10,184	(47,760)	(416,470)
51 Facilities Maintenance and Operations	1,012,212	27,334	(84,494)	(1,069,372)
52 Security and Monitoring Services	76,002	-	(16,233)	(92,235)
53 Data Processing Services	434,153	-	60,046	(374,107)
72 Debt Service - Interest on Long-Term Debt	59,826	-	-	(59,826)
73 Debt Service - Bond Issuance Cost and Fees	750	-	-	(750)
93 Payments Related to Shared Services Arrangements	87,430	-	-	(87,430)
99 Other Intergovernmental Charges	74,176	-	-	(74,176)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 8,724,806	\$ 193,049	\$ (622,269)	(9,154,026)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			2,454,118
GC	Grants and Contributions not Restricted			7,602,295
IE	Investment Earnings			11,310
MI	Miscellaneous Local and Intermediate Revenue			108,988
TR	Total General Revenues			10,176,711
CN	Change in Net Position			1,022,685
NB	Net Position - Beginning			12,151,477
PA	Prior Period Adjustment			(7,918,020)
NE	Net Position--Ending			\$ 5,256,142

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,333,475	\$ 68,334	\$ 3,401,809
1120 Investments - Current	3,545,289	-	3,545,289
1220 Property Taxes - Delinquent	288,684	3,667	292,351
1230 Allowance for Uncollectible Taxes	(78,811)	(220)	(79,031)
1240 Due from Other Governments	573,756	108,063	681,819
1250 Accrued Interest Receivable	1,964	-	1,964
1260 Due from Other Funds	144,760	-	144,760
1300 Inventories	24,421	23,350	47,771
1000 Total Assets	<u>\$ 7,833,538</u>	<u>\$ 203,194</u>	<u>\$ 8,036,732</u>
LIABILITIES			
2110 Accounts Payable	\$ 12,379	\$ 1,938	\$ 14,317
2160 Accrued Wages Payable	501,708	32,022	533,730
2170 Due to Other Funds	-	93,395	93,395
2180 Due to Other Governments	166,183	-	166,183
2300 Unearned Revenue	-	1,302	1,302
2000 Total Liabilities	<u>680,270</u>	<u>128,657</u>	<u>808,927</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	188,824	3,447	192,271
2600 Total Deferred Inflows of Resources	<u>188,824</u>	<u>3,447</u>	<u>192,271</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	24,421	23,350	47,771
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	22	22
Committed Fund Balance:			
3510 Construction	2,500,000	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	850,000
3540 Self Insurance	11,834	-	11,834
3545 Other Committed Fund Balance	1,167,000	47,718	1,214,718
3600 Unassigned Fund Balance	2,411,189	-	2,411,189
3000 Total Fund Balances	<u>6,964,444</u>	<u>71,090</u>	<u>7,035,534</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,833,538</u>	<u>\$ 203,194</u>	<u>\$ 8,036,732</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, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,035,534
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		3,968
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 \$31,529,393 and the accumulated depreciation was (\$23,405,032). 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. At the beginning of the year, these long-term liabilities totaled (\$2,102,000). 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 net position. Note: Beginning Balances related to TRS are NOT included in this amount.		6,022,361
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 2018 capital outlays and debt principal payments is to increase net position.		556,536
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS was a Deferred Resource Outflow in the amount of \$779,895, a Deferred Resource Inflow in the amount of (\$262,286) and a net pension liability in the amount of (\$1,714,985). This resulted in a (decrease) in net position.		(1,197,376)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a Deferred Resource Outflow in the amount of \$76,041, a Deferred Resource Inflow in the amount of (\$1,888,871), and a net OPEB liability in the amount of (\$4,515,568). This resulted in a (decrease) in net position.		(6,328,398)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,006,829)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, 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 net position.		170,346
19 Net Position of Governmental Activities	\$	<u>5,256,142</u>

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 2,731,875	\$ 80,083	\$ 2,811,958
5800	State Program Revenues	8,076,332	83,565	8,159,897
5900	Federal Program Revenues	-	749,814	749,814
5020	Total Revenues	<u>10,808,207</u>	<u>913,462</u>	<u>11,721,669</u>
EXPENDITURES:				
Current:				
0011	Instruction	6,018,960	430,119	6,449,079
0012	Instructional Resources and Media Services	101,964	-	101,964
0013	Curriculum and Instructional Staff Development	111,064	-	111,064
0023	School Leadership	582,058	-	582,058
0031	Guidance, Counseling and Evaluation Services	107,552	-	107,552
0032	Social Work Services	70,137	-	70,137
0033	Health Services	112,270	-	112,270
0034	Student (Pupil) Transportation	465,276	-	465,276
0035	Food Services	1,826	454,609	456,435
0036	Extracurricular Activities	531,384	-	531,384
0041	General Administration	460,071	-	460,071
0051	Facilities Maintenance and Operations	1,110,599	-	1,110,599
0052	Security and Monitoring Services	99,801	-	99,801
0053	Data Processing Services	422,233	34,411	456,644
Debt Service:				
0071	Principal on Long-Term Debt	-	148,000	148,000
0072	Interest on Long-Term Debt	-	59,826	59,826
0073	Bond Issuance Cost and Fees	750	-	750
Capital Outlay:				
0081	Facilities Acquisition and Construction	184,856	-	184,856
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	87,430	-	87,430
0099	Other Intergovernmental Charges	74,176	-	74,176
6030	Total Expenditures	<u>10,542,407</u>	<u>1,126,965</u>	<u>11,669,372</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>265,800</u>	<u>(213,503)</u>	<u>52,297</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	209,312	209,312
8911	Transfers Out (Use)	(209,312)	-	(209,312)
7080	Total Other Financing Sources (Uses)	<u>(209,312)</u>	<u>209,312</u>	<u>-</u>
1200	Net Change in Fund Balances	56,488	(4,191)	52,297
0100	Fund Balance - September 1 (Beginning)	<u>6,907,956</u>	<u>75,281</u>	<u>6,983,237</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,964,444</u>	<u>\$ 71,090</u>	<u>\$ 7,035,534</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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	52,297
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		3,968
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 2018 capital outlays and debt principal payments is to increase net position.		556,536
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.		(1,006,829)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(66,418)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement data of the plan caused the change in ending net position to increase by \$187,446. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$175,887). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by (\$118,050). The net result is a (decrease) to the change in net position.		(106,491)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement data of the plan caused the change in ending net position to increase by \$75,332. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$53,986). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$1,568,276. The net result is an increase in the change in net position.		1,589,622
Change in Net Position of Governmental Activities	\$	1,022,685

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 54,671
Total Assets	<u>54,671</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	<u>50,703</u>
Total Liabilities	<u>50,703</u>
NET POSITION	
Unrestricted Net Position	<u>3,968</u>
Total Net Position	<u><u>\$ 3,968</u></u>

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, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 26,237
Total Operating Revenues	26,237
OPERATING EXPENSES:	
Payroll Costs	22,269
Total Operating Expenses	22,269
Operating Income	3,968
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ 3,968

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, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 26,237
Cash Payments for Insurance Claims	(22,269)
Net Cash Provided by Operating Activities	<u>3,968</u>
Net Increase in Cash and Cash Equivalents	3,968
Cash and Cash Equivalents at Beginning of Year	<u>50,703</u>
Cash and Cash Equivalents at End of Year	<u>\$ 54,671</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	<u>\$ 3,968</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, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,475	\$ 132,022
Total Assets	<u>2,475</u>	<u>132,022</u>
LIABILITIES		
Accounts Payable	-	\$ 4,064
Due to Other Funds	-	662
Due to Student Groups	-	127,296
Total Liabilities	<u>-</u>	<u>132,022</u>
NET POSITION		
Restricted for Scholarships	<u>2,475</u>	
Total Net Position	<u>\$ 2,475</u>	

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 5,000
Total Additions	<u>5,000</u>
DEDUCTIONS:	
Supplies and Materials	<u>3,926</u>
Total Deductions	<u>3,926</u>
Change in Net Position	1,074
Total Net Position - September 1 (Beginning)	<u>1,401</u>
Total Net Position - August 31 (Ending)	<u>\$ 2,475</u>

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note A. Summary of Significant Account Policies

The Hughes Springs Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the state of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statements on Auditing Standards No. 76* of the American Institute of Certified Public Accountants and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

Hughes Springs Independent School District implemented Governmental Accounting Standards Board (GASB) Number 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* to assume its proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas (TRS) in the current year.

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

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Hughes Springs Independent School District. The members of the Board of Trustees are elected by the public; have authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The District is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting unit.

2. Government-Wide Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the 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.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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.

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 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.

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.

3. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses.)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible, if they are collectible within 60 days after year end.

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

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

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

The Proprietary 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. Agency Funds apply the accrual basis of accounting, but do not have measurement focus. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

4. Fund Accounting

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

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Additionally, the District reports the following fund types:

Governmental Fund Type:

Special Revenue Funds – The District accounts for resources restricted or committed 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. The Food Service and Debt Service funds are the only required budgeted funds. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Proprietary Funds:

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 a self-funded worker's compensation fund.

Fiduciary Fund Type:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Fund.

Agency Funds – The District utilizes Agency Funds to account for resources held for others in a custodial capacity. Financial resources for the Agency Funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Fund is the Student Activity Fund

5. Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

6. Investments

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. 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.

8. 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.

9. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the government-wide financial statements and the fund financial statements, debt issuance costs are recognized during the current period. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused leave benefits. Employees who retire from Hughes Springs Independent School District are entitled to payment of their accumulated leave in a lump sum payment. The employee must provide advance written notice of intent to retire and the last three consecutive years worked by the employee before retirement must be with HSISD. Unused leave benefits are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

11. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings and improvements, 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 one year. 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 and improvements, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

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

The District has no restriction on any assets.

12. Worker's Compensation Plan

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.

13. 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.

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

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

14. Risk Management

In the normal course of operations the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the Texas Educational Insurance Association to self-fund their worker's compensation plan with annual maximum limits. The District entered into an agreement with the TRS ActiveCare for their employee health insurance coverage. For insurance programs, there have been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

In Management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

15. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Nonspendable fund balance – represents amounts cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivables or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

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

As of August 31, 2018:

	General	Other	Total
<u>Nonspendable:</u>			
Inventory	\$ 24,421	\$ 23,350	\$ 47,771
 <u>Restricted:</u>			
Campus Activity		47,718	47,718
Long-Term Debt		22	22
 <u>Committed:</u>			
Construction	2,500,000		2,500,000
Capital Equip Expenditures	850,000		850,000
Self Insurance	11,834		11,834
Other	1,167,000		1,167,000
 <u>Unassigned:</u>			
	2,411,189		2,411,189
	\$ 6,964,444	\$ 71,090	\$ 7,035,534

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

17. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position (The government-wide Statement of Net Position and governmental funds Balance Sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

18. 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 expenditure, which meets the specific guidelines, set forth by the granting agency.

19. Data Control Codes

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

20. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

21. Internal Service Funds

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

22. Allocation of Indirect Expenses to Functions in the Statement of Activities

Program revenues are derived from the program itself or from parties outside the reporting government taken as a whole, with the effect of reducing the net cost of the function to be financed from the government's general revenues. The statement of activities should separately report three categories of program revenues; (a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

The detail for one element is as follows:

	Amount	Adjustments to Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	116,467	
Uncollected taxes (assumed collectible) from current year levy	75,804	
Total Adjustments to Net Position		192,271
 <u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(21,925)	
Total Adjustments to Net Position		(21,925)
Net Adjustments to Net Position - Increase		170,346

Explanation of certain differences between the governmental funds 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 funds 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.

The detail for one element is as follows:

	Amount	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(120,297)	
Uncollected taxes (assumed collectible) from current year levy	75,804	
Total Adjustments to Changes in Net Position		(44,493)
 <u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(21,925)	
Total Adjustments to Changes in Net Position		(21,925)
Net Adjustments to Changes in Net Position - (Decrease)		(66,418)

Note C. Stewardship, Compliance and Accountability

Budgetary Data

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

The following budget amendments were significant:

General Fund:

Decrease in expenditures Function 11 - Instruction	4,934
(Increase) in expenditures Function 23 - School Leadership	(20,500)
(Increase) in expenditures - Function 32 - Social Work Services	(1,000)
(Increase) in expenditures - Function 33 - Health Services	(5,000)
Decrease in expenditures Function 34 - Student Transportation	30,543
Decrease in expenditures Function 35 - Food Service	1,300
(Increase) in expenditures Function 36 - Extracurricular Activities	(30,692)
Decrease in expenditures Function 41 - General Administration	12,100
(Increase) in expenditures Function 51 - Facilities Maintenance & Operations	(35,643)
(Increase) in expenditures Function 52 - Security & Monitoring Services	(5,500)
(Increase) in expenditures Function 53 - Data Processing Services	(59,042)
Decrease in expenditures Function 71 - Principal on Long-Term Debt	750
(Increase) in expenditures Function 73 - Bond Issuance Cost and Fees	(750)
(Increase) in expenditures Function 81 - Facilities Acquisition & Construction	(135,015)
Decrease in expenditures Function 99 - Other Intergovernmental Charges	5,000
(Increase) in Other Financing Uses - Transfer Out	<u>(207,826)</u>
	<u><u>(446,341)</u></u>

Food Service:

(Increase) in expenditures Function 35 - Food Services	<u><u>(3,500)</u></u>
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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.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 23,350
Appropriated Budget Funds - Debt Service Special Revenue Fund	22
Nonappropriated Budget Funds	47,718
	\$ 71,090

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

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

The captions and amounts of cash and cash equivalents on the balance sheet and statements of proprietary and fiduciary net position as of August 31, 2018 consists of the following:

	Other General	Governmental Funds	Balance Sheet Total	Proprietary Fund	Fiduciary Fund
Cash in bank	3,267,995	68,334	3,336,329	54,671	134,497
Investment pools	65,480	-	65,480	-	-
Total	3,333,475	68,334	3,401,809	54,671	134,497

The District's cash deposits and certificates of deposits at August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investments Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complies with the requirements of the PFIA and the District's investments policies.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

As of August 31, 2018, Hughes Springs Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Local Government Investment Pools**					
Lone Star***	65,480	65,480			
Certificates of Deposit	3,545,289	3,545,289			
Total	3,610,769	3,610,769	-	-	-

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

**Local government investment pools operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

*** Investments in local government pool are based upon a contract and not the security itself. Therefore, these types of investments are not categorized in Categories 1-3. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

LOGIC provides government entities across the state with solid investment returns, portfolio liquidity, diversification and exceptional systems and services. LOGIC is administered by First Southwest and JPMorgan Chase. Financial Statements for LOGIC may be obtained from LOGIC, 325 North St. Paul Street, Suite 800, Dallas, Texas 75201.

TexStar is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. The fund seeks to maintain a constant dollar objective and meet the requirements of the Texas PFIA for local government investment pools.

Investment Accounting Policy - The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (“the Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Additional policies and contractual provisions governing investments for Hughes Springs Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2018, the district's investments in the Lone Star Investment Pool was rated AAAM by Standard and Poor.

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

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

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District monitors interest rate risk using weighted-average-maturity and specific identification.

Foreign Currency Risk for Investments The District does not engage in any deposit or investment in transactions involving foreign currency.

Note E. 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. The assessed value of the roll on January 1, 2017 upon which the levy for the 2018 fiscal year was based was \$226,870,803. The tax rates levied for the year ended August 31, 2018, to finance General Fund operations was \$1.119046 per \$100 valuation and Debt Service was 0.0000 per \$100 valuation.

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.

Note F. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note G. Interfund Payables and Receivables and Transfers

Interfund balances at August 31, 2018, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Funds	-	93,395
Internal Service	-	50,703
Agency Fund	-	662
Special Revenue Funds:		
General Fund	93,395	-
Agency Fund:		
General Fund	662	-
Internal Service Fund:		
General Fund	50,703	-
Total	144,760	144,760

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without requirement of repayment.” Interfund transfers at August 31, 2018, were as follows:

	Transfers to Other Funds	Transfer from Other Funds
General Fund:		
Debt Service Fund	207,826	-
Special Revenue Funds	1,486	-
Debt Service:		
General Fund	-	207,826
Special Revenue Funds:		
General Fund	-	1,486
Total	209,312	209,312

The District transferred \$207,826 to the Debt Service Fund to make payments on principal and interest on debt. The District transferred \$1,486 to the Food Service Fund to subsidize for expenditures exceeding revenues.

Note H. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	288,684	573,756	144,760	1,964	1,009,164
Nonmajor Governmental Funds (Special Revenue)	3,667	108,063	-	-	111,730
Total - Governmental Activities	292,351	681,819	144,760	1,964	1,120,894
Amounts not scheduled for collection during the subsequent year	(79,031)	-	-	-	(79,031)

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Payables at August 31, 2018, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Other Governments</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	12,379	501,708	166,183	-	-	680,270
Nonmajor Governmental Funds (Special Revenue)	<u>1,938</u>	<u>32,022</u>	-	<u>93,395</u>	-	<u>127,355</u>
Total - Governmental Activities	<u><u>14,317</u></u>	<u><u>533,730</u></u>	<u><u>166,183</u></u>	<u><u>93,395</u></u>	<u><u>-</u></u>	<u><u>807,625</u></u>

Note I. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications/ Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	100,050	-	-	100,050
Buildings and Improvements	26,483,480	168,684	-	26,652,164
Furniture and Equipment	4,945,863	239,852	-	5,185,715
Construction in Progress	-	-	-	-
Total Historical Cost	<u><u>31,529,393</u></u>	<u><u>408,536</u></u>	<u><u>-</u></u>	<u><u>31,937,929</u></u>
Less Accumulated Depreciation for:				
Buildings and Improvements	20,123,673	627,901	-	20,751,574
Furniture and Equipment	<u>3,281,359</u>	<u>378,928</u>	-	<u>3,660,287</u>
Total Accumulated Depreciation	<u><u>23,405,032</u></u>	<u><u>1,006,829</u></u>	<u><u>-</u></u>	<u><u>24,411,861</u></u>
Governmental Activities:				
Land	100,050	-	-	100,050
Buildings and Improvements, Net	6,359,807	(459,217)	-	5,900,590
Furniture and Equipment, Net	1,664,504	(139,076)	-	1,525,428
Construction in Progress	-	-	-	-
Capital Assets, Net	<u><u>8,124,361</u></u>	<u><u>(598,293)</u></u>	<u><u>-</u></u>	<u><u>7,526,068</u></u>

Current year additions consisted of a truck, plasma table, and printer for the Ag department, a 2018 bus, a scoreboard, a playground and building renovations.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Depreciation expense was charged to governmental functions as follows:

Instruction	584,211
Instructional Resources and Media Services	9,237
Curriculum and Instructional Staff Development	10,061
School Leadership	52,728
Guidance, Counseling, and Evaluation Services	9,743
Social Work Services	6,354
Health Services	10,170
Student Transportation	42,149
Food Services	41,348
Extracurricular Activities	48,137
General Administration	41,677
Facilities Maintenance and Operations	100,607
Security and Monitoring Services	9,041
Data Processing Services	41,366
Total Depreciation Expense	1,006,829

Note J. Bonds Payable

Bond indebtedness 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 for the year ended August 31, 2018:

<u>Description</u>	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/2017	Issued	Retired	Amounts Outstanding 8/31/2018
Unlimited Tax Refunding, Series 2014	2.95%	\$ 2,153,000	2,102,000	-	148,000	1,954,000
Total			2,102,000	-	148,000	1,954,000

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

Year Ended August 31	Principal	Interest	Total Requirements
2019	152,000	55,401	207,401
2020	157,000	50,843	207,843
2021	162,000	46,138	208,138
2022	167,000	41,285	208,285
2023	172,000	36,285	208,285
2024 - 2028	939,000	101,112	1,040,112
2029	205,000	3,024	208,024
	\$ 1,954,000	\$ 334,088	\$ 2,288,088

Hughes Springs Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 12c2-12 to enable investors to analyze the financial condition and operations of Hughes Springs Independent School District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

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Note K. Accumulated Leave Benefits Payable

The District adopted a new policy regarding the payment of accumulated leave upon retirement from Hughes Springs Independent School District. Employees earn leave, which may either be taken or accumulated until paid upon retirement. Leave benefits payable at August 31, 2018 totaled 21,925. A summary of the changes in the accumulated leave liability follows:

Balance September 1, 2017	-
Additions	21,925
Deductions	-
Balance August 31, 2018	21,925

Note L. Long-Term Debt

Long-term liability activity for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Unlimited Tax Refund, Series 2014	2,102,000	-	148,000	1,954,000	152,000
Total Bond Payable	2,102,000	-	148,000	1,954,000	152,000
Other Liabilities					
Compensated Absences	-	21,925	-	21,925	-
TRS Net Pension Liability	1,976,918	(86,146)	175,787	1,714,985	-
TRS Net OPEB Liability	7,972,006	(3,402,452)	53,986	4,515,568	-
Total Other Liabilities	9,948,924	(3,466,673)	229,773	6,252,478	-
Total Governmental Activities:					
Long Term-Liabilities	12,050,924	(3,466,673)	377,773	8,206,478	152,000

Note M. Commitments under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2018, as follows:

Year Ended August 31	Total Requirements
2019	20,252
2020	10,707
2021	3,224
2022	-
Total	\$ 34,183

Note N. Defined Benefit Pension Plans

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

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

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

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution Rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member (Employees)	7.7%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
HSISD Fiscal Year Member Contributions	513,174	507,597
HSISD Fiscal Year Employer Contributions	175,787	187,446
HSISD Measurement Year NECE On-Behalf Contributions	393,435	388,175

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

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

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Ad hoc Post Employment Benefit Changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The single discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates.

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

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 (see page 62 of the TRS CAFR) are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability. The discount rate can be found in the 2017 TRS CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
HSISD's proportionate share of the net pension liability:	\$2,891,126	\$1,714,985	\$735,657

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Hughes Springs ISD reported a liability of \$1,714,985 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,714,985
State's proportionate share that is associated with the District	<u>3,795,011</u>
Total	<u>\$ 5,509,996</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0053635845% which was an increase of 0.0001320530% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, Hughes Springs ISD recognized pension expense of \$583,405 and revenue of \$289,468 for support provided by the State.

At August 31, 2018, Hughes Springs ISD reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,091	\$ 92,487
Changes in actuarial assumptions	78,120	44,722
Net difference between projected and actual investment earnings	-	124,984
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	489,238	93
Total as of August 31, 2017 measurement date	\$ 592,449	\$ 262,286
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	187,446	-
Total as of August 31, 2018 fiscal year-end	\$ 779,895	\$ 262,286

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contributions paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>August 31:</u>	Pension Expense <u>Amount</u>
2019	65,672
2020	175,144
2021	57,259
2022	20,277
2023	8,368
Thereafter	<u>3,443</u>
	<u>330,163</u>

Note O. Defined Other Post-Employment Benefit Plan

Plan Description. Hughes Springs Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.92%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

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TRS-Care Plan Premium Rates

Effective Sept. 1, 2016 - Dec. 31, 2017

	<u>TRS-Care 1</u>	<u>TRS-Care</u>	<u>TRS-Care 3</u>
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
<i>*or surviving spouse</i>			

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
HSISD 2018 Member Contributions		42,849
HSISD 2018 Employer Contributions		75,332
Measurement Year NECE On-behalf Contributions		62,349

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions:	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on the plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%
Healthcare Trend Rates***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post-employment benefits changes	None

**Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

***Includes Inflation at 2.50%*

****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate: A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability. The current single discount rate (3.42%) used was for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
HSISD's proportionate share of the Net OPEB Liability	5,329,491	4,515,568	3,861,357

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	3,759,661	4,515,568	5,507,412

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$4,515,568 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	4,515,568
State's proportionate share that is associated with the District	<u>5,215,114</u>
Total	<u><u>9,730,682</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer’s proportion of the collective Net OPEB Liability was 0.0103838977% which was the same proportion measured as of August 31, 2016.

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of (\$3,259,406) and revenue of (\$1,745,116) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 94,266
Changes in actuarial assumptions	-	1,794,605
Net difference between projected and actual investment earnings	686	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	23	-
Total as of August 31, 2017 measurement date	\$ 709	\$ 1,888,871
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	75,332	-
Total as of August 31, 2018 fiscal year-end	\$ 76,041	\$ 1,888,871

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	(249,144)
2020	(249,144)
2021	(249,144)
2022	(249,144)
2023	(249,316)
Thereafter	(642,270)
	\$ (1,888,162)

Note P. School District Retiree Health Plan (TRS)

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

Funding Policy: Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 075% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

Contribution rates and amounts are show in the table below for fiscal years 2018-2017.

Active Member			State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2018	0.65%	\$ 42,849	1.25%	\$ 82,402	0.75%	\$ 49,442
2017	0.65%	\$ 43,320	1.00%	\$ 66,646	0.55%	\$ 36,655

Note Q. Medicare Part D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity’s covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the “completed” report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity’s payroll contact.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District's employees were \$20,853 for the year ended August 31, 2018. State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District's employees were \$22,321 for the year ended August 31, 2017.

Note R. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effect on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (666,736)	\$ (1,245,322)	\$ 578,586
12 - Instructional Resources and Media Services	(12,250)	(14,686)	2,436
13 - Curriculum and Instructional Staff Development	(15,247)	(18,279)	3,032
23 - School Leadership	(88,955)	(106,645)	17,690
31 - Guidance, Counseling and Evaluation Services	(3,720)	(4,460)	740
32 - Social Work Services	(14,661)	(17,576)	2,915
33 - Health Services	(19,790)	(23,726)	3,936
34 - Student (Pupil) Transportation	(45,049)	(54,007)	8,958
35 - Food Services	368,849	-	368,849
36 - Extracurricular Activities	(36,269)	(43,481)	7,212
41 - General Administration	(47,760)	(57,258)	9,498
51 - Facilities Maintenance and Operations	(84,494)	(101,297)	16,803
52 - Security and Monitoring Services	(16,233)	(19,461)	3,228
53 - Data Processing Services	60,046	(38,918)	98,964
	<u>\$ (622,269)</u>	<u>\$ (1,745,116)</u>	<u>\$ 1,122,847</u>

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note S. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2018 consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	188,824	3,447	192,271
	<u>188,824</u>	<u>3,447</u>	<u>192,271</u>

Note T. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, 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 Grants	Total
General	\$ 573,756	\$ -	\$ 573,756
Special Revenue	-	108,063	108,063
Total	<u>\$ 573,756</u>	<u>\$ 108,063</u>	<u>\$ 681,819</u>

Note U. Revenues from Local and Intermediate Sources

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

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total	Internal Service Fund	Private Purpose Fund	Total
Property Taxes	2,548,727	22	2,548,749	-	-	2,548,749
Food Sales	-	80,061	80,061	-	-	80,061
Investment Income	11,310	-	11,310	25	-	11,335
Gifts	-	-	-	-	5,000	5,000
Insurance proceeds	58,850	-	58,850	-	-	58,850
Rent	24,840	-	24,840	-	-	24,840
Co-curricular student activities	57,087	-	57,087	-	-	57,087
Other	31,061	-	31,061	26,212	-	57,273
Total	<u>2,731,875</u>	<u>80,083</u>	<u>2,811,958</u>	<u>26,237</u>	<u>5,000</u>	<u>2,843,195</u>

Note V. Litigation 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.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

(2) Contingencies - 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, 2018 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.

Note W. 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 2018, the District purchased commercial insurance to cover general liabilities. For insured programs, there were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

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

Workers' Compensation

The District maintains a self-insurance program for workers' compensation. Contributions are paid from all government funds to the Workers' Compensation Internal Service Fund from which all claims are paid. Claims administration, loss control, and consultant services are provided by a third party administrator. The District contributed fixed cost of \$11,579 to the fund for the year ended August 31, 2018. The District's loss fund maximum was \$21,107. The District maintains a catastrophic loss insurance policy for catastrophic losses exceeding \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$33,355.

Changes in the workers' compensation claims liability amounts in fiscal year 2018 are represented below:

Statement of Change in Liability From 9/1/17 Thru 8/31/18									
	01/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	Total
Unpaid claims at 9/1/17	4,577	810	433	375	1,429	3	4,207	-	11,834
Incurring Claims:									
Provisions for insured events of the current year								21,107	21,107
Increases in provision for insured events of the prior years	(560)	203	(55)	-	(292)	-	706	-	2
Total incurred claims	(560)	203	(55)	-	(292)	-	706	21,107	21,109
Payments:									
Claims attributable to insured events of the current year								11,179	11,179
Claims attributable to insured events of the prior years	220	66	(12)	-	135	-	1,104	-	1,513
Total payments	220	66	(12)	-	135	-	1,104	11,179	12,692
Total unpaid claims 8/31/18	3,797	947	390	375	1,002	3	3,809	9,928	20,251
Minimum amount to be encumbered. Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	1,481	314	216	1,941	405	24,032	1,703	3,263	33,355

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note X. Shared Service Arrangements

The District participates in several Shared Service Arrangements (“SSA”) described as follows:

Atlanta ISD fiscal agent: The District participates in a SSA which provides special education services to member districts. In addition to the District, other member districts include five other districts. The member districts provide funds to the fiscal agent. Although a percentage of the activity of the cooperative is attributable to the District’s participation, the District does not account for revenues and expenditures in this program and does not disclose them in these financial statements. The fiscal agent is responsible for all the financial activities of the shared service arrangement.

The District has accounted for the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements. These payments totaled \$87,430 for the year ended August 31, 2018.

Note Y. Prior Period Adjustment – Government Wide Statements

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$7,918,020). The restated beginning net position is \$4,233,457.

Note Z. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through January 10, 2019 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,666,278	\$ 2,666,278	\$ 2,731,875	\$ 65,597
5800	State Program Revenues	7,868,492	7,868,492	8,076,332	207,840
5020	Total Revenues	10,534,770	10,534,770	10,808,207	273,437
EXPENDITURES:					
Current:					
0011	Instruction	6,085,606	6,080,672	6,018,960	61,712
0012	Instructional Resources and Media Services	104,232	104,232	101,964	2,268
0013	Curriculum and Instructional Staff Development	113,016	113,016	111,064	1,952
0023	School Leadership	565,235	585,735	582,058	3,677
0031	Guidance, Counseling and Evaluation Services	117,512	117,512	107,552	9,960
0032	Social Work Services	69,855	70,855	70,137	718
0033	Health Services	108,860	113,860	112,270	1,590
0034	Student (Pupil) Transportation	571,383	540,840	465,276	75,564
0035	Food Services	5,080	3,780	1,826	1,954
0036	Extracurricular Activities	505,631	536,323	531,384	4,939
0041	General Administration	479,625	467,525	460,071	7,454
0051	Facilities Maintenance and Operations	1,079,933	1,115,576	1,110,599	4,977
0052	Security and Monitoring Services	95,100	100,600	99,801	799
0053	Data Processing Services	374,403	433,445	422,233	11,212
Debt Service:					
0073	Bond Issuance Cost and Fees	750	750	750	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	50,000	185,015	184,856	159
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	90,000	90,000	87,430	2,570
0099	Other Intergovernmental Charges	80,000	75,000	74,176	824
6030	Total Expenditures	10,496,221	10,734,736	10,542,407	192,329
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	38,549	(199,966)	265,800	465,766
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(207,826)	(209,312)	(1,486)
1200	Net Change in Fund Balances	38,549	(407,792)	56,488	464,280
0100	Fund Balance - September 1 (Beginning)	6,907,956	6,907,956	6,907,956	-
3000	Fund Balance - August 31 (Ending)	\$ 6,946,505	\$ 6,500,164	\$ 6,964,444	\$ 464,280

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.005363584%	0.005231531%	0.0055736%	0.0026508%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,714,985	\$ 1,976,918	\$ 1,970,193	\$ 708,065
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,795,011	4,670,017	4,465,504	3,778,782
Total	<u>\$ 5,509,996</u>	<u>\$ 6,646,935</u>	<u>\$ 6,435,697</u>	<u>\$ 4,486,847</u>
District's Covered Payroll	\$ 6,664,605	\$ 6,662,163	\$ 6,590,643	\$ 6,197,193
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	25.73%	29.67%	29.89%	11.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 187,446	\$ 175,787	\$ 166,219	\$ 165,036
Contribution in Relation to the Contractually Required Contribution	(187,446)	(175,787)	(166,219)	(165,036)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 6,591,984	\$ 6,664,605	\$ 6,662,163	\$ 6,590,643
Contributions as a Percentage of Covered Payroll	2.84%	2.64%	2.49%	2.50%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.010383898%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 4,515,568
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	5,215,114
Total	<u>\$ 9,730,682</u>
District's Covered Payroll	\$ 6,664,605
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	67.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 75,332
Contribution in Relation to the Contractually Required Contribution	(75,332)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 6,591,984
Contributions as a Percentage of Covered Payroll	1.14%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for the permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING SCHEDULES

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 9,596	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	49,751	26,282	21,907	10,123
1300 Inventories	-	-	23,350	-
1000 Total Assets	<u>\$ 49,751</u>	<u>\$ 26,282</u>	<u>\$ 54,853</u>	<u>\$ 10,123</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 1,938	\$ -
2160 Accrued Wages Payable	12,167	2,285	13,741	3,829
2170 Due to Other Funds	37,584	23,997	15,824	6,294
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>49,751</u>	<u>26,282</u>	<u>31,503</u>	<u>10,123</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	23,350	-
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>23,350</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 49,751</u>	<u>\$ 26,282</u>	<u>\$ 54,853</u>	<u>\$ 10,123</u>

270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,302	\$ 47,718	\$ 58,616	\$ 9,718	\$ 68,334
-	-	-	-	-	3,667	3,667
-	-	-	-	-	(220)	(220)
-	-	-	-	108,063	-	108,063
-	-	-	-	23,350	-	23,350
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302</u>	<u>\$ 47,718</u>	<u>\$ 190,029</u>	<u>\$ 13,165</u>	<u>\$ 203,194</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,938	\$ -	\$ 1,938
-	-	-	-	32,022	-	32,022
-	-	-	-	83,699	9,696	93,395
-	-	1,302	-	1,302	-	1,302
-	-	<u>1,302</u>	-	<u>118,961</u>	<u>9,696</u>	<u>128,657</u>
-	-	-	-	-	3,447	3,447
-	-	-	-	-	<u>3,447</u>	<u>3,447</u>
-	-	-	-	23,350	-	23,350
-	-	-	-	-	22	22
-	-	-	47,718	47,718	-	47,718
-	-	-	<u>47,718</u>	<u>71,068</u>	<u>22</u>	<u>71,090</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302</u>	<u>\$ 47,718</u>	<u>\$ 190,029</u>	<u>\$ 13,165</u>	<u>\$ 203,194</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, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 80,061	\$ -
5800 State Program Revenues	-	-	2,478	-
5900 Federal Program Revenues	279,172	26,282	366,371	47,388
5020 Total Revenues	279,172	26,282	448,910	47,388
EXPENDITURES:				
Current:				
0011 Instruction	279,172	26,282	-	47,388
0035 Food Services	-	-	454,609	-
0053 Data Processing Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	279,172	26,282	454,609	47,388
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(5,699)	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	1,486	-
1200 Net Change in Fund Balance	-	-	(4,213)	-
0100 Fund Balance - September 1 (Beginning)	-	-	27,563	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 23,350	\$ -

270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 80,061	\$ 22	\$ 80,083
-	-	81,087	-	83,565	-	83,565
20,601	10,000	-	-	749,814	-	749,814
20,601	10,000	81,087	-	913,440	22	913,462
20,601	10,000	46,676	-	430,119	-	430,119
-	-	-	-	454,609	-	454,609
-	-	34,411	-	34,411	-	34,411
-	-	-	-	-	148,000	148,000
-	-	-	-	-	59,826	59,826
20,601	10,000	81,087	-	919,139	207,826	1,126,965
-	-	-	-	(5,699)	(207,804)	(213,503)
-	-	-	-	1,486	207,826	209,312
-	-	-	-	(4,213)	22	(4,191)
-	-	-	47,718	75,281	-	75,281
\$ -	\$ -	\$ -	\$ 47,718	\$ 71,068	\$ 22	\$ 71,090

REQUIRED T.E.A. SCHEDULES

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.130000	0.000000	419,422,137
2011	1.130000	0.000000	333,290,085
2012	1.119046	0.000000	371,683,023
2013	1.119046	0.000000	379,481,412
2014	1.119046	0.000000	366,967,669
2015	1.119046	0.000000	324,274,213
2016	1.119046	0.000000	329,645,440
2017	1.119046	0.000000	238,960,214
2018 (School year under audit)	1.119046	0.000000	226,870,803
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 57,472	\$ -	\$ 279	\$ 9	\$ (8,095)	\$ 49,089
6,863	-	271	-	(619)	5,973
7,431	-	280	-	(288)	6,863
6,930	-	78	-	(519)	6,333
10,232	-	192	-	(536)	9,504
14,249	-	2,018	-	804	13,035
28,284	-	5,253	-	138	23,169
45,264	-	17,985	-	1,496	28,775
90,426	-	39,001	-	(2,887)	48,538
-	2,538,789	2,433,245	-	(4,472)	101,072
<u>\$ 267,151</u>	<u>\$ 2,538,789</u>	<u>\$ 2,498,602</u>	<u>\$ 9</u>	<u>\$ (14,978)</u>	<u>\$ 292,351</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 100,000	\$ 100,000	\$ 80,061	\$ (19,939)
5800 State Program Revenues	2,500	2,500	2,478	(22)
5900 Federal Program Revenues	350,000	350,000	366,371	16,371
5020 Total Revenues	452,500	452,500	448,910	(3,590)
EXPENDITURES:				
0035 Food Services	470,899	474,399	454,609	19,790
6030 Total Expenditures	470,899	474,399	454,609	19,790
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,399)	(21,899)	(5,699)	16,200
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	1,486	1,486
1200 Net Change in Fund Balances	(18,399)	(21,899)	(4,213)	17,686
0100 Fund Balance - September 1 (Beginning)	27,563	27,563	27,563	-
3000 Fund Balance - August 31 (Ending)	\$ 9,164	\$ 5,664	\$ 23,350	\$ 17,686

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, 2018

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	\$ 25	\$ 25	\$ 22	\$ (3)
5020	Total Revenues	25	25	22	(3)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	148,000	148,000	148,000	-
0072	Interest on Long-Term Debt	59,826	59,826	59,826	-
6030	Total Expenditures	207,826	207,826	207,826	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(207,801)	(207,801)	(207,804)	(3)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	207,826	207,826	207,826	-
1200	Net Change in Fund Balances	25	25	22	(3)
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 25	\$ 25	\$ 22	\$ (3)

**COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AWARDS SECTION**



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

Independent Auditor's Report

Board of Trustees
Hughes Springs Independent School District
871 Taylor Street
Hughes Springs, TX 75656

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hughes Springs Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2019.

Internal Control 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." The signature is written in a cursive, flowing style.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 10, 2019

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2018**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Hughes Springs Independent School District was an unmodified opinion.
- b. No significant deficiency or material weakness relating to the audit of the financial statements is reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Hughes Springs Independent School District was disclosed during the audit.

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

No findings required to be reported.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

Findings and Questioned Costs related to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Auditing Standards*.

Finding 2017-01 Expenditures Exceeded Budgetary Guideline

In the prior year, the District's expenditures for the General Fund exceeded budgetary guidelines in Function 23 (\$5,298) and Function 32 (\$4,129). Overall the General Fund's expenditures were less (\$301,299) than the total budgetary expenditures. This occurred as a result of budget amendments not being made in a timely manner. The District's expenditures for the Debt Service Fund exceeded budgetary guidelines in Function 71 by \$170,000 due to the District failing to budget for the principal payment of the bond. The District implemented procedures to review actual versus budgetary amounts by function in order to comply with budgetary guidelines.

There was no similar finding in the August 31, 2018 audit.

Finding 2017-02 Noncompliance with Mandated Expenditure Requirements

In the prior year, the District's expenditures for Gifted and Talented were only 52.01% of revenue received versus the 55% that is required. Expenditures for Career and Technology were only 55.64% of the revenue received versus the 58% that is required. This occurred as a result of the District not properly budgeting and/or spending the revenue for mandated programs properly. The District implemented procedures to review revenue received from state mandated sources and ensure they are spent properly.

There was no similar finding in the August 31, 2018 audit.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no current year audit findings or responses.