

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2014

Moore, Caver and Setser, Inc.
Certified Public Accountants



HUGHES SPRINGS ISD
LEARNING. A LIFE-LONG COMMITMENT



**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

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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, 2014, at a meeting of the board of trustees of such school district on the ___th day of December, 2014.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION





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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business activities fund, each major fund and the aggregate remaining fund information of Hughes Springs Independent School District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-13 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of Hughes Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hughes Springs Independent School District's internal control over financial reporting and compliance.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 20, 2014

**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hughes Springs Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements which begin on page 15.

FINANCIAL HIGHLIGHTS

The District's Net Position decreased by \$45,184 as a result of this year's operations. Program revenues accounted for \$1,522,652 or 13.57% of total revenue, and general revenues accounted for \$9,694,121 or 86.43%.

During the year, the District had expenses that were \$45,184 more than the \$11,216,773 generated in tax and other revenues for governmental programs (before special items). Total cost of all of the District's programs increased by \$746,529.

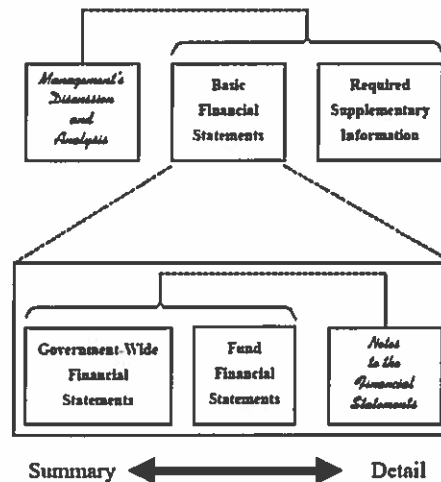
The general fund reported a positive fund balance of \$8,192,279.

USING THIS ANNUAL REPORT

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

Fund financial statements (starting on page 17) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Figure A-2: Major Features of the 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 revenues, expenditures and changes in fund balances	*Statement of Net Position *Statement of revenues, expenditures and changes in fund balances *Statement of cash flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
	*Statement of Activities			
Accounting basis And measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus
Type of asset/liability information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
Type of Inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

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

Net Position of the District's governmental activities decreased from \$13,503,887 to \$13,458,703. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$8,436,576 at August 31, 2014. This increase in governmental Net Position was the result of the District's revenues exceeding the expenditures.



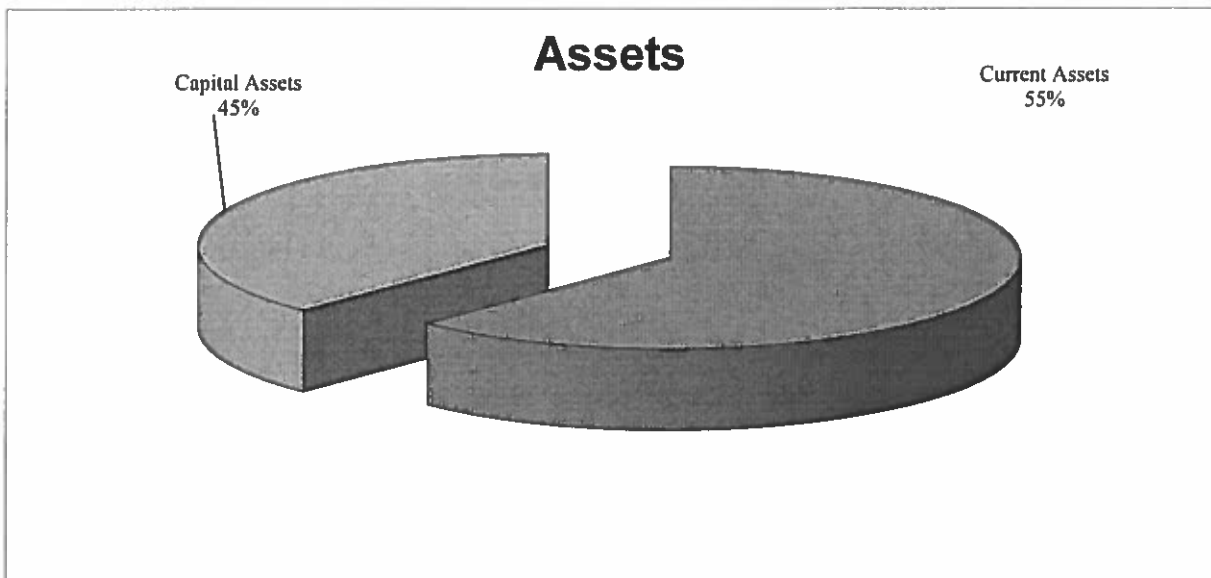
**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

**Table I
Hughes Springs Independent School
District**

NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
Current and other assets	\$9,288,948	\$10,362,068
Capital assets	7,456,848	6,172,690
Total assets	<u>16,745,796</u>	<u>16,534,758</u>
Long-term liabilities	2,485,553	2,584,631
Other liabilities	801,540	446,240
Total liabilities	<u>3,287,093</u>	<u>3,030,871</u>
Net Position:		
Invested in capital assets net of related debt	4,971,295	3,588,059
Restricted	50,832	44,902
Unrestricted	8,436,576	9,870,926
Total Net Position	<u>\$13,458,703</u>	<u>\$13,503,887</u>



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

**Table II
Hughes Springs Independent School
District**

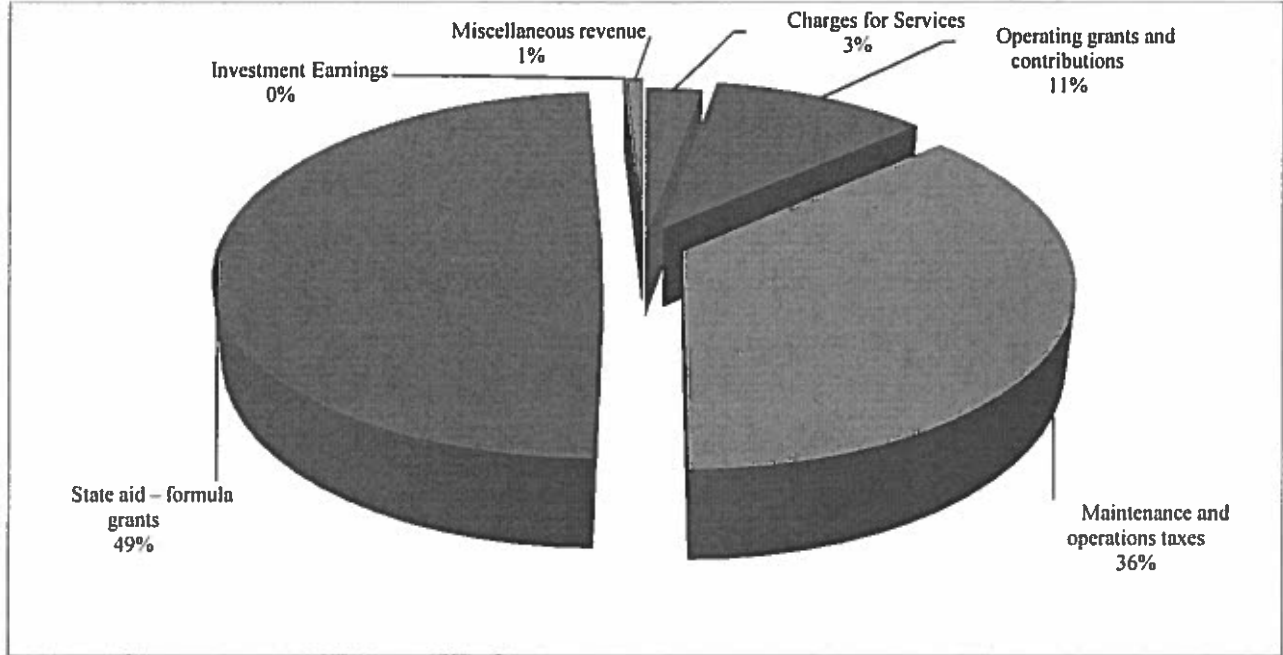
CHANGES IN NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program Revenues:		
Charges for Services	\$314,720	\$380,617
Operating grants and contributions	1,207,932	1,252,981
General Revenues:		
Maintenance and operations taxes	4,089,920	4,243,894
State aid – formula grants	5,495,740	5,397,848
Investment Earnings	17,833	14,449
Miscellaneous	90,628	(27,255)
Total Revenue	<u>11,216,773</u>	<u>11,262,534</u>
Expenses:		
Instruction, curriculum and media services	6,278,396	6,116,424
Instructional and school leadership	495,631	453,031
Student support including transportation	808,693	792,158
Child nutrition	538,160	545,946
Cocurricular activities	767,469	716,596
General administration	643,132	501,803
Plant maintenance, security, data processing & capital outlay	1,490,168	1,093,492
Debt services	168,870	129,099
Payments to Fiscal Agent	71,438	166,879
Total Expenses	<u>11,261,957</u>	<u>10,515,428</u>
Increase in Net Position before transfers and special items	(45,184)	747,106
Beginning Net Position at 9/01	13,503,887	12,756,781
Prior Period Adjustment		
Ending Net Position at 8/31	<u>\$13,458,703</u>	<u>\$13,503,887</u>

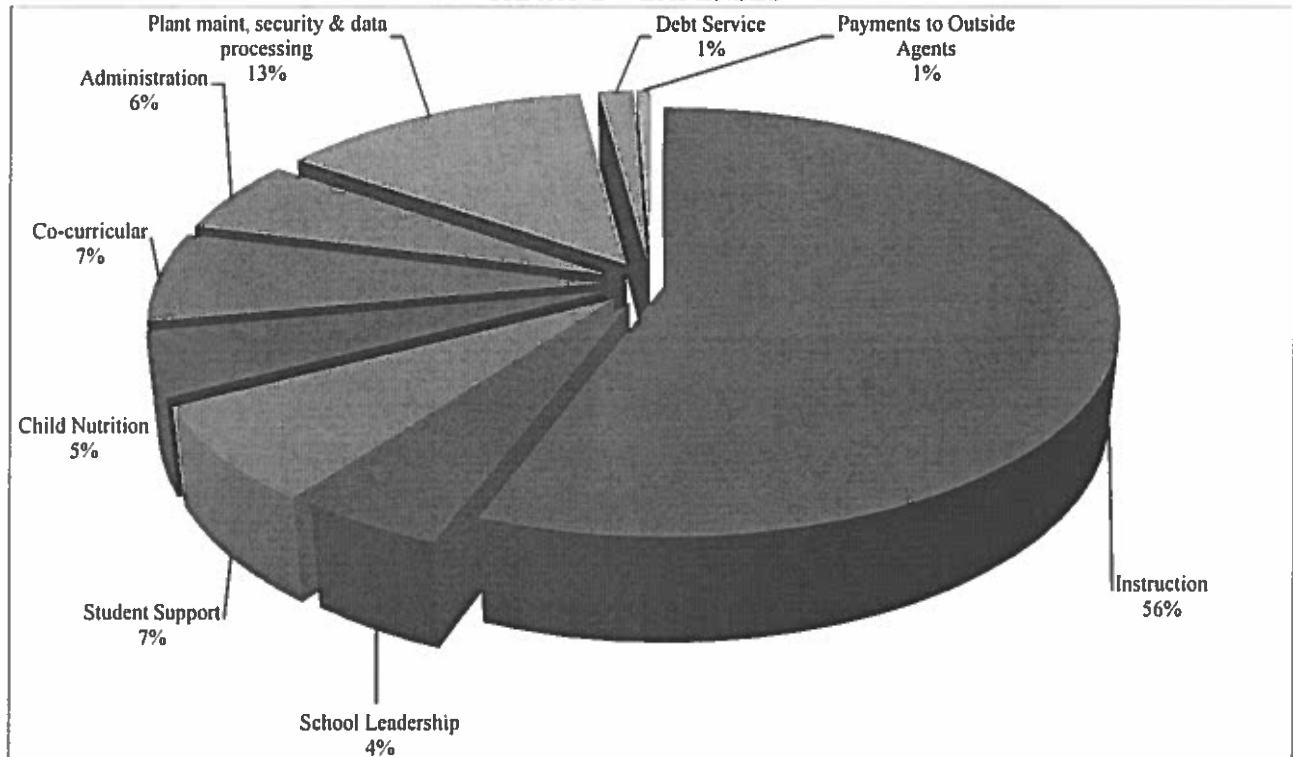
**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

**TABLE II
CHART A – REVENUES**



**TABLE II
CHART B – EXPENSES**



**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

The District's total revenues decreased by .41%. The total cost of all programs and services increased by 7.10%. Most of the increases were the results of higher cost in instructional, curriculum and media and for equipment and furniture less than \$5,000 each.

The cost of all governmental activities this year was \$ 11,261,957. As shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities through District taxes was \$4,089,920 because some of the costs were paid by those who directly benefited from the programs (\$314,720) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,207,932) or by unrestricted grants, other revenue and net position (\$5,649,385).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 17) reported a combined fund balance of \$8,301,841, which is less than last year's total of \$9,722,169. Included in this year's total change in fund balance is a decrease of \$1,438,155 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 2013). 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 \$8,192,279 reported on pages 17 and 45 differs from the General Fund's budgetary fund balance of \$9,963,070 reported in the budgetary comparison schedule on page 45.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had \$28,249,275 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of \$2,255,572 over last year. The increase was primarily construction for new and renovation of facilities, equipment and vehicles.

The District's fiscal year 2014/15 has plans for major capital asset expenditures. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

**Management's Discussion and Analysis
Hughes Springs Independent School District
For the Fiscal Year Ended August 31, 2014**

-UNAUDITED-

Debt

At year-end, the District had outstanding bonds of \$2,353,000. During the year old bond issues were refunded with a new Series 2014 Bond Issue.

The District had one copier under capital leases. Interest rates for the copier 10.5% for 48 or 60 month lease. At year-end, the District had outstanding lease payments of \$-0-.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2015. Amounts appropriated in the General Fund budget are \$9,892,234, an increase from the final 2014 actual of \$9,526,926. Property taxes (up due to an increase in assessed valuation) account for part of the increase in available revenue. ADA is up which also accounts for the increase in available revenue. If these estimates are realized, the District's budgetary General Fund balance is expected to remain close to the same at the close of 2015. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,350,774
1220 Property Taxes Receivable (Delinquent)	232,854
1230 Allowance for Uncollectible Taxes	(13,971)
1240 Due from Other Governments	661,336
1290 Other Receivables, net	29,855
1300 Inventories	28,100
Capital Assets:	
1510 Land	100,050
1520 Buildings, Net	5,299,272
1530 Furniture and Equipment, Net	2,012,013
1580 Construction in Progress	45,513
1000 Total Assets	16,745,796
LIABILITIES	
2110 Accounts Payable	538,615
2150 Payroll Deductions & Withholdings	19,785
2160 Accrued Wages Payable	242,555
2300 Unearned Revenue	585
Noncurrent Liabilities	
2501 Due Within One Year	51,000
2502 Due in More Than One Year	2,434,553
2000 Total Liabilities	3,287,093
NET POSITION	
3200 Net Investment in Capital Assets	4,971,295
3850 Restricted for Debt Service	9,232
3870 Restricted for Campus Activities	41,600
3900 Unrestricted	8,436,576
3000 Total Net Position	\$ 13,458,703

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, 2014

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,073,254	\$ 113,064	\$ 694,020	\$ (5,266,170)
12 Instructional Resources and Media Services	93,683	-	3,823	(89,860)
13 Curriculum and Staff Development	111,459	-	4,308	(107,151)
23 School Leadership	495,631	-	26,575	(469,056)
31 Guidance, Counseling and Evaluation Services	90,699	-	4,271	(86,428)
32 Social Work Services	64,429	-	4,450	(59,979)
33 Health Services	64,513	-	3,741	(60,772)
34 Student (Pupil) Transportation	589,052	-	13,530	(575,522)
35 Food Services	538,160	118,248	387,718	(32,194)
36 Extracurricular Activities	767,469	71,644	10,830	(684,995)
41 General Administration	541,760	11,764	16,394	(513,602)
51 Facilities Maintenance and Operations	1,063,764	-	24,492	(1,039,272)
52 Security and Monitoring Services	69,000	-	4,632	(64,368)
53 Data Processing Services	243,434	-	9,148	(234,286)
72 Debt Service - Interest on Long Term Debt	125,666	-	-	(125,666)
73 Debt Service - Bond Issuance Cost and Fees	43,204	-	-	(43,204)
81 Capital Outlay	113,970	-	-	(113,970)
93 Payments related to Shared Services Arrangements	71,438	-	-	(71,438)
99 Other Intergovernmental Charges	101,372	-	-	(101,372)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,261,957	\$ 314,720	\$ 1,207,932	(9,739,305)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			4,089,920
GC	Grants and Contributions not Restricted			5,495,740
IE	Investment Earnings			17,833
MI	Miscellaneous Local and Intermediate Revenue			62,280
FR	Transfers In (Out):			28,348
TR	Total General Revenues & Transfers			9,694,121
CN	Change in Net Position			(45,184)
NB	Net Position - Beginning			13,503,887
NE	Net Position - Ending			\$ 13,458,703

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

EXHIBIT C-1

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 7,694,269	\$ 540,264	\$ 76,129	\$ 8,310,662
1220 Property Taxes - Delinquent	227,741	-	5,113	232,854
1230 Allowance for Uncollectible Taxes (Credit)	(13,664)	-	(307)	(13,971)
1240 Receivables from Other Governments	629,978	-	31,358	661,336
1260 Due from Other Funds	78,722	-	1,730	80,452
1290 Other Receivables	29,855	-	-	29,855
1300 Inventories	16,793	-	11,307	28,100
1000 Total Assets	<u>\$ 8,663,694</u>	<u>\$ 540,264</u>	<u>\$ 125,330</u>	<u>\$ 9,329,288</u>
LIABILITIES				
2110 Accounts Payable	\$ 42,620	\$ 482,224	\$ 13,771	\$ 538,615
2150 Payroll Deductions and Withholdings Payable	19,785	-	-	19,785
2160 Accrued Wages Payable	228,245	-	14,310	242,555
2170 Due to Other Funds	-	-	40,340	40,340
2300 Unearned Revenues	-	-	585	585
2000 Total Liabilities	<u>290,650</u>	<u>482,224</u>	<u>69,006</u>	<u>841,880</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	180,765	-	4,802	185,567
2600 Total Deferred Inflows of Resources	<u>180,765</u>	<u>-</u>	<u>4,802</u>	<u>185,567</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	16,793	-	690	17,483
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	9,232	9,232
3490 Other Restricted Fund Balance	-	-	41,600	41,600
Committed Fund Balance:				
3510 Construction	2,500,000	-	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	-	850,000
3540 Self Insurance	10,160	-	-	10,160
3545 Other Committed Fund Balance	1,167,000	-	-	1,167,000
3600 Unassigned Fund Balance	3,648,326	58,040	-	3,706,366
3000 Total Fund Balances	<u>8,192,279</u>	<u>58,040</u>	<u>51,522</u>	<u>8,301,841</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,663,694</u>	<u>\$ 540,264</u>	<u>\$ 125,330</u>	<u>\$ 9,329,288</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, 2014

Total Fund Balances - Governmental Funds	\$	8,301,841
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,993,701 and the accumulated depreciation was \$19,821,011. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		3,588,059
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 2014 capital outlays and debt principal payments is to increase (decrease) net position.		4,840,203
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(971,414)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(2,299,986)
19 Net Position of Governmental Activities	\$	13,458,703

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,309,293	\$ -	\$ 182,653	\$ 4,491,946
5800 State Program Revenues	5,921,912	-	44,386	5,966,298
5900 Federal Program Revenues	-	-	737,374	737,374
5020 Total Revenues	<u>10,231,205</u>	<u>-</u>	<u>964,413</u>	<u>11,195,618</u>
EXPENDITURES:				
Current:				
0011 Instruction	5,261,214	-	394,042	5,655,256
0012 Instructional Resources and Media Services	92,466	-	-	92,466
0013 Curriculum and Instructional Staff Development	111,459	-	-	111,459
0023 School Leadership	495,631	-	-	495,631
0031 Guidance, Counseling and Evaluation Services	90,699	-	-	90,699
0032 Social Work Services	64,429	-	-	64,429
0033 Health Services	64,513	-	-	64,513
0034 Student (Pupil) Transportation	451,333	-	-	451,333
0035 Food Services	-	-	578,539	578,539
0036 Extracurricular Activities	515,209	-	57,751	572,960
0041 General Administration	515,996	-	-	515,996
0051 Facilities Maintenance and Operations	1,012,662	-	25,900	1,038,562
0052 Security and Monitoring Services	69,000	-	-	69,000
0053 Data Processing Services	288,306	-	-	288,306
Debt Service:				
0071 Principal on Long Term Debt	4,631	-	110,000	114,631
0072 Interest on Long Term Debt	14	-	123,625	123,639
0073 Bond Issuance Cost and Fees	431	-	42,773	43,204
Capital Outlay:				
0081 Facilities Acquisition and Construction	96,115	2,019,171	-	2,115,286
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	71,438	-	-	71,438
0099 Other Intergovernmental Charges	101,372	-	-	101,372
6030 Total Expenditures	<u>9,306,918</u>	<u>2,019,171</u>	<u>1,332,630</u>	<u>12,658,719</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>924,287</u>	<u>(2,019,171)</u>	<u>(368,217)</u>	<u>(1,463,101)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	2,353,000	2,353,000
7915 Transfers In	-	2,077,211	285,231	2,362,442
7916 Premium or Discount on Issuance of Bonds	-	-	130,526	130,526
7949 Other Resources	-	-	28,348	28,348
8911 Transfers Out (Use)	(2,362,442)	-	-	(2,362,442)
8949 Other (Uses)	-	-	(2,469,101)	(2,469,101)
7080 Total Other Financing Sources (Uses)	<u>(2,362,442)</u>	<u>2,077,211</u>	<u>328,004</u>	<u>42,773</u>
1200 Net Change in Fund Balances	(1,438,155)	58,040	(40,213)	(1,420,328)
0100 Fund Balance - September 1 (Beginning)	<u>9,630,434</u>	<u>-</u>	<u>91,735</u>	<u>9,722,169</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,192,279</u>	<u>\$ 58,040</u>	<u>\$ 51,522</u>	<u>\$ 8,301,841</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(1,420,328)
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		4,840,203
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(971,414)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(2,493,645)
Change in Net Position of Governmental Activities	\$	(45,184)

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, 2014

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 40,112
Total Assets	40,112
LIABILITIES	
Current Liabilities:	
Due to Other Funds	40,112
Total Liabilities	40,112
NET POSITION	
Restricted for Other Purposes	-
Total Net Position	\$ -

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -	
	Internal Service Fund	
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 22,324	
Total Operating Revenues	22,324	
OPERATING EXPENSES:		
Payroll Costs	22,324	
Total Operating Expenses	22,324	
Operating Income	-	
Total Net Position - September 1 (Beginning)	-	
Total Net Position - August 31 (Ending)	\$ -	

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

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 16,687
Cash Payments for Insurance Claims	(22,324)
Net Cash Used for Operating Activities	(5,637)
Net Decrease in Cash and Cash Equivalents	(5,637)
Cash and Cash Equivalents at Beginning of Year	45,749
Cash and Cash Equivalents at End of Year	\$ 40,112
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Due to Other Funds	(5,637)
Net Cash Used for Operating Activities	\$ (5,637)

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, 2014

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 75,106
Total Assets	<u>\$ 75,106</u>
LIABILITIES	
Due to Student Groups	\$ 75,106
Total Liabilities	<u>\$ 75,106</u>

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

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

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

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

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

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

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

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

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

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

D. FUND ACCOUNTING

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

Governmental Funds

The District reports the following major governmental funds:

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

Governmental Funds:

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalent

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

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

2. Investments

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

3. Receivables and Payables

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at 6.00 percent of outstanding property tax at August 31, 2014.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

4. Inventories

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

5. Grant Fund Accounting

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

6. Long-term Debt

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

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

7. Compensated Absences

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

8. Capital Assets

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

The District has no restriction on any assets.

9. Self-Insured Workers Compensation

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

10. Interfund Transactions

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

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

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

11. Fund Equity

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

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

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

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

As of August 31, 2014 Nonspendable Fund Balance includes \$17,483 for inventories; Committed Fund Balance includes \$10,160 for self-insurance, \$3,350,000 for Construction and Capital Expenditures and \$1,167,000 for Other Committed Funds and Restricted Fund Balance includes \$41,600 for Campus Activity Fund and \$9,232 for Debt Service.

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

borrowing used for the acquisition, construction, or improvements if those assets. This net investments in capital assets amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported unrestricted.

12. Deferred Inflows of Resources

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

13. Application of Restricted or Unrestricted Assets

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

14. Control Totals

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

15. Estimates and Assumptions

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

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

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

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

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<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	100,050		100,050	
Buildings	21,718,109	17,815,594	3,902,515	
Furniture & Equipment	3,880,892	2,005,419	1,875,473	
Construction-in-Progress	294,652		294,652	
Change in Net Position				6,172,690
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			2,580,000	
Lease Payable			4,631	
Change in Net Position				<u>2,584,631</u>
Net Adjustment to Net Position				<u>3,588,059</u>

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	1,609,109		
Furniture & Equipment	600,950		
Construction in Progress	<u>45,513</u>		
Total Capital Outlay	<u>2,255,572</u>	<u>2,255,572</u>	<u>2,255,572</u>
 <u>Debt Principal Payments</u>			
Bond Principal	2,580,000		
Lease Principal	<u>4,631</u>		
Total Principal Payments	<u>2,584,631</u>	<u>2,584,631</u>	<u>2,584,631</u>
Total Adjustment to Net Position		<u>\$4,840,203</u>	<u>\$4,840,203</u>

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

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	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	70,168	(70,168)	
Uncollected taxes (assumed collectible) from Current Year Levy	62,076	62,076	62,076
Uncollected Taxes (assumed collectible) from Prior Year Levy	123,491		123,491
Other Adjustment (Bond issue and premium)	2,485,553	<u>(2,485,553)</u>	<u>(2,485,553)</u>
Total		<u>\$(2,493,645)</u>	<u>\$(2,299,986)</u>

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The District compares the final amended budgeted to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-3 and J-4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the Board legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant amendments.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

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	<u>August 31, 2014</u> <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$ 690
Campus Activity	41,600
Nonappropriated Budget Funds	<u>-0-</u>
All Special Revenue Funds	<u>\$42,290</u>

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

General Fund	\$-0-
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A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2014.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded final budget in the Debt Service Fund 599, Function 71. In aggregate expenditures were more than budget.

NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITORY CONTRACT LAW

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

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$8,300,691 and the bank balance was \$8,483,018. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent. The TEA maintains copies of all safekeeping receipts in the name of the District.

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

- a. Depository: 1st National Bank of Hughes Springs, Hughes Springs, Texas
- b. The fair market value of collateral held by a third party bank in depository bank's name and specifically noted by the third party bank as pledged to the District, as of the date of the highest combined balance on deposit was: \$12,332,367.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$ 11,445,642 and occurred during the month of February 2014.

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- d. The total amount of FDIC coverage at the time of the largest combined balance was \$ 500,000.
- e. The amount of unsecured deposits was \$-0-.

District Policies Governing Deposits and Investments

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

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

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

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

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

The District's investments at August 31, 2014 are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Lone Star Investment Pool	<u>\$125,190</u>	<u>\$125,190</u>			
Total	<u>\$125,190</u>	<u>\$125,190</u>			

The **Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy addresses the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificate of deposits. Statutes authorize the District to invest in (1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investments pools, (9) guaranteed investment contracts, (10) and common trust funds. Temporary

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investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value. The Act also requires the District to have an independent auditor perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

B. PROPERTY TAXES

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

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations was \$1.119046 per \$100 valuation and Debt Service was 0.0000 per \$100 valuation. The assessed value of the property tax roll on August 1, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$362,140,478. The roll was subsequently increased to a year-end assessed value of \$366,967,669.

Current tax collections for the year ended August 31, 2014 were 99.51% of the year-end adjusted tax levy. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$214,077 the General Fund and \$4,806 for the Debt Service Fund.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND PAYABLES AND RECEIVABLES AND TRANSFERS

Interfund balances at August 31, 2014, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund		\$ 40,340
Internal Service		38,382
Special Revenue		
Internal Service		1,730
General Fund	\$40,340	
Internal Service Fund		
General & Special Funds	40,112	
Total	\$ 80,452	\$ 80,452

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Interfund transfers at August 31, 2014, consisted of the following individual fund:

	Transfers to Other Funds	Transfer from Other Funds
General Fund:		
Debt Service Fund	\$ 233,625	
Capital Project Fund	2,077,211	
Special Revenue	51,606	
Debt Service:		
General Fund		\$233,625
Capital Project Fund		
General Fund		2,077,211
Special Fund		
General Fund		51,606
Total	\$ 2,362,442	\$2,362,442

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes-net</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 214,077	\$ 629,978	\$ 78,722	\$ 29,855	\$ 952,632
Nonmajor Governmental Funds	<u>4,806</u>	<u>31,358</u>	<u>1,730</u>	<u>-0-</u>	<u>37,894</u>
Total - Governmental Activities	<u>\$ 218,883</u>	<u>\$ 661,336</u>	<u>\$ 80,452</u>	<u>\$ 29,855</u>	<u>\$ 990,526</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Payables at August 31, 2014, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 42,620	\$ 248,030	\$ -0-	\$ -0-	\$ -0-	\$ 290,650
Capital Project	482,224					482,224
Nonmajor Gov. Fund	<u>13,771</u>	<u>14,310</u>	<u>40,340</u>	<u>-0-</u>	<u>-0-</u>	<u>68,421</u>
Total - Gov. Activities	<u>\$ 538,615</u>	<u>\$ 262,340</u>	<u>\$ 40,340</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 841,295</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2014, was as follows:

	Balance 9/1/13	<u>Primary Government</u>		Balance 8/31/14
		Addition	Deletions	
Land	\$ 100,050	\$ -0-	\$ -0-	\$ 100,050
Buildings	21,718,109	1,903,761	-0-	23,621,870
Furniture & Equipment	3,880,892	600,950	-0-	4,481,842
Construction in Progress	294,652	45,513	294,652	45,513
Total at Historical Cost	\$ 25,993,703	\$2,550,224	\$ 294,652	\$ 28,249,275
Less Accumulated Depreciation for:				
Buildings	\$ 17,815,594	\$507,004	\$ -0-	\$18,322,598
Furniture & Equipment	2,005,419	464,410	-0-	2,469,829
Total Accumulated Depreciation	\$ 19,821,013	\$971,414	\$ -0-	\$20,792,427

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 487,959
Student Transportation	191,381
Media	1,217
Curricular/Extracurricular	210,669
Food Service	11,226
General Administration	25,764
Plant Maint & Operations	<u>43,198</u>
Total Depreciation Expense	<u>\$ 971,414</u>

G. LOANS PAYABLE

There were no loans at August 31, 2014.

H. BONDS PAYABLE

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

The following is a summary of the changes in the District's general Long-term Debt Account Group for the year ended August 31, 2014:

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Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/13	Issued	Retired	Amounts Outstanding 8/31/14
Unlimited Tax Refunding, Series 2014	2.95%	\$2,153,000		\$2,153,000		\$2,153,000
Capital Appreciation Bonds	1.-1.25%	200,000		200,000		200,000
Unlimited Tax School Building Bond, Ser 2006	4.5-5.375	3,300,000	<u>\$ 2,580,000</u>	<u>\$ -0-</u>	<u>\$ 2,580,000</u>	<u>\$ -0-</u>
Total			<u>\$ 2,580,000</u>	<u>\$ 2,353,000</u>	<u>\$ 2,580,000</u>	<u>\$ 2,353,000</u>
CAB Accretion & Premium				<u>\$132,553</u>		<u>\$132,553</u>

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

Year Ended August 31,	Principal	Premiums & Interest	Total Requirements
2015	51,000	62,761	113,761
2016	110,000	122,009	232,009
2017	90,000	142,009	232,009
2018	148,000	59,826	207,826
2019	152,000	55,401	207,401
2020-2024	835,000	205,689	1,040,689
2025-2029	<u>967,000</u>	<u>72,998</u>	<u>1,039,998</u>
Total	<u>\$2,353,000</u>	<u>\$720,693</u>	<u>\$3,073,693</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

I. COMMITMENTS UNDER LEASES

Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2014, as follows:

Year Ended August 31	Total Requirements
2015	27,705
2016	27,705
2017	<u>27,705</u>
Total	<u>\$83,115</u>

Capital Leases

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

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J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activity:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 2,580,000	\$ -0-	\$ 2,580,000	\$ -0-	\$ -0-
Unlimited Tax Refund, Series 2014	-0-	2,153,000		2,153,000	51,000
Capital Appreciation Bonds		200,000		200,000	-0-
Leases Payable	<u>4,631</u>	<u>-0-</u>	<u>4,631</u>	<u>-0-</u>	<u>-0-</u>
Governmental Activities Long-term Liabilities	<u>\$2,584,631</u>	<u>\$2,353,000</u>	<u>\$2,584,631</u>	<u>\$2,353,000</u>	<u>\$ 51,000</u>
CAB Accretion & Premium		<u>\$132,553</u>		<u>\$132,553</u>	-0-

K. DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. The System operates primarily under the provisions of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a public available financial report that includes financial statements and required supplementary information for the defined benefits pension plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701-2600 or by calling (800) 223-8778 or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under TRS Publication heading.

Funding Policy. State law provides for fiscal years 2012, 2013 and 2014 a state contribution rate of 7.8% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 7.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of Hughes Springs Independent School District's employees for the years ended August 31, 2012, 2013 and 2014 were \$355,737, \$351,511 and \$411,827 respectively. Other contributions made from federal and private grants, from the District for salaries above the state minimum, and new members for the years ended August 31, 2012, 2013, and 2014 in the amount of \$49,176, \$64,455 and \$71,558 respectively.

L. HEALTH CARE COVERAGE

During the year ended August 31, 2014, employees of the Hughes Springs Independent School District were covered by a health insurance plan (the "plan"). The District's contribution for single employee coverage is \$225 per month. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The plan

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was authorized by Texas Education Code, Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

M. MEDICARE PART D PROGRAM

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as revenue and expenditures/expenses by each reporting entity. For the year ended August 31, 2014, Hughes Springs ISD recognized Medicare Part D on-behalf payments of \$16,349.

N. DEFERRED REVENUE and DEFERRED INFLOW OF RESOURCES

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Property Taxes	\$180,765	\$-0-	\$4,802	\$185,567
Other Deferred Revenues	-0-	585	-0-	585
Totals	\$180,765	\$585	\$4,802	\$186,152

O. DUE FROM STATE AGENCY

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal & State Grants	Total
General	\$ 629,978	\$ -0-	\$ 629,978
Special Revenue	-0-	31,358	31,358
Total	\$ 629,978	\$ 31,358	\$ 661,336

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

P. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Trust, Int Ser & Campus Act. Fund	Total
Property Taxes	\$4,100,321	\$ -0-	\$ 86	\$-0-	\$4,100,407
Food Sales	-0-	118,248	-0-	-0-	118,248
Investment Income	17,833	-0-	-0-	19	17,852
Penalties, interest and other tax related income	52,288	-0-	98	-0-	52,386
Co-curricular student activities	57,720	-0-	-0-	-0-	57,720
Other	81,131	724	-0-	85,803	167,658
Total	\$ 4,309,293	\$118,972	\$ 184	\$85,822	\$4,514,271

Q. COMMITMENTS AND CONTINGENCIES

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

(2) Grant Programs - The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

R. RISK MANAGEMENT

In the normal course of operation the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover general liabilities. For insured programs, there were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

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

Workers' Compensation

The District contributed fixed cost \$10,072 to the fund for the year ended August 31, 2014. The District's loss fund maximum was \$18,758. The pool participated in claims exceeding the loss maximum up to \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$18,107.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Changes in the workers' compensation claims liability amounts in fiscal 2014 are represented below:

	<u>2014</u>	<u>2013</u>
Claims payable, beginning of fiscal year	\$ 14,550	\$16,706
Incurring claims and claims adjustment expenses for insured events of the current fiscal year	4,552	4,956
Decrease in provision for insured events of prior fiscal year	<u>(2,473)</u>	<u>(4,084)</u>
	\$16,629	\$17,578
 <u>Payments</u>		
Claims attributable to insured events of current year	4,534	600
Claims attributable to insured events of the prior year's	<u>1,935</u>	<u>2,428</u>
Total Payments	<u>6,469</u>	<u>3,028</u>
Claims payable, end of fiscal year	<u>\$10,160</u>	<u>\$14,550</u>

S. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

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

5929 Revenue	\$375,295
Expenditures:	
6100 Payroll	256,112
6200 Consultants	48,931
6300 Supplies and Materials	17,479
6400 Other Operating	52,773
6600 Capital Outlay	-0-

T. SUBSEQUENT EVENTS

None Noted.

REQUIRED SUPPLEMENTARY INFORMATION



HUGHES SPRING'S 150
LEARNING. A LIFE-LONG COMMITMENT



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 4,278,307	\$ 4,278,307	\$ 4,309,293	\$ 30,986
5800 State Program Revenues	5,581,255	5,581,255	5,921,912	340,657
5020 Total Revenues	9,859,562	9,859,562	10,231,205	371,643
EXPENDITURES:				
Current:				
0011 Instruction	5,421,205	5,271,062	5,261,214	9,848
0012 Instructional Resources and Media Services	97,281	97,281	92,466	4,815
0013 Curriculum and Instructional Staff Development	109,611	117,061	111,459	5,602
0023 School Leadership	477,264	495,058	495,631	(573)
0031 Guidance, Counseling and Evaluation Services	94,860	94,860	90,699	4,161
0032 Social Work Services	64,542	67,107	64,429	2,678
0033 Health Services	64,939	66,729	64,513	2,216
0034 Student (Pupil) Transportation	480,454	514,924	451,333	63,591
0036 Extracurricular Activities	509,688	516,995	515,209	1,786
0041 General Administration	479,899	529,899	515,996	13,903
0051 Facilities Maintenance and Operations	1,044,172	1,053,041	1,012,662	40,379
0052 Security and Monitoring Services	68,130	74,410	69,000	5,410
0053 Data Processing Services	255,911	292,559	288,306	4,253
Debt Service:				
0071 Principal on Long Term Debt	32,000	32,000	4,631	27,369
0072 Interest on Long Term Debt	5,000	5,000	14	4,986
0073 Bond Issuance Cost and Fees	500	500	431	69
Capital Outlay:				
0081 Facilities Acquisition and Construction	100,000	100,000	96,115	3,885
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	60,000	71,440	71,438	2
0099 Other Intergovernmental Charges	127,000	127,000	101,372	25,628
6030 Total Expenditures	9,492,456	9,526,926	9,306,918	220,008
1100 Excess of Revenues Over Expenditures	367,106	332,636	924,287	591,651
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(2,362,442)	(2,362,442)
1200 Net Change in Fund Balances	367,106	332,636	(1,438,155)	(1,770,791)
0100 Fund Balance - September 1 (Beginning)	9,630,434	9,630,434	9,630,434	-
3000 Fund Balance - August 31 (Ending)	\$ 9,997,540	\$ 9,963,070	\$ 8,192,279	\$ (1,770,791)

COMBINING SCHEDULES



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ 16,684	\$ 1,926	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	13,765	-	-	8,526
1260 Due from Other Funds	-	-	-	1,532
1300 Inventories	-	-	-	11,307
1000 Total Assets	<u>\$ 30,449</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 21,365</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 13,771
2160 Accrued Wages Payable	7,811	-	-	4,613
2170 Due to Other Funds	22,638	1,709	-	2,291
2300 Unearned Revenues	-	217	-	-
2000 Total Liabilities	<u>30,449</u>	<u>1,926</u>	<u>-</u>	<u>20,675</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	-	-	-	690
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 30,449</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 21,365</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 6,708	\$ -	\$ -	\$ 41,600	\$ 66,918	\$ 9,211	\$ 76,129
-	-	-	-	-	5,113	5,113
-	-	-	-	-	(307)	(307)
7,046	-	2,004	-	31,341	17	31,358
198	-	-	-	1,730	-	1,730
-	-	-	-	11,307	-	11,307
<u>\$ 13,952</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 41,600</u>	<u>\$ 111,296</u>	<u>\$ 14,034</u>	<u>\$ 125,330</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,771	\$ -	\$ 13,771
1,886	-	-	-	14,310	-	14,310
11,698	-	2,004	-	40,340	-	40,340
368	-	-	-	585	-	585
<u>13,952</u>	<u>-</u>	<u>2,004</u>	<u>-</u>	<u>69,006</u>	<u>-</u>	<u>69,006</u>
-	-	-	-	-	4,802	4,802
-	-	-	-	-	4,802	4,802
-	-	-	-	690	-	690
-	-	-	-	-	9,232	9,232
-	-	-	41,600	41,600	-	41,600
-	-	-	41,600	42,290	9,232	51,522
<u>\$ 13,952</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 41,600</u>	<u>\$ 111,296</u>	<u>\$ 14,034</u>	<u>\$ 125,330</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, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 118,972
5800 State Program Revenues	-	-	-	3,282
5900 Federal Program Revenues	225,064	54,682	6,626	384,436
5020 Total Revenues	<u>225,064</u>	<u>54,682</u>	<u>6,626</u>	<u>506,690</u>
EXPENDITURES:				
Current:				
0011 Instruction	225,064	54,682	6,626	-
0035 Food Services	-	-	-	578,539
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	25,900
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>225,064</u>	<u>54,682</u>	<u>6,626</u>	<u>604,439</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,749)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915 Transfers In	-	-	-	51,606
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
7949 Other Resources	-	-	-	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,606</u>
1200 Net Change in Fund Balance	-	-	-	(46,143)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,833</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 63,497	\$ 182,469	\$ 184	\$ 182,653
-	-	41,104	-	44,386	-	44,386
38,735	27,831	-	-	737,374	-	737,374
<u>38,735</u>	<u>27,831</u>	<u>41,104</u>	<u>63,497</u>	<u>964,229</u>	<u>184</u>	<u>964,413</u>
38,735	27,831	41,104	-	394,042	-	394,042
-	-	-	-	578,539	-	578,539
-	-	-	57,751	57,751	-	57,751
-	-	-	-	25,900	-	25,900
-	-	-	-	-	110,000	110,000
-	-	-	-	-	123,625	123,625
-	-	-	-	-	42,773	42,773
<u>38,735</u>	<u>27,831</u>	<u>41,104</u>	<u>57,751</u>	<u>1,056,232</u>	<u>276,398</u>	<u>1,332,630</u>
-	-	-	5,746	(92,003)	(276,214)	(368,217)
-	-	-	-	-	2,353,000	2,353,000
-	-	-	-	51,606	233,625	285,231
-	-	-	-	-	130,526	130,526
-	-	-	-	-	28,348	28,348
-	-	-	-	-	(2,469,101)	(2,469,101)
-	-	-	-	51,606	276,398	328,004
-	-	-	5,746	(40,397)	184	(40,213)
-	-	-	35,854	82,687	9,048	91,735
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,600</u>	<u>\$ 42,290</u>	<u>\$ 9,232</u>	<u>\$ 51,522</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	BALANCE SEPTEMBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2014
UNIDENTIFIED FUND FROM TRIAL BALANCE				
Assets:				
Cash and Temporary Investments	\$ 57,048	\$ 203,465	\$ 185,407	\$ 75,106
Liabilities:				
Due to Student Groups	\$ 57,048	\$ 203,465	\$ 185,407	\$ 75,106
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 57,048	\$ 203,465	\$ 185,407	\$ 75,106
Liabilities:				
Due to Student Groups	\$ 57,048	\$ 203,465	\$ 185,407	\$ 75,106

REQUIRED T.E.A. SCHEDULES

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.470000	0.053800	200,539,059
2007	1.340000	0.049000	287,366,235
2008	1.130000	0.093450	336,604,483
2009	1.130000	0.000000	280,918,803
2010	1.130000	0.000000	419,422,137
2011	1.119406	0.000000	333,290,085
2012	1.119406	0.000000	371,683,023
2013	1.119406	0.000000	379,481,412
2014 (School year under audit)	1.119406	0.000000	366,967,669
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 54,883	\$ -	\$ 1,247	\$ 29	\$ (3,096)	\$ 50,511
6,545	-	279	8	(77)	6,181
5,669	-	269	9	(113)	5,278
6,539	-	375	13	(273)	5,878
10,497	-	543	29	(729)	9,196
13,581	-	2,510	-	(46)	11,025
20,133	-	6,536	-	(46)	13,551
33,160	-	14,225	-	(621)	18,314
75,730	-	32,036	-	(8,806)	34,888
-	4,106,515	4,028,483	-	-	78,032
<u>\$ 226,737</u>	<u>\$ 4,106,515</u>	<u>\$ 4,086,503</u>	<u>\$ 88</u>	<u>\$ (13,807)</u>	<u>\$ 232,854</u>

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2014

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 227,778	\$ 166,536	\$ -	\$ -	\$ 394,314
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	1,108	-	-	-	1,108
6212	Audit Services	-	-	-	13,500	-	-	13,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	103,455	-	-	-	-	103,455
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	4,078	-	6,550	8,491	-	-	19,119
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,250	-	1,250	-	-	-	2,500
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,906	-	-	5,906
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	886	-	2,951	22,476	-	-	26,313
6410	Travel, Subsistence, Stipends	2,232	-	1,923	3,083	-	-	7,238
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	9,140	-	-	-	-	-	9,140
6490	Miscellaneous Operating	7,513	-	9,563	17,596	-	-	34,672
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 25,099	\$ 103,455	\$ 251,123	\$ 237,588	\$ -	\$ -	\$ 617,265

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 10,363,152

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 162,350
Total Debt & Lease(6500)	(11)	5,076
Plant Maintenance (Function 51, 6100-6400)	(12)	1,015,468
Food (Function 35, 6341 and 6499)	(13)	269,717
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		237,588

SubTotal:

1,690,200

Net Allowed Direct Cost

\$ 8,672,952

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 23,621,870
Historical Cost of Building over 50 years old	(16)	\$ 92,000
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 4,481,842
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 \$101,373 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 150,000	\$ 150,000	\$ 118,972	\$ (31,028)
5800 State Program Revenues	3,500	3,500	3,282	(218)
5900 Federal Program Revenues	410,000	410,000	384,436	(25,564)
5020 Total Revenues	563,500	563,500	506,690	(56,810)
EXPENDITURES:				
Current:				
0035 Food Services	551,835	632,741	578,539	54,202
0051 Facilities Maintenance and Operations	32,000	32,000	25,900	6,100
6030 Total Expenditures	583,835	664,741	604,439	60,302
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,335)	(101,241)	(97,749)	3,492
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	51,606	51,606
1200 Net Change in Fund Balances	(20,335)	(101,241)	(46,143)	55,098
0100 Fund Balance - September 1 (Beginning)	46,833	46,833	46,833	-
3000 Fund Balance - August 31 (Ending)	\$ 26,498	\$ (54,408)	\$ 690	\$ 55,098

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, 2014

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	\$ -	\$ -	\$ 184	\$ 184
5020 Total Revenues	-	-	184	184
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	-	110,000	110,000	-
0072 Interest on Long Term Debt	-	123,625	123,625	-
0073 Bond Issuance Cost and Fees	-	-	42,773	(42,773)
6030 Total Expenditures	-	233,625	276,398	(42,773)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(233,625)	(276,214)	(42,589)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	2,353,000	2,353,000
7915 Transfers In	-	-	233,625	233,625
7916 Premium or Discount on Issuance of Bonds	-	-	130,526	130,526
7949 Other Resources	-	-	28,348	28,348
8949 Other (Uses)	-	-	(2,469,101)	(2,469,101)
7080 Total Other Financing Sources (Uses)	-	-	276,398	276,398
1200 Net Change in Fund Balances	-	(233,625)	184	233,809
0100 Fund Balance - September 1 (Beginning)	9,048	9,048	9,048	-
3000 Fund Balance - August 31 (Ending)	\$ 9,048	\$ (224,577)	\$ 9,232	\$ 233,809

*REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS*





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Jalyn L. Setser, CPA

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

Independent Auditor's Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report on them dated November 20, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

The results of our tests disclosed one instance of noncompliance (2014-1) or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this report

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

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

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 20, 2014



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

Independent Auditor's Report

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

Report on compliance for Each Major Federal Program

We have audited Hughes Springs Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hughes Springs Independent School District's major federal programs for the year ended August 31, 2014. Hughes Springs Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hughes Springs Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended August 31, 2014.

Report on Internal Control over Compliance

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

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

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

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

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

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

We have audited the financial statements of Hughes Springs Independent School District as of and for the year ended August 31, 2014, and have issued our report thereon dated November 20, 2014, which contains an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moore, Caver and Setser, Inc.

MOORE, CAVER and SETSER, Inc.
Certified Public Accountants

November 20, 2014

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

I. Summary of Auditor's Results:

1. Type of auditor's report issued on the financial statements: Unmodified
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:

CFDA #Program

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

II. Findings Related to the Financial Statements :

2014-01 Expenditures in Excess of Appropriations

- Criteria: Budgetary data should reflect materially correct information related to actual events for the current year.
- Condition Found: Hughes Springs Independent School District had expenditures in excess of appropriation for the functions 71 of the Debt Service Fund between expenditures and final budget and in total.
- Effect: None.
- Cause: Administration failed to amend the budget as required for the cost of refunding bonds.

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

None.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

PRIOR YEAR'S FINDING/NONCOMPLIANCE

There were no findings in the prior year.

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

CORRECTIVE ACTION:

2014-01 Expenditures in Excess of Appropriations

Actions: The District will monitor and amend the budget before expenditures are made.

Contact Person: Richard Ogden

Anticipated Completion Date: Immediately

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	146101034903	\$ 133,362
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	146101034903	91,702
Total CFDA Number 84.010A			225,064
Total Title I, Part A Cluster			225,064
*IDEA - Part B, Formula	84.027	14696001034903	54,682
*IDEA - Part B, Preschool	84.173	1466101201034903	6,626
Total Special Education Cluster (IDEA)			61,308
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696034903	27,831
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	146945034903	36,849
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	S367A130041	1,886
Total CFDA Number 84.367A			38,735
Total Passed Through State Department of Education			\$ 352,938
TOTAL DEPARTMENT OF EDUCATION			\$ 352,938
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 101,773
*National School Lunch Program - Cash Assistance	10.555	71401401	272,474
*National School Lunch Prog. - Non-Cash Assistance	10.555	71401401	10,189
Total CFDA Number 10.555			282,663
Total Child Nutrition Cluster			384,436
Total Passed Through the State Department of Agriculture			\$ 384,436
TOTAL DEPARTMENT OF AGRICULTURE			\$ 384,436
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 737,374

*Clustered Programs

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

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

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

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

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