

**HONDO INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**JUNE 30, 2017**

HONDO INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

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CERTIFICATE OF BOARD

Hondo Independent School District  
Name of School District

Medina  
County

163904  
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 June 30, 2017 at a meeting of the Board of Trustees of such school district on the 16 of OCTOBER, 2017.

Carey Jones  
Signature of Board Secretary

Mark Matthews  
Signature of Board President — VICE

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

# COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL ST  
UVALDE, TEXAS 78801-5305

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## Independent Auditor's Report

To the Board of Trustees  
Hondo Independent School District  
Hondo, Texas 78861

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hondo Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hondo Independent School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hondo Independent School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability, and schedule of district contributions on pages 7-13 and 49-51 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 the Hondo Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017 on our consideration of the Hondo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hondo Independent School District's internal control over financial reporting and compliance.

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 15, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Hondo Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other statements, T.E.A. required schedules, and federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the year ending June 30, 2017. Please read it in conjunction with the District's financial section, which follows.

### Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- \* The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- \* The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
  - \* The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - \* *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- \* Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- \* To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds* not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- \* Some funds are required by State law and by bond covenants.
- \* The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- \* *Governmental funds*-Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- \* *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary fund net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Highlights**

- \* The District’s combined net position was \$12,198,687 at June 30, 2017, an increase of \$459,086.
- \* During the year, the District’s revenue was \$23,332,711 as reflected below:

|    |                     | <b>Governmental Activities</b> |                     |                     |
|----|---------------------|--------------------------------|---------------------|---------------------|
|    |                     | <b>Current</b>                 | <b>Prior</b>        |                     |
|    |                     | <b>Year</b>                    | <b>Year</b>         | <b>Change</b>       |
| a) | Taxes               | \$ 8,640,772                   | \$ 7,431,315        | \$ 1,209,457        |
| b) | State Aid           | 11,084,830                     | 11,367,488          | (282,658)           |
| c) | Federal Aid         | 2,262,039                      | 2,220,347           | 41,692              |
| d) | Investment Earnings | 237,960                        | 74,077              | 163,883             |
| e) | Other               | 607,110                        | 559,948             | 47,162              |
| f) | Extraordinary Item  | <u>500,000</u>                 | <u>-</u>            | <u>500,000</u>      |
|    | Total Revenue       | <u>\$23,332,711</u>            | <u>\$21,653,175</u> | <u>\$ 1,679,536</u> |

\* During the year, the District's expenses were \$22,873,625 as reflected below:

|  | <b>Governmental Activities</b> |                       |                     |
|--|--------------------------------|-----------------------|---------------------|
|  | <b>Current<br/>Year</b>        | <b>Prior<br/>Year</b> | <b>Change</b>       |
| a) Instruction and instructional related                         | \$12,743,077                   | \$12,578,700          | \$ 164,377          |
| b) Instructional leadership/school leadership                    | 1,363,631                      | 1,362,541             | 1,090               |
| c) Guidance, social work, health, transportation                 | 1,462,950                      | 1,476,894             | (13,944)            |
| d) Food services   | 1,035,740                      | 1,031,748             | 3,992               |
| e) Extracurricular   | 959,200                        | 885,787               | 73,413              |
| f) General administration  | 876,995                        | 886,823               | (9,828)             |
| g) Plant maintenance and security                                | 2,726,046                      | 3,479,661             | (753,615)           |
| h) Data processing services                                      | 362,565                        | 292,224               | 70,341              |
| i) Community services  | 8,902                          | 8,492                 | 410                 |
| j) Debt services   | 1,295,347                      | 986,914               | 308,433             |
| k) Payments to fiscal agent/member<br>districts - shared service | <u>39,172</u>                  | <u>8,253</u>          | <u>30,919</u>       |
| Total Expenses   | <u>\$22,873,625</u>            | <u>\$22,998,037</u>   | <u>\$ (124,412)</u> |

\* The general fund reported a fund balance this year of \$6,906,389, an increase of \$455,245 from the prior year.

\* The debt service reported a fund balance of \$1,000,315, an increase of \$188,074.

\* The capital projects fund balance is \$18,879,932, a decrease of \$11,872,927.

\* The District's combined net position was \$12,198,687 at June 30, 2017, as reflected below:

|  | <b>Governmental Activities</b> |                            |                            |
|--|--------------------------------|----------------------------|----------------------------|
|  | <b>Current<br/>Year</b>        | <b>Prior<br/>Year</b>      | <b>Change</b>              |
| Current and other assets                       | \$31,281,369                   | \$40,280,011               | \$ (8,998,642)             |
| Capital and non-current assets                 | <u>29,178,579</u>              | <u>18,388,380</u>          | <u>10,790,199</u>          |
| <b>Total Assets</b>                            | <b><u>\$60,459,948</u></b>     | <b><u>\$58,668,391</u></b> | <b><u>\$ 1,791,557</u></b> |
| Deferred resource outflow                      | <u>\$ 1,333,547</u>            | <u>\$ 1,855,076</u>        | <u>\$ (521,529)</u>        |
| Current liabilities                            | \$ 4,402,514                   | \$ 2,244,115               | \$ 2,158,399               |
| Long term liabilities                          | <u>44,964,693</u>              | <u>45,766,189</u>          | <u>(801,496)</u>           |
| <b>Total Liabilities</b>                       | <b><u>\$49,367,207</u></b>     | <b><u>\$48,010,304</u></b> | <b><u>\$ 1,356,903</u></b> |
| Deferred resource inflow                       | <u>\$ 227,601</u>              | <u>\$ 773,562</u>          | <u>\$ (545,961)</u>        |
| Net assets:                                    |                                |                            |                            |
| Invested in capital assets net of related debt | \$ 7,040,149                   | \$ 7,064,320               | \$ (24,171)                |
| Restricted                                     | 1,219,106                      | 996,696                    | 222,410                    |
| Unrestricted                                   | <u>3,939,432</u>               | <u>3,678,585</u>           | <u>260,847</u>             |
| <b>Total Net Assets</b>                        | <b><u>\$12,198,687</u></b>     | <b><u>\$11,739,601</u></b> | <b><u>\$ 459,086</u></b>   |

\* Property tax rates were increased 6.5¢ from the past year. The tax base increased during the past year by \$63,590,740. The tax levy increased by \$1,244,934 over the prior year.

\* State aid decreased by \$282,658.

\* Federal aid increased by \$41,692.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$454,613 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Also, resources available were \$48 below the final budgeted amount.

- \* Local revenue sources was less than expected.
- \* State funding was greater than anticipated.
- \* Federal source revenues were greater than budgeted.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

Capital assets for the District June 30, 2017 amounted to \$29,178,579. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

#### **District's Capital Assets**

|                                | <b>Governmental Activities</b> |                       |                     |
|--------------------------------|--------------------------------|-----------------------|---------------------|
|                                | <b>Current<br/>Year</b>        | <b>Prior<br/>Year</b> | <b>Change</b>       |
| Land                           | \$ 454,260                     | \$ 454,260            | \$ -                |
| Buildings and improvements     | 28,026,187                     | 27,893,907            | 132,280             |
| Equipment                      | 3,829,828                      | 4,495,701             | (665,873)           |
| Property under capital lease   | 835,395                        | 835,395               | -                   |
| Construction in progress       | <u>11,465,159</u>              | <u>-</u>              | <u>11,465,159</u>   |
| Totals at historical cost      | 44,610,829                     | 33,679,263            | 10,931,566          |
| Total accumulated depreciation | <u>(15,432,250)</u>            | <u>(15,290,883)</u>   | <u>(141,367)</u>    |
| Net capital assets             | <u>\$29,178,579</u>            | <u>\$18,388,380</u>   | <u>\$10,790,199</u> |

## Long-term Liabilities

During the year, the District retired debt of \$888,304.

### District's Long Term Liabilities

|                   | <u>Governmental Activities</u> |                       |                       |
|-------------------|--------------------------------|-----------------------|-----------------------|
|                   | <u>Current<br/>Year</u>        | <u>Prior<br/>Year</u> | <u>Change</u>         |
| Bonds payable     | \$37,750,000                   | \$38,425,467          | \$ (675,467)          |
| Accreted interest | -                              | 130,350               | (130,350)             |
| Premium on bonds  | 903,720                        | 943,623               | (39,903)              |
| Loans             | 1,742,000                      | 1,871,000             | (129,000)             |
| Capital lease     | <u>622,642</u>                 | <u>706,479</u>        | <u>(83,837)</u>       |
| Total             | <u>\$41,018,362</u>            | <u>\$42,076,919</u>   | <u>\$ (1,058,557)</u> |

## Contacting the District's Financial Management

This financial report is designed for customers, investors, and creditors with a general overview of the District's finances and to demonstrate 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 Services department.

## **BASIC FINANCIAL STATEMENTS**

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

EXHIBIT A-1

| Data<br>Control<br>Codes                       | Primary Government<br>Governmental<br>Activities |
|--|--|
| <b>ASSETS</b>                                  |  |
| 1110 Cash and Cash Equivalents                 | \$ 838,308                                       |
| 1120 Current Investments                       | 27,277,928                                       |
| 1220 Property Taxes Receivable (Delinquent)    | 474,267  |
| 1230 Allowance for Uncollectible Taxes         | (47,427)   |
| 1240 Due from Other Governments                | 2,736,168  |
| 1267 Due from Fiduciary Funds                  | 100  |
| 1290 Other Receivables, net                    | 2,025  |
| Capital Assets:                                |  |
| 1510 Land                                      | 454,260  |
| 1520 Buildings, Net                            | 15,818,706                                       |
| 1530 Furniture and Equipment, Net              | 761,577  |
| 1550 Leased Property Under Capital Leases, Net | 678,877  |
| 1580 Construction in Progress                  | 11,465,159                                       |
| 1000 Total Assets                              | 60,459,948                                       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |  |
| 1705 Deferred Outflow Related to TRS           | 1,333,547  |
| 1700 Total Deferred Outflows of Resources      | 1,333,547  |
| <b>LIABILITIES</b>                             |  |
| 2110 Accounts Payable                          | 2,167,572  |
| 2160 Accrued Wages Payable                     | 1,640,865  |
| 2180 Due to Other Governments                  | 43,988   |
| 2200 Accrued Expenses                          | 550,089  |
| Noncurrent Liabilities                         |  |
| 2501 Due Within One Year                       | 1,104,992  |
| 2502 Due in More Than One Year                 | 39,913,370                                       |
| 2540 Net Pension Liability (District's Share)  | 3,946,331  |
| 2000 Total Liabilities                         | 49,367,207                                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |  |
| 2605 Deferred Inflow Related to TRS            | 227,601  |
| 2600 Total Deferred Inflows of Resources       | 227,601  |
| <b>NET POSITION</b>                            |  |
| 3200 Net Investment in Capital Assets          | 7,040,149  |
| 3820 Restricted for Federal and State Programs | 217,077  |
| 3850 Restricted for Debt Service               | 1,000,315  |
| 3890 Restricted for Other Purposes             | 1,714  |
| 3900 Unrestricted                              | 3,939,432  |
| 3000 Total Net Position                        | \$ 12,198,687                                    |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT B-1

| Data<br>Control<br>Codes | 1        | Program Revenues        |  | 6  |
|--------------------------|----------|-------------------------|--|--|
| Codes                    | Expenses | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Gov.<br>Governmental<br>Activities |

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

|   |               |            |              |                 |
|---|---------------|------------|--------------|-----------------|
| 11 Instruction                                      | \$ 12,169,315 | \$ 230,213 | \$ 1,650,304 | \$ (10,288,798) |
| 12 Instructional Resources and Media Services       | 164,444       | -          | 7,788        | (156,656)       |
| 13 Curriculum and Staff Development                 | 409,318       | -          | 301,368      | (107,950)       |
| 21 Instructional Leadership                         | 284,829       | -          | 18,745       | (266,084)       |
| 23 School Leadership                                | 1,078,802     | -          | 66,590       | (1,012,212)     |
| 31 Guidance, Counseling and Evaluation Services     | 667,421       | -          | 92,206       | (575,215)       |
| 32 Social Work Services                             | 68,890        | -          | 3,331        | (65,559)        |
| 33 Health Services                                  | 195,436       | -          | 10,503       | (184,933)       |
| 34 Student (Pupil) Transportation                   | 531,203       | -          | 21,714       | (509,489)       |
| 35 Food Services                                    | 1,035,740     | 50,159     | 949,570      | (36,011)        |
| 36 Extracurricular Activities                       | 959,200       | 216,785    | 26,819       | (715,596)       |
| 41 General Administration                           | 876,995       | -          | 29,180       | (847,815)       |
| 51 Facilities Maintenance and Operations            | 2,610,234     | 10,596     | 50,654       | (2,548,984)     |
| 52 Security and Monitoring Services                 | 115,812       | -          | 1,768        | (114,044)       |
| 53 Data Processing Services                         | 362,565       | -          | 8,610        | (353,955)       |
| 61 Community Services                               | 8,902         | -          | 1,182        | (7,720)         |
| 72 Debt Service - Interest on Long Term Debt        | 1,292,617     | -          | -            | (1,292,617)     |
| 73 Debt Service - Bond Issuance Cost and Fees       | 2,730         | -          | -            | (2,730)         |
| 93 Payments related to Shared Services Arrangements | 39,172        | -          | -            | (39,172)        |
| [TP] TOTAL PRIMARY GOVERNMENT:                      | \$ 22,873,625 | \$ 507,753 | \$ 3,240,332 | \$ (19,125,540) |

Data  
Control  
Codes

General Revenues:

|        |  |               |
|--------|--|---------------|
| Taxes: |  |               |
| MT     | Property Taxes, Levied for General Purposes  | 6,516,326     |
| DT     | Property Taxes, Levied for Debt Service      | 2,124,446     |
| SF     | State Aid - Formula Grants                   | 9,607,976     |
| GC     | Grants and Contributions not Restricted      | 498,561       |
| IE     | Investment Earnings                          | 237,960       |
| MI     | Miscellaneous Local and Intermediate Revenue | 99,357        |
| E1     | Extraordinary Item - Resource                | 500,000       |
| TR     | Total General Revenues & Extraordinary Items | 19,584,626    |
| CN     | Change in Net Position                       | 459,086       |
| NB     | Net Position - Beginning                     | 11,739,601    |
| NE     | Net Position--Ending                         | \$ 12,198,687 |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

| Data<br>Control<br>Codes                                 | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>  |                       |                            |                           |
| 1110 Cash and Cash Equivalents                           | \$ 124,536            | \$ 44,091                  | \$ 630,819                |
| 1120 Investments - Current                               | 5,671,042             | 987,897                    | 20,197,693                |
| 1220 Property Taxes - Delinquent                         | 384,936               | 89,331                     | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit)          | (38,494)              | (8,933)                    | -                         |
| 1240 Receivables from Other Governments                  | 2,377,462             | -                          | -                         |
| 1260 Due from Other Funds                                | 226,180               | -                          | -                         |
| 1290 Other Receivables                                   | 1,533                 | -                          | -                         |
| 1000 Total Assets  | <u>\$ 8,747,195</u>   | <u>\$ 1,112,386</u>        | <u>\$ 20,828,512</u>      |
| <b>LIABILITIES</b>                                       |                       |                            |                           |
| 2110 Accounts Payable                                    | \$ 66,847             | \$ -                       | \$ 1,948,580              |
| 2160 Accrued Wages Payable                               | 1,464,675             | -                          | -                         |
| 2170 Due to Other Funds                                  | 5,247                 | -                          | -                         |
| 2180 Due to Other Governments                            | -                     | 43,988                     | -                         |
| 2000 Total Liabilities                                   | <u>1,536,769</u>      | <u>43,988</u>              | <u>1,948,580</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                       |                            |                           |
| 2601 Unavailable Revenue - Property Taxes                | 304,037               | 68,083                     | -                         |
| 2600 Total Deferred Inflows of Resources                 | <u>304,037</u>        | <u>68,083</u>              | <u>-</u>                  |
| <b>FUND BALANCES</b>                                     |                       |                            |                           |
| Restricted Fund Balance:                                 |                       |                            |                           |
| 3450 Federal or State Funds Grant Restriction            | -                     | -                          | -                         |
| 3470 Capital Acquisition and Contractual Obligation      | -                     | -                          | 18,879,932                |
| 3480 Retirement of Long-Term Debt                        | -                     | 1,000,315                  | -                         |
| 3490 Other Restricted Fund Balance                       | -                     | -                          | -                         |
| Committed Fund Balance:                                  |                       |                            |                           |
| 3510 Construction  | 333,000               | -                          | -                         |
| 3530 Capital Expenditures for Equipment                  | 225,000               | -                          | -                         |
| 3545 Other Committed Fund Balance                        | -                     | -                          | -                         |
| 3600 Unassigned Fund Balance                             | 6,348,389             | -                          | -                         |
| 3000 Total Fund Balances                                 | <u>6,906,389</u>      | <u>1,000,315</u>           | <u>18,879,932</u>         |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 8,747,195</u>   | <u>\$ 1,112,386</u>        | <u>\$ 20,828,512</u>      |

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

| Other<br>Funds    | Total<br>Governmental<br>Funds |
|-------------------|--------------------------------|
| \$ 38,862         | \$ 838,308                     |
| 421,296           | 27,277,928                     |
| -                 | 474,267                        |
| -                 | (47,427)                       |
| 358,706           | 2,736,168                      |
| -                 | 226,180                        |
| 492               | 2,025                          |
| <u>\$ 819,356</u> | <u>\$ 31,507,449</u>           |
| <br>              |                                |
| \$ 152,145        | \$ 2,167,572                   |
| 176,190           | 1,640,865                      |
| 220,833           | 226,080                        |
| -                 | 43,988                         |
| <u>549,168</u>    | <u>4,078,505</u>               |
| <br>              |                                |
| -                 | 372,120                        |
| <u>-</u>          | <u>372,120</u>                 |
| <br>              |                                |
| 217,077           | 217,077                        |
| -                 | 18,879,932                     |
| -                 | 1,000,315                      |
| 1,714             | 1,714                          |
| -                 | 333,000                        |
| -                 | 225,000                        |
| 51,397            | 51,397                         |
| -                 | 6,348,389                      |
| <u>270,188</u>    | <u>27,056,824</u>              |
| <br>              |                                |
| <u>\$ 819,356</u> | <u>\$ 31,507,449</u>           |

HONDO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

|   |               |
|---|---------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$ 27,056,824 |
| <b>1</b> 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 \$33,679,263 and the accumulated depreciation was \$(15,290,883). In addition, long-term liabilities of \$(41,002,946), 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 decrease net position. | (22,614,566)  |
| <b>2</b> 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 2017 capital outlays \$11,907,678 and debt principal payments of \$888,304 is to increase net position.  | 12,795,982    |
| <b>3</b> The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.   | (1,117,479)   |
| <b>4</b> Included in the items related to debt is the recognition of the district's proportionate share of the net pension liability required by GASB 68 in the amount of \$(3,946,331), a deferred resource inflow related to TRS of \$(227,601), and a deferred resource outflow related to TRS of \$1,333,547. The net effect of these pension items is to decrease net position.  | (2,840,385)   |
| <b>5</b> Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$372,120 as revenue, recognizing the liabilities associated with maturing long-term debt interest of \$(550,089), and bond premium of \$(903,720). The net effect of these reclassifications and recognitions is to decrease net position.   | (1,081,689)   |
| <b>19 Net Position of Governmental Activities</b>   | \$ 12,198,687 |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

| Data Control Codes   | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>REVENUES:</b>   |                       |                            |                           |
| 5700 Total Local and Intermediate Sources                      | \$ 6,741,274          | \$ 2,127,535               | \$ 244,688                |
| 5800 State Program Revenues                                    | 10,471,681            | 151,419                    | -                         |
| 5900 Federal Program Revenues                                  | 210,100               | -                          | -                         |
| 5020 Total Revenues  | <u>17,423,055</u>     | <u>2,278,954</u>           | <u>244,688</u>            |
| <b>EXPENDITURES:</b>   |                       |                            |                           |
| <b>Current:</b>  |                       |                            |                           |
| 0011 Instruction   | 10,069,792            | -                          | -                         |
| 0012 Instructional Resources and Media Services                | 147,412               | -                          | -                         |
| 0013 Curriculum and Instructional Staff Development            | 63,620                | -                          | -                         |
| 0021 Instructional Leadership                                  | 249,472               | -                          | -                         |
| 0023 School Leadership   | 990,728               | -                          | -                         |
| 0031 Guidance, Counseling and Evaluation Services              | 560,173               | -                          | -                         |
| 0032 Social Work Services                                      | 61,656                | -                          | -                         |
| 0033 Health Services   | 181,344               | -                          | -                         |
| 0034 Student (Pupil) Transportation                            | 678,635               | -                          | -                         |
| 0035 Food Services   | -                     | -                          | -                         |
| 0036 Extracurricular Activities                                | 795,485               | -                          | -                         |
| 0041 General Administration                                    | 829,835               | -                          | -                         |
| 0051 Facilities Maintenance and Operations                     | 2,051,133             | -                          | -                         |
| 0052 Security and Monitoring Services                          | 150,904               | -                          | -                         |
| 0053 Data Processing Services                                  | 356,934               | -                          | -                         |
| 0061 Community Services  | -                     | -                          | -                         |
| <b>Debt Service:</b>   |                       |                            |                           |
| 0071 Principal on Long Term Debt                               | 212,837               | 675,467                    | -                         |
| 0072 Interest on Long Term Debt                                | 28,868                | 1,413,173                  | -                         |
| 0073 Bond Issuance Cost and Fees                               | 490                   | 2,240                      | -                         |
| <b>Capital Outlay:</b>   |                       |                            |                           |
| 0081 Facilities Acquisition and Construction                   | -                     | -                          | 12,117,615                |
| <b>Intergovernmental:</b>                                      |                       |                            |                           |
| 0093 Payments to Fiscal Agent/Member Districts of SSA          | 39,172                | -                          | -                         |
| 6030 Total Expenditures  | <u>17,468,490</u>     | <u>2,090,880</u>           | <u>12,117,615</u>         |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (45,435)              | 188,074                    | (11,872,927)              |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                       |                            |                           |
| 7912 Sale of Real and Personal Property                        | 680                   | -                          | -                         |
| <b>EXTRAORDINARY ITEMS:</b>                                    |                       |                            |                           |
| 7919 Extraordinary Item - Resource                             | 500,000               | -                          | -                         |
| 1200 Net Change in Fund Balances                               | <u>455,245</u>        | <u>188,074</u>             | <u>(11,872,927)</u>       |
| 0100 Fund Balance - July 1 (Beginning)                         | <u>6,451,144</u>      | <u>812,241</u>             | <u>30,752,859</u>         |
| 3000 Fund Balance - June 30 (Ending)                           | <u>\$ 6,906,389</u>   | <u>\$ 1,000,315</u>        | <u>\$ 18,879,932</u>      |

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

| Other<br>Funds | Total<br>Governmental<br>Funds |
|----------------|--------------------------------|
| \$ 309,872     | \$ 9,423,369                   |
| 306,591        | 10,929,691                     |
| 2,051,939      | 2,262,039                      |
| 2,668,402      | 22,615,099                     |
| 1,152,278      | 11,222,070                     |
| -              | 147,412                        |
| 299,427        | 363,047                        |
| 5,559          | 255,031                        |
| 10,057         | 1,000,785                      |
| 59,555         | 619,728                        |
| -              | 61,656                         |
| -              | 181,344                        |
| -              | 678,635                        |
| 985,649        | 985,649                        |
| 123,092        | 918,577                        |
| -              | 829,835                        |
| -              | 2,051,133                      |
| -              | 150,904                        |
| -              | 356,934                        |
| 1,182          | 1,182                          |
| -              | 888,304                        |
| -              | 1,442,041                      |
| -              | 2,730                          |
| -              | 12,117,615                     |
| -              | 39,172                         |
| 2,636,799      | 34,313,784                     |
| 31,603         | (11,698,685)                   |
| -              | 680                            |
| -              | 500,000                        |
| 31,603         | (11,198,005)                   |
| 238,585        | 38,254,829                     |
| \$ 270,188     | \$ 27,056,824                  |

HONDO 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 JUNE 30, 2017

|  |           |                |
|--|-----------|----------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>  | \$        | (11,198,005)   |
| 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 2017 capital outlays of \$11,907,678 and debt principal payments of \$888,304 is to increase net position.  |           | 12,795,982     |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.  |           | (1,117,479)    |
| The reporting of GASB 68 for the current year resulted in an increase in the net pension liability of \$(257,061), a decrease in deferred resource inflows of \$545,961, and a decrease in deferred resource outflows of \$(521,529). The impact of these is to decrease the change in net position.   |           | (232,629)      |
| Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$61,793, recognizing the change in liabilities associated with maturing long-term debt interest of \$(20,829), the decrease in accreted interest on capital appreciation bonds of \$130,350, and the decrease in bond premium of \$39,903. The net effect of these reclassifications and recognitions is to increase net position. |           | 211,217        |
| <b>Change in Net Position of Governmental Activities</b>   | <b>\$</b> | <b>459,086</b> |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

|                             | 836-849<br>Investment<br>Trust Fund | Agency<br>Fund   |
|-----------------------------|-------------------------------------|------------------|
| <b>ASSETS</b>               |                                     |                  |
| Cash and Cash Equivalents   | \$ -                                | \$ 5,860         |
| Investments - Current       | 41,177                              | 14,799           |
| Total Assets                | <u>41,177</u>                       | <u>\$ 20,659</u> |
| <b>LIABILITIES</b>          |                                     |                  |
| Due to Other Funds          | 100                                 | \$ -             |
| Due to Student Groups       | -                                   | 20,659           |
| Total Liabilities           | <u>100</u>                          | <u>\$ 20,659</u> |
| <b>NET POSITION</b>         |                                     |                  |
| Restricted for Scholarships | <u>41,077</u>                       |                  |
| Total Net Position          | <u>\$ 41,077</u>                    |                  |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

|   | 836-849<br>Investment<br>Trust Fund |
|---|-------------------------------------|
| ADDITIONS:                              |                                     |
| Local and Intermediate Sources          | \$ 338                              |
| Total Additions                         | 338                                 |
| Change in Net Position                  | 338                                 |
| Total Net Position - July 1 (Beginning) | 40,739                              |
| Total Net Position - June 30 (Ending)   | \$ 41,077                           |

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

HONDO INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hondo Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76*, and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

As of June 30, 2017, Hondo Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**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 entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Hondo Independent School District 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 operations have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

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

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

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

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

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

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 them "available" if they will be collected within 60 days of the end of the fiscal year. 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 unearned 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 Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

## D. FUND ACCOUNTING

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. **Debt Service Funds** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The capital projects fund accounts for the bond proceeds and related construction and renovation projects of the District.

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 a 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.

Fiduciary Funds:

1. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
2. **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 Account.

## E. FUND BALANCE POLICY

Hondo Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in that same order.

Restricted

|                     |                   |
|---------------------|-------------------|
| Capital Projects    | \$18,879,932      |
| Debt Service        | 1,000,315         |
| Food Service Fund   | 184,897           |
| State Textbook Fund | 32,180            |
| Visually Impaired   | <u>1,714</u>      |
| Total restricted    | <u>20,099,038</u> |

Committed

|                 |                |
|-----------------|----------------|
| Construction    | 333,000        |
| Equipment       | 225,000        |
| Campus Activity | <u>51,397</u>  |
| Total committed | <u>609,397</u> |

Unassigned

6,348,389

Total Fund Balances

\$27,056,824

**F. OTHER ACCOUNTING POLICIES**

1. The District records purchases of supplies as expenditures.
2. The District records its investments in an Investment Cooperative at cost, which approximates fair value.
3. Unearned revenue accounted for on the balance sheet of the general fund relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Material bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns 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 is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings     | 40           |
| Vehicles      | 7            |
| Equipment     | 5            |

9. In the fund financial statements, governmental funds report restricted and committed fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
11. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of deferred charges for pension contributions made after the measurement date of August 31, 2016 and during the District's current reporting period, differences between the expected and actual economic experience in the pension plan and changes in actuarial assumptions.

12. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports the deferred inflows for pension for the District's proportionate share of the deferred inflow for the difference between the projected and actual investment earnings in the pension plan.

## **II. 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 for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 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 July 1, the budget is legally enacted through passage of a resolution by the Board. 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.
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:

| June 30, 2017                                 | <u>Fund Balance</u> |
|---|---------------------|
| Restricted Budget Funds - Food Service Fund   | \$ 184,897          |
| - State Textbook Fund                         | 32,180              |
| - Visually Impaired                           | 1,714               |
| Committed Budget Funds - Campus Activity Fund | <u>51,397</u>       |
| All Special Revenue Funds                     | <u>\$ 270,188</u>   |

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. DEPOSITS AND INVESTMENTS

##### District Policies and Legal and Contractual Provisions Governing Deposits

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

At June 30, 2017, the District had cash on deposit of \$548,878 in excess of depository insurance, but collateralized by securities held by an agent not in the District's name.

##### District Policies and Legal and Contractual Provisions Governing Investments

##### **Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Hondo Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2017, Hondo Independent School District had the following investments, which are reported on the balance sheet as cash and cash equivalents.

| <b>Investment Type</b>   | <b>Fair Value</b>   | <b>Investment Maturities</b> |                      |
|--------------------------|---------------------|------------------------------|----------------------|
|                          |                     | <b>(in years)</b>            | <b>Credit Rating</b> |
|                          |                     | <b>Less Than 1</b>           |                      |
| Certificates of Deposit  | \$ 499,000          | \$ 499,000                   | N/A                  |
| Lonestar Investment Pool | 14,911,932          | 14,911,932                   | AAA                  |
| Logic Investment Pool    | 10,102,364          | 10,102,364                   | AAA                  |
| Money Market Instruments | <u>1,820,608</u>    | <u>1,820,608</u>             | AAA                  |
| Total                    | <u>\$27,333,904</u> | <u>\$27,333,904</u>          |                      |
| Governmental Funds       | \$27,277,928        | \$27,277,928                 |                      |
| Fiduciary Funds          | <u>55,976</u>       | <u>55,976</u>                |                      |
| Total                    | <u>\$27,333,904</u> | <u>\$27,333,904</u>          |                      |

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of shares in each pool; the market value of a share should approximately equal the book value of a share.

Lone Star Investment Pool (the Pool): The Pool's liquidity fund operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, which allows the fund to use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the District's position in the Pool is the same as the value of the Pool's shares and does not include any unrealized gains and losses.

The Pool is governed by an eleven member board of trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas, 78767-0400 or by calling 1-800-758-3927.

Additional polices and contractual provisions governing deposits and investments for Hondo Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires the bank depository to place pledged securities in the name of the District and hand them over to its designated agent. All of the securities are held by the designated agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

### **Fair Value Measurements**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The net increase in the fair value of investments during the year was \$127,503. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

|                                     |                     |
|-------------------------------------|---------------------|
| Fair value at June 30, 2017         | \$27,333,904        |
| Add: Proceeds of investments sold   | 2,821,712           |
| Less: Cost of investments purchased | (6,321,212)         |
| Less: Fair value at June 30, 2016   | <u>(23,706,901)</u> |
| Change in fair value of investments | <u>\$ 127,503</u>   |

**Investment in Entities that Calculate Net Asset Value per Share**

The District holds shares of interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share of the investment.

At year end, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

|                                  | <u>Fair Value</u>   | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|----------------------------------|---------------------|-----------------------------|-----------------------------|---------------------------------|
| Money Market Instruments         | \$ <u>1,820,608</u> | \$ _____ -                  | Daily                       | N/A                             |
| Total Investments Measure at NAV | \$ <u>1,820,608</u> | <u>_____ -</u>              |                             |                                 |

Money market instruments invest in short-term, high-credit-quality money market instruments, including debt securities issued or guaranteed by the U.S. government or its agencies and securities, such as repurchase agreements and variable and floating rate debt obligations, all of which are collateralized by such obligations.

The fair value of the money market instruments at June 30, 2017 was determined based on Level 1 inputs.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the 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 collect during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances 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 BALANCES AND TRANSFERS**

Interfund balances at June 30, 2017 consisted of the following amounts:

**Due To General Fund From:**

|  |                   |
|--|-------------------|
| Nonmajor Governmental Funds                | \$ 220,833        |
| Fiduciary Funds                            | 100               |
| Intrafund                                  | <u>5,247</u>      |
| Total Due to General Fund From Other Funds | <u>\$ 226,180</u> |

Interfund balances are in support of operating expenses and payroll clearing.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2017 were as follows:

|   | <u>Property<br/>Taxes</u> | <u>Other<br/>Governments</u> | <u>Due From<br/>Other Funds</u> | <u>Other</u>    | <u>Total<br/>Receivables</u> |
|---|---------------------------|------------------------------|---------------------------------|-----------------|------------------------------|
| <b>Governmental Activities:</b>                                 |                           |                              |                                 |                 |                              |
| General Fund  | \$ 384,936                | \$ 2,377,462                 | \$ 226,180                      | \$ 1,533        | \$ 2,990,111                 |
| Debt Service Fund   | 89,331                    | -                            | -                               | -               | 89,331                       |
| Nonmajor Governmental Funds                                     | <u>-</u>                  | <u>358,706</u>               | <u>-</u>                        | <u>492</u>      | <u>359,198</u>               |
| Total - Governmental Activities                                 | <u>\$ 474,267</u>         | <u>\$ 2,736,168</u>          | <u>\$ 226,180</u>               | <u>\$ 2,025</u> | <u>\$ 3,438,640</u>          |
| Amounts not scheduled for collection during the subsequent year | <u>\$ 47,427</u>          | <u>\$ -</u>                  | <u>\$ -</u>                     | <u>\$ -</u>     | <u>\$ 47,427</u>             |

Payables at June 30, 2017 were as follows:

|  | <u>Accounts<br/>Payable</u> | <u>Salaries<br/>and<br/>Benefits</u> | <u>Due To<br/>Other<br/>Funds</u> | <u>Due To<br/>Other<br/>Governments</u> | <u>Other</u> | <u>Total<br/>Payables</u> |
|--|-----------------------------|--------------------------------------|-----------------------------------|---|--------------|---------------------------|
| <b>Governmental Activities:</b>                              |                             |                                      |                                   |   |              |                           |
| General Fund   | \$ 66,847                   | \$ 1,464,675                         | \$ 5,247                          | \$ -                                    | \$ -         | \$ 1,536,769              |
| Debt Service Fund  | -                           | -                                    | -                                 | 43,988                                  | -            | 43,988                    |
| Capital Projects Fund  | 1,948,580                   | -                                    | -                                 | -                                       | -            | 1,948,580                 |
| Nonmajor Gov. Funds  | <u>152,145</u>              | <u>176,190</u>                       | <u>220,833</u>                    | <u>-</u>                                | <u>-</u>     | <u>549,168</u>            |
| Total - Gov. Activities                                      | <u>\$ 2,167,572</u>         | <u>\$ 1,640,865</u>                  | <u>\$ 226,080</u>                 | <u>\$ 43,988</u>                        | <u>\$ -</u>  | <u>\$ 4,078,505</u>       |
| Amounts not scheduled for payment during the subsequent year | <u>\$ -</u>                 | <u>\$ -</u>                          | <u>\$ -</u>                       | <u>\$ -</u>                             | <u>\$ -</u>  | <u>\$ -</u>               |

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended June 30, 2017 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|--------------------|---------------------------|
| Governmental activities:                    |                              |                     |                    |                           |
| Land  | \$ 454,260                   | \$ -                | \$ -               | \$ 454,260                |
| Buildings and improvements                  | 27,893,907                   | 132,280             | -                  | 28,026,187                |
| Equipment                                   | 4,495,701                    | 310,239             | (976,112)          | 3,829,828                 |
| Property under capital lease                | 835,395                      | -                   | -                  | 835,395                   |
| Construction in Progress                    | <u>-</u>                     | <u>11,465,159</u>   | <u>-</u>           | <u>11,465,159</u>         |
| Total at historical cost                    | <u>33,679,263</u>            | <u>11,907,678</u>   | <u>(976,112)</u>   | <u>44,610,829</u>         |
| Less accumulated depreciation               |                              |                     |                    |                           |
| Buildings and improvements                  | (11,346,205)                 | (861,276)           | -                  | (12,207,481)              |
| Equipment                                   | (3,861,906)                  | (182,457)           | 976,112            | (3,068,251)               |
| Property under capital lease                | <u>(82,772)</u>              | <u>(73,746)</u>     | <u>-</u>           | <u>(156,518)</u>          |
| Total accumulated depreciation              | <u>(15,290,883)</u>          | <u>(1,117,479)</u>  | <u>976,112</u>     | <u>(15,432,250)</u>       |
| Governmental activities capital assets, net | <u>\$18,388,380</u>          | <u>\$10,790,199</u> | <u>\$ -</u>        | <u>\$29,178,579</u>       |

Asset retirements in the amount of \$976,112 include equipment and fixtures that are no longer in service by the District.

Depreciation expense was charged to governmental activities as follows:

|  |                     |
|--|---------------------|
| Instruction                                  | \$ 686,877          |
| Instructional Resources & Media Services     | 14,396              |
| Curriculum & Instructional Staff Development | 32,663              |
| Instructional Leadership                     | 24,169              |
| School Leadership                            | 54,724              |
| Guidance, Counseling & Evaluation Services   | 34,415              |
| Social Work Services                         | 5,723               |
| Health Services                              | 10,063              |
| Student (Pupil) Transportation               | 30,495              |
| Food Services                                | 46,229              |
| Cocurricular/Extracurricular Activities      | 30,379              |
| General Administration                       | 34,172              |
| Plant Maintenance and Operations             | 100,202             |
| Security Services                            | 3,192               |
| Data Processing Services                     | 2,107               |
| Community Services                           | <u>7,673</u>        |
| Total depreciation expense                   | <u>\$ 1,117,479</u> |

**G. BONDS PAYABLE**

Bonded indebtedness requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The bonds mature serially through the year 2040, with interest rates of 0.53% to 5.00%.

A summary of changes in bonds payable for the year ended June 30, 2017 is as follows:

| Description                                       | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Payable Amounts Outstanding 7/1/16 | Issued      | Retired           | Outstanding 6/30/17 | Due Within One Year |
|---|-----------------------|------------------------|-----------------------|------------------------------------|-------------|-------------------|---------------------|---------------------|
| Unlimited Tax Refunding Bonds, Series 2007        | 3.96%-4.21%           | \$ 3,060,000           | \$ 251,460            | \$ 2,795,467                       | \$ -        | \$ 80,467         | \$ 2,715,000        | \$ 225,000          |
| Unlimited Tax Refunding Bonds, Series 2014        | 0.53%-2.17%           | \$ 3,680,000           | 40,478                | 2,760,000                          | -           | 365,000           | 2,395,000           | 370,000             |
| Unlimited Tax School Building Bonds, Series 2015  | 2.00%-5.00%           | \$ 9,250,000           | 300,825               | 8,530,000                          | -           | 230,000           | 8,300,000           | 115,000             |
| Unlimited Tax School Buildings Bonds, Series 2016 | 2.00%-5.00%           | \$24,340,000           | 820,410               | 24,340,000                         | -           | -                 | 24,340,000          | 225,000             |
| <b>TOTALS</b>                                     |                       |                        | <u>\$ 1,413,173</u>   | <u>\$38,425,467</u>                | <u>\$ -</u> | <u>\$ 675,467</u> | <u>\$37,750,000</u> | <u>\$ 935,000</u>   |

Debt service requirements are as follows:

| Year Ended June 30, | General Obligations |                     | Total Requirements  |
|---------------------|---------------------|---------------------|---------------------|
|                     | Principal           | Interest            |                     |
| 2018                | \$ 935,000          | \$ 1,298,362        | \$ 2,233,362        |
| 2019                | 995,000             | 1,269,194           | 2,264,194           |
| 2020                | 1,045,000           | 1,236,623           | 2,281,623           |
| 2021                | 1,095,000           | 1,200,074           | 2,295,074           |
| 2022                | 1,145,000           | 1,160,559           | 2,305,559           |
| 2023-2027           | 6,995,000           | 5,012,922           | 12,007,922          |
| 2028-2032           | 8,945,000           | 3,410,838           | 12,355,838          |
| 2033-2037           | 10,685,000          | 1,885,969           | 12,570,969          |
| 2038-2040           | <u>5,910,000</u>    | <u>345,381</u>      | <u>6,255,381</u>    |
| <b>TOTAL</b>        | <u>\$37,750,000</u> | <u>\$16,819,922</u> | <u>\$54,569,922</u> |

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2017.

## H. LOANS PAYABLE

The District accounts for loans for maintenance purposes through the General Fund. Loans include notes made in accordance with the provisions of the Texas Education Code Section 45.108.

| Date of Issue<br>Maturity | Purpose and Lawful Authority | Fund Payable From | Interest Rate | Loan Amount | Current Year Interest | Amount Outstanding 7/1/16 | Issued Current Year | Retired Current Year | Amount Outstanding 6/30/17 | Amount Due Within One Year |
|---------------------------|------------------------------|-------------------|---------------|-------------|-----------------------|---------------------------|---------------------|----------------------|----------------------------|----------------------------|
| 01/15<br>01/29            |                              | General Fund      | 0.50%         | \$2,000,000 | <u>\$ 9,355</u>       | <u>\$1,871,000</u>        | <u>\$ -</u>         | <u>\$ 129,000</u>    | <u>\$1,742,000</u>         | <u>\$ 130,000</u>          |
|                           | Total                        |                   |               |             | <u>\$ 9,355</u>       | <u>\$1,871,000</u>        | <u>\$ -</u>         | <u>\$ 129,000</u>    | <u>\$1,742,000</u>         | <u>\$ 130,000</u>          |

Loan Payable requirements are as follows:

| Year Ended<br>June 30 | Principal           | Interest         | Total Requirement   |
|-----------------------|---------------------|------------------|---------------------|
| 2018                  | \$ 130,000          | \$ 8,710         | \$ 138,710          |
| 2019                  | 131,000             | 8,060            | 139,060             |
| 2020                  | 131,000             | 7,405            | 138,405             |
| 2021                  | 132,000             | 6,750            | 138,750             |
| 2022                  | 133,000             | 6,090            | 139,090             |
| 2023 - 2027           | 673,000             | 20,430           | 693,430             |
| 2028 - 2030           | <u>412,000</u>      | <u>4,125</u>     | <u>416,125</u>      |
| Total                 | <u>\$ 1,742,000</u> | <u>\$ 61,570</u> | <u>\$ 1,803,570</u> |

On January 15, 2015, the District entered into a Qualified Zone Activity Bonds agreement for \$2,000,000. The Qualified Zone Activity Bonds will allow the District to finance school rehabilitation and repair projects. Loans are reflected in the Statement of Net Assets. The debt will be retired in future years through the General Fund.

## I. CAPITAL LEASES

On November 14, 2014, the District entered into a capital lease agreement with Key Government Finance, Inc. for the purchase of networking equipment which is authorized under the code section 45.108 and 45.103 of the Texas Education Code. Capital leases are reflected in the Statement of Net Assets, and current requirements for principal interest expenditures are accounted for in the General Fund.

On May 18, 2015, the District entered into a capital lease agreement with Government Capital Corporation for the purchase of energy conservation retrofit system which is authorized under the code section 45.108 and 45.103 of the Texas Education Code. Capital leases are reflected in the Statement of Net Assets, and current requirements for principal interest expenditures are accounted for in the General Fund.

A schedule of changes in capital leases payable is as follows:

|                         | Date<br>of Issue | Interest<br>Rate | Maturity | Amounts<br>Outstanding<br>7/1/16 | Issued<br>Current<br>Year | Retired<br>Current<br>Year | Amounts<br>Outstanding<br>6/30/17 | Due<br>Within<br>One Year |
|-------------------------|------------------|------------------|----------|----------------------------------|---------------------------|----------------------------|-----------------------------------|---------------------------|
| Networking<br>Equipment | 11/14/14         | 3.014%           | 2/14/17  | \$ 44,992                        | \$ -                      | \$ 44,992                  | \$ -                              | \$ -                      |
| Energy<br>Project       | 05/18/15         | 2.950%           | 6/10/30  | <u>661,487</u>                   | <u>-</u>                  | <u>38,845</u>              | <u>622,642</u>                    | <u>39,992</u>             |
|                         |                  |                  |          | <u>\$ 706,479</u>                | <u>\$ -</u>               | <u>\$ 83,837</u>           | <u>\$ 622,642</u>                 | <u>\$ 39,992</u>          |

Interest paid in the current year was \$19,513.

Capital lease requirements are as follows:

| Year Ended<br>June 30 | Principal         | Interest          | Total<br>Requirement |
|-----------------------|-------------------|-------------------|----------------------|
| 2018                  | \$ 39,992         | \$ 18,368         | \$ 58,360            |
| 2019                  | 41,171            | 17,189            | 58,360               |
| 2020                  | 42,386            | 15,974            | 58,360               |
| 2021                  | 43,636            | 14,724            | 58,360               |
| 2022                  | 44,924            | 13,436            | 58,360               |
| 2023 - 2027           | 245,297           | 46,503            | 291,800              |
| 2028 - 2030           | <u>165,236</u>    | <u>9,844</u>      | <u>175,080</u>       |
| Total                 | <u>\$ 622,642</u> | <u>\$ 136,038</u> | <u>\$ 758,680</u>    |

## J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2017 was as follows:

|                          | Balance<br>7/1/16   | Additions       | Retirement          | Balance<br>6/30/17  | Due Within<br>One Year |
|--------------------------|---------------------|-----------------|---------------------|---------------------|------------------------|
| Governmental Activities: |                     |                 |                     |                     |                        |
| Bonds                    | \$38,425,467        | \$ -            | \$ 675,467          | \$37,750,000        | \$ 935,000             |
| Accreted interest        | 130,350             | 9,184           | 139,534             | -                   | -                      |
| Premium on bonds         | 943,623             | -               | 39,903              | 903,720             | -                      |
| Loans                    | 1,871,000           | -               | 129,000             | 1,742,000           | 130,000                |
| Capital leases           | <u>706,479</u>      | <u>-</u>        | <u>83,837</u>       | <u>622,642</u>      | <u>39,992</u>          |
|                          | <u>\$42,076,919</u> | <u>\$ 9,184</u> | <u>\$ 1,067,741</u> | <u>\$41,018,362</u> | <u>\$ 1,104,992</u>    |

## **K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for each full time regular employee in Texas public schools.

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Hondo Independent School District provides an additional five days per year with an extended twenty days in certain circumstances. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

## **L. DEFINED BENEFIT PENSION PLAN**

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

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer rates for fiscal years 2016 and 2017.

|   | <u>Contribution Rates</u> |             |
|---|---------------------------|-------------|
|   | <u>2016</u>               | <u>2017</u> |
| Member                                      | 7.2%                      | 7.7%        |
| Non-Employer Contributing Entity (State)    | 6.8%                      | 6.8%        |
| Employers                                   | 6.8%                      | 6.8%        |
| Hondo ISD 2017 Employer Contributions       | \$ 348,875                |             |
| Hondo ISD 2017 Member Contributions         | 984,042                   |             |
| Hondo ISD 2017 NECE On-Behalf Contributions | 858,582                   |             |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- \* On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- \* During a new member’s first 90 days of employment.
- \* When any part or all of an employee’s salary is paid by federal funding sources or a privately sponsored source.

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

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

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

|  |                             |
|--|-----------------------------|
| Valuation Date                               | August 31, 2016             |
| Actuarial Cost Method                        | Individual Entry Age Normal |
| Asset Valuation Method                       | Market Value                |
| Single Discount Rate                         | 8.0%                        |
| Long-term expected Investment Rate of Return | 8.0%                        |
| Inflation                                    | 2.5%                        |
| Salary Increases Including Inflation         | 3.50% to 9.50%              |
| Payroll Growth Rate                          | 2.50%                       |
| Benefit Changes During the Year              | None                        |
| Ad hoc Post Employment Benefit Changes       | None                        |

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

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

|   | <u>1% Decrease<br/>in Discount<br/>Rate (7%)</u> | <u>Discount<br/>Rate (8%)</u> | <u>1% Increase<br/>in Discount<br/>Rate (9%)</u> |
|---|--|-------------------------------|--|
| Hondo ISD's proportionate share of the net pension liability: | <u>\$ 6,107,591</u>                              | <u>\$ 3,946,331</u>           | <u>\$ 2,113,146</u>                              |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, Hondo Independent School District reported a liability of \$3,946,331 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Hondo Independent School District. The amount recognized by Hondo Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Hondo Independent School District were as follows:

|  |                     |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 3,946,331        |
| State's proportionate share that is associated with the District       | <u>8,273,399</u>    |
| Total  | <u>\$12,219,730</u> |

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was .000104432% which was an increase of .000000064% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation** - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended June 30, 2017, Hondo Independent School District recognized pension expense of \$858,582 and revenue of \$858,582 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2017, Hondo Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience  | \$ 61,878                                     | \$ 117,835                                   |
| Changes in actuarial assumptions   | 120,277                                       | 109,387                                      |
| Differences between projected and actual investment earnings   | 334,167                                       | -  |
| Changes in proportion and differences between the employer's contributions<br>and the proportionate share of contributions | 522,500                                       | 379  |
| Contributions paid to TRS subsequent to the measurement date   | <u>294,725</u>                                | <u>-</u>                                     |
| Total  | <u>\$ 1,333,547</u>                           | <u>\$ 227,601</u>                            |

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>August 31</u> | <u>Pension Expense<br/>Amount</u> |
|---------------------------------|-----------------------------------|
| 2018                            | \$ 134,744                        |
| 2019                            | 134,744                           |
| 2020                            | 347,892                           |
| 2021                            | 118,367                           |
| 2022                            | 59,174                            |
| Thereafter                      | 16,299                            |

#### **M. MEDICARE PART D - ON BEHALF PAYMENTS**

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 for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Hondo Independent School District for fiscal years 2015, 2016, and 2017 were \$32,867, \$48,632, and \$47,533, respectively.

**N. SCHOOL DISTRICT RETIREE HEALTH PLAN**

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

*Funding Policy.* - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2017.

| Year   | Contribution Rates |           |       |           |                 |           |
|--------|--------------------|-----------|-------|-----------|-----------------|-----------|
|        | Active Member      |           | State |           | School District |           |
|        | Rate               | Amount    | Rate  | Amount    | Rate            | Amount    |
| 2017   | .65%               | \$ 83,930 | 1.0%  | \$129,123 | .55%            | \$ 71,019 |
| 2016   | .65%               | \$ 80,424 | 1.0%  | \$123,729 | .55%            | \$ 68,055 |
| * 2015 | .65%               | \$ 79,317 | 1.0%  | \$122,025 | .55%            | \$ 67,114 |

\* Reflects ten months only.

**O. LITIGATION**

The District is occasionally involved in various legal actions. Attorneys for the District indicate there is none as of June 30, 2017.

**P. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

As of June 30, 2017, the District had two construction contracts for \$17,900,000 in place. Expenditures recorded as of June 30, 2017 are \$10,662,122. Remaining contract amounts will be expended in future periods.

**Q. GENERAL FUND FEDERAL SOURCE REVENUES**

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for SHARS and indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended June 30, 2017, from various federal sources as follows:

| <u>Program or Source</u> | <u>Amount</u>     |
|--------------------------|-------------------|
| SHARS                    | \$ 186,718        |
| Medicaid                 | 2,837             |
| Indirect Costs:          |                   |
| ESEA Title 1, Part A     | 12,517            |
| IDEA-Part B, Formula     | 7,361             |
| IDEA-Part B, Preschool   | 146               |
| Career and Technical     | <u>521</u>        |
| Total                    | <u>\$ 210,100</u> |

Indirect cost revenues were determined by applying approved indirect costs rates to allowable applicable expenditures of federally funded grant programs.

**R. DUE FROM STATE AGENCIES**

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 June 30, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

| <u>Fund</u>     | <u>State Entitlements</u> | <u>Federal Grants</u> | <u>Total</u>        |
|-----------------|---------------------------|-----------------------|---------------------|
| General         | \$ 2,375,885              | \$ 1,577              | \$ 2,377,462        |
| Special Revenue | <u>19,005</u>             | <u>339,701</u>        | <u>358,706</u>      |
| Total           | <u>\$ 2,394,890</u>       | <u>\$ 341,278</u>     | <u>\$ 2,736,168</u> |

**S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

|                               | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total</u>        |
|-------------------------------|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|---------------------|
| Property Taxes                | \$ 6,479,478            | \$ -                                | \$ 2,099,501                     | \$ -                                 | \$ 8,578,979        |
| Penalties, Interest and Other |                         |                                     |                                  |                                      |                     |
| Tax-related Income            | 76,816                  | -                                   | 21,862                           | -                                    | 98,678              |
| Investment Income             | 39,214                  | 334                                 | 6,172                            | 192,240                              | 237,960             |
| Food Sales                    | -                       | 50,085                              | -                                | -                                    | 50,085              |
| Co-curricular Activities      | 96,521                  | 120,264                             | -                                | -                                    | 216,785             |
| Other                         | <u>49,245</u>           | <u>139,189</u>                      | <u>-</u>                         | <u>52,448</u>                        | <u>240,882</u>      |
| Total                         | <u>\$ 6,741,274</u>     | <u>\$ 309,872</u>                   | <u>\$ 2,127,535</u>              | <u>\$ 244,688</u>                    | <u>\$ 9,423,369</u> |

**T. SHARED SERVICE ARRANGEMENT (“SSA”)**

In Special Revenue Fund No. 436, SSA - Supplemental Services for the Visually Impaired, member districts provide the funds to the fiscal agent, and the fiscal agent manages the SSA’s financial matters. The District, as the fiscal agent, records the receipts of member school district’s monies and the related disbursement activity and informs the member districts of the SSA’s activity and each member fund using Model #3 in the SSA section of the Resource Guide.

Expenditures for the SSA are summarized below:

|                      | <u>Fund<br/>No. 436</u> |
|----------------------|-------------------------|
| Cluster V            | \$ 25,327               |
| Carrizo Springs CISD | 21,915                  |
| Crystal City ISD     | 19,159                  |
| Hondo ISD            | 19,553                  |
| Uvalde CISD          | <u>45,274</u>           |
| Total                | <u>\$ 131,228</u>       |

**U. EXTRAORDINARY ITEM**

During the year the District received insurance proceeds in the amount of \$500,000 from their insurance provider to cover hail damage sustained to the District's property. Since the hail damage is considered a natural event that is both unusual in nature and infrequent in occurrence and thus an extraordinary item for financial statement reporting purposes.

There is no impairment gain or loss to be reported per GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* because the impairment is considered insignificant and temporary in nature.

**REQUIRED SUPPLEMENTARY INFORMATION**

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

| Data Control Codes                     | Budgeted Amounts  |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |             |
|--|---|--------------|--------------------------------|--|-------------|
|  | Original  | Final        |                                |  |             |
| <b>REVENUES:</b>                       |   |              |                                |  |             |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 6,548,136 | \$ 6,808,136                   | \$ 6,741,274   | \$ (66,862) |
| 5800                                   | State Program Revenues                                    | 10,581,967   | 10,431,967                     | 10,471,681   | 39,714      |
| 5900                                   | Federal Program Revenues                                  | 146,000      | 183,000                        | 210,100  | 27,100      |
| 5020                                   | Total Revenues  | 17,276,103   | 17,423,103                     | 17,423,055   | (48)        |
| <b>EXPENDITURES:</b>                   |   |              |                                |  |             |
| Current:                               |   |              |                                |  |             |
| 0011                                   | Instruction   | 10,306,137   | 10,096,137                     | 10,069,792   | 26,345      |
| 0012                                   | Instructional Resources and Media Services                | 183,262      | 163,262                        | 147,412  | 15,850      |
| 0013                                   | Curriculum and Instructional Staff Development            | 73,774       | 73,774                         | 63,620   | 10,154      |
| 0021                                   | Instructional Leadership                                  | 260,624      | 260,624                        | 249,472  | 11,152      |
| 0023                                   | School Leadership   | 996,831      | 996,831                        | 990,728  | 6,103       |
| 0031                                   | Guidance, Counseling and Evaluation Services              | 568,559      | 568,559                        | 560,173  | 8,386       |
| 0032                                   | Social Work Services                                      | 62,535       | 62,535                         | 61,656   | 879         |
| 0033                                   | Health Services   | 180,396      | 183,396                        | 181,344  | 2,052       |
| 0034                                   | Student (Pupil) Transportation                            | 555,915      | 678,915                        | 678,635  | 280         |
| 0036                                   | Extracurricular Activities                                | 729,354      | 797,354                        | 795,485  | 1,869       |
| 0041                                   | General Administration                                    | 854,608      | 834,608                        | 829,835  | 4,773       |
| 0051                                   | Facilities Maintenance and Operations                     | 1,743,425    | 2,389,425                      | 2,051,133  | 338,292     |
| 0052                                   | Security and Monitoring Services                          | 197,909      | 172,909                        | 150,904  | 22,005      |
| 0053                                   | Data Processing Services                                  | 298,924      | 359,924                        | 356,934  | 2,990       |
| 0061                                   | Community Services  | 300          | 300                            | -  | 300         |
| Debt Service:                          |   |              |                                |  |             |
| 0071                                   | Principal on Long Term Debt                               | 213,400      | 213,400                        | 212,837  | 563         |
| 0072                                   | Interest on Long Term Debt                                | 29,650       | 29,650                         | 28,868   | 782         |
| 0073                                   | Bond Issuance Cost and Fees                               | 500          | 500                            | 490  | 10          |
| Intergovernmental:                     |   |              |                                |  |             |
| 0093                                   | Payments to Fiscal Agent/Member Districts of SSA          | 20,000       | 41,000                         | 39,172   | 1,828       |
| 6030                                   | Total Expenditures  | 17,276,103   | 17,923,103                     | 17,468,490   | 454,613     |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | -            | (500,000)                      | (45,435)   | 454,565     |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |              |                                |  |             |
| 7912                                   | Sale of Real and Personal Property                        | -            | -                              | 680  | 680         |
| <b>EXTRAORDINARY ITEMS:</b>            |   |              |                                |  |             |
| 7919                                   | Extraordinary Item - Resource                             | -            | 500,000                        | 500,000  | -           |
| 1200                                   | Net Change in Fund Balances                               | -            | -                              | 455,245  | 455,245     |
| 0100                                   | Fund Balance - July 1 (Beginning)                         | 6,451,144    | 6,451,144                      | 6,451,144  | -           |
| 3000                                   | Fund Balance - June 30 (Ending)                           | \$ 6,451,144 | \$ 6,451,144                   | \$ 6,906,389   | \$ 455,245  |

HONDO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT G-2

|   | 2017                 | 2016                 | 2015                |
|---|----------------------|----------------------|---------------------|
| District's Proportion of the Net Pension Liability (Asset)  | 0.000104432%         | 0.000104368%         | 0.000081485%        |
| District's Proportionate Share of Net Pension Liability (Asset)   | \$ 3,946,331         | \$ 3,689,270         | \$ 2,176,577        |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District                       | 8,273,399            | 8,249,081            | 6,727,471           |
| Total   | <u>\$ 12,219,730</u> | <u>\$ 11,938,351</u> | <u>\$ 8,904,048</u> |
| District's Covered-Employee Payroll   | \$ 12,373,408        | \$ 12,205,292        | \$ 12,235,193       |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 31.89%               | 30.23%               | 17.79%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  | 78.00%               | 78.43%               | 83.25%              |

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

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

HONDO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2017

EXHIBIT G-3

|   | 2017          | 2016          | 2015          |
|---|---------------|---------------|---------------|
| Contractually Required Contribution                                 | \$ 348,875    | \$ 309,039    | \$ 206,587    |
| Contribution in Relation to the Contractually Required Contribution | (348,875)     | (309,039)     | (206,587)     |
| Contribution Deficiency (Excess)                                    | \$ -0-        | \$ -0-        | \$ -0-        |
| District's Covered-Employee Payroll                                 | \$ 12,913,667 | \$ 12,373,408 | \$ 12,205,292 |
| Contributions as a Percentage of Covered-Employee Payroll           | 2.70%         | 2.50%         | 1.69%         |

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

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

HONDO INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

*Changes of benefit terms.*

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

*Changes of assumptions.*

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

## **COMBINING AND OTHER STATEMENTS**

HONDO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

| Data<br>Control<br>Codes | 205<br>Head Start | 211<br>ESEA I, A<br>Improving<br>Basic Program | 212<br>ESEA Title I<br>Part C<br>Migrant | 224<br>IDEA - Part B<br>Formula |
|--------------------------|-------------------|--|--|---------------------------------|
| <b>ASSETS</b>            |                   |  |  |                                 |
| 1110                     | \$ -              | \$ -   | \$ -                                     | \$ -                            |
| 1120                     | -                 | -  | -  | -                               |
| 1240                     | 37,937            | 157,705  | 6,658                                    | 94,618                          |
| 1290                     | -                 | -  | -  | -                               |
| 1000                     | <u>\$ 37,937</u>  | <u>\$ 157,705</u>                              | <u>\$ 6,658</u>                          | <u>\$ 94,618</u>                |
| <b>LIABILITIES</b>       |                   |  |  |                                 |
| 2110                     | \$ -              | \$ 544   | \$ -                                     | \$ 100                          |
| 2160                     | 17,275            | 51,332   | -  | 37,684                          |
| 2170                     | 20,662            | 105,829  | 6,658                                    | 56,834                          |
| 2000                     | <u>37,937</u>     | <u>157,705</u>                                 | <u>6,658</u>                             | <u>94,618</u>                   |
| <b>FUND BALANCES</b>     |                   |  |  |                                 |
| Restricted Fund Balance: |                   |  |  |                                 |
| 3450                     | -                 | -  | -  | -                               |
| 3490                     | -                 | -  | -  | -                               |
| Committed Fund Balance:  |                   |  |  |                                 |
| 3545                     | -                 | -  | -  | -                               |
| 3000                     | <u>-</u>          | <u>-</u>                                       | <u>-</u>                                 | <u>-</u>                        |
| 4000                     | <u>\$ 37,937</u>  | <u>\$ 157,705</u>                              | <u>\$ 6,658</u>                          | <u>\$ 94,618</u>                |

| 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 242<br>Summer<br>Feeding<br>Program | 244<br>Career and<br>Technical -<br>Basic Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 410<br>State<br>Textbook<br>Fund | 429<br>Other State<br>Special<br>Revenue Funds |
|-----------------------------------|---|-------------------------------------|---|--|---|----------------------------------|--|
| \$ -                              | \$ 19,607   | \$ -                                | \$ -  | \$ -   | \$ -  | \$ 14,864                        | \$ -   |
| -                                 | 212,560   | 1                                   | -   | -  | -   | 161,133                          | -  |
| 1,244                             | -   | 7,385                               | 10,099  | 24,055   | -   | -                                | -  |
| -                                 | 98  | -                                   | 330   | -  | -   | -                                | -  |
| <u>\$ 1,244</u>                   | <u>\$ 232,265</u>                                 | <u>\$ 7,386</u>                     | <u>\$ 10,429</u>                                | <u>\$ 24,055</u>                               | <u>\$ -</u>   | <u>\$ 175,997</u>                | <u>\$ -</u>                                    |
| \$ -                              | \$ 4,237  | \$ -                                | \$ 2,787  | \$ -   | \$ -  | \$ 143,817                       | \$ -   |
| 131                               | 43,131  | -                                   | -   | 9,925  | -   | -                                | -  |
| 1,113                             | -   | 7,386                               | 7,642   | 14,130   | -   | -                                | -  |
| <u>1,244</u>                      | <u>47,368</u>                                     | <u>7,386</u>                        | <u>10,429</u>                                   | <u>24,055</u>                                  | <u>-</u>  | <u>143,817</u>                   | <u>-</u>                                       |
| -                                 | 184,897   | -                                   | -   | -  | -   | 32,180                           | -  |
| -                                 | -   | -                                   | -   | -  | -   | -                                | -  |
| -                                 | -   | -                                   | -   | -  | -   | -                                | -  |
| <u>-</u>                          | <u>184,897</u>                                    | <u>-</u>                            | <u>-</u>  | <u>-</u>                                       | <u>-</u>  | <u>32,180</u>                    | <u>-</u>                                       |
| <u>\$ 1,244</u>                   | <u>\$ 232,265</u>                                 | <u>\$ 7,386</u>                     | <u>\$ 10,429</u>                                | <u>\$ 24,055</u>                               | <u>\$ -</u>   | <u>\$ 175,997</u>                | <u>\$ -</u>                                    |

HONDO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

| Data<br>Control<br>Codes | 434<br>SSA - SSVI<br>Visually<br>Impaired | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |                   |
|--------------------------|---|------------------------------------|--|-------------------|
| <b>ASSETS</b>            |   |                                    |  |                   |
| 1110                     | Cash and Cash Equivalents                 | \$ -                               | \$ 4,391                                   | \$ 38,862         |
| 1120                     | Investments - Current                     | -                                  | 47,602                                     | 421,296           |
| 1240                     | Receivables from Other Governments        | 19,005                             | -  | 358,706           |
| 1290                     | Other Receivables                         | -                                  | 64   | 492               |
| 1000                     | Total Assets                              | <u>\$ 19,005</u>                   | <u>\$ 52,057</u>                           | <u>\$ 819,356</u> |
| <b>LIABILITIES</b>       |   |                                    |  |                   |
| 2110                     | Accounts Payable                          | \$ -                               | \$ 660                                     | \$ 152,145        |
| 2160                     | Accrued Wages Payable                     | 16,712                             | -  | 176,190           |
| 2170                     | Due to Other Funds                        | 579                                | -  | 220,833           |
| 2000                     | Total Liabilities                         | <u>17,291</u>                      | <u>660</u>                                 | <u>549,168</u>    |
| <b>FUND BALANCES</b>     |   |                                    |  |                   |
| Restricted Fund Balance: |   |                                    |  |                   |
| 3450                     | Federal or State Funds Grant Restriction  | -                                  | -  | 217,077           |
| 3490                     | Other Restricted Fund Balance             | 1,714                              | -  | 1,714             |
| Committed Fund Balance:  |   |                                    |  |                   |
| 3545                     | Other Committed Fund Balance              | -                                  | 51,397                                     | 51,397            |
| 3000                     | Total Fund Balances                       | <u>1,714</u>                       | <u>51,397</u>                              | <u>270,188</u>    |
| 4000                     | Total Liabilities and Fund Balances       | <u>\$ 19,005</u>                   | <u>\$ 52,057</u>                           | <u>\$ 819,356</u> |

HONDO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

| Data<br>Control<br>Codes                            | 205<br>Head Start | 211<br>ESEA I, A<br>Improving<br>Basic Program | 212<br>ESEA Title I<br>Part C<br>Migrant | 224<br>IDEA - Part B<br>Formula |
|---|-------------------|--|--|---------------------------------|
| <b>REVENUES:</b>                                    |                   |  |  |                                 |
| 5700 Total Local and Intermediate Sources           | \$ -              | \$ -   | \$ -                                     | \$ -                            |
| 5800 State Program Revenues                         | -                 | -  | -  | -                               |
| 5900 Federal Program Revenues                       | 123,433           | 595,537  | 17,322                                   | 349,967                         |
| 5020 Total Revenues                                 | 123,433           | 595,537  | 17,322                                   | 349,967                         |
| <b>EXPENDITURES:</b>                                |                   |  |  |                                 |
| Current:  |                   |  |  |                                 |
| 0011 Instruction                                    | 123,433           | 294,269  | 17,322                                   | 283,429                         |
| 0013 Curriculum and Instructional Staff Development | -                 | 290,721  | -  | 4,237                           |
| 0021 Instructional Leadership                       | -                 | 706  | -  | 4,853                           |
| 0023 School Leadership                              | -                 | 6,457  | -  | -                               |
| 0031 Guidance, Counseling and Evaluation Services   | -                 | 2,202  | -  | 57,353                          |
| 0035 Food Services                                  | -                 | -  | -  | -                               |
| 0036 Extracurricular Activities                     | -                 | -  | -  | 95                              |
| 0061 Community Services                             | -                 | 1,182  | -  | -                               |
| 6030 Total Expenditures                             | 123,433           | 595,537  | 17,322                                   | 349,967                         |
| 1200 Net Change in Fund Balance                     | -                 | -  | -  | -                               |
| 0100 Fund Balance - July 1 (Beginning)              | -                 | -  | -  | -                               |
| 3000 Fund Balance - June 30 (Ending)                | \$ -              | \$ -   | \$ -                                     | \$ -                            |

| 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 242<br>Summer<br>Feeding<br>Program | 244<br>Career and<br>Technical -<br>Basic Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 410<br>State<br>Textbook<br>Fund | 429<br>Other State<br>Special<br>Revenue Funds |
|-----------------------------------|---|-------------------------------------|---|--|---|----------------------------------|--|
| \$ -                              | \$ 72,907   | \$ 74                               | \$ -  | \$ -   | \$ -  | \$ 1,640                         | \$ -   |
| -                                 | 75,657  | -                                   | -   | -  | -   | 207,744                          | 5,235  |
| 6,983                             | 841,263   | 7,385                               | 27,862  | 80,867   | 1,320   | -                                | -  |
| 6,983                             | 989,827   | 7,459                               | 27,862  | 80,867   | 1,320   | 209,384                          | 5,235  |
| 6,983                             | -   | -                                   | 19,980  | 80,867   | 1,320   | 188,399                          | 5,235  |
| -                                 | -   | -                                   | 4,282   | -  | -   | -                                | -  |
| -                                 | -   | -                                   | -   | -  | -   | -                                | -  |
| -                                 | -   | -                                   | 3,600   | -  | -   | -                                | -  |
| -                                 | 978,190   | 7,459                               | -   | -  | -   | -                                | -  |
| -                                 | -   | -                                   | -   | -  | -   | -                                | -  |
| -                                 | -   | -                                   | -   | -  | -   | -                                | -  |
| 6,983                             | 978,190   | 7,459                               | 27,862  | 80,867   | 1,320   | 188,399                          | 5,235  |
| -                                 | 11,637  | -                                   | -   | -  | -   | 20,985                           | -  |
| -                                 | 173,260   | -                                   | -   | -  | -   | 11,195                           | -  |
| \$ -                              | \$ 184,897  | \$ -                                | \$ -  | \$ -   | \$ -  | \$ 32,180                        | \$ -   |

HONDO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

| Data<br>Control<br>Codes                            | 434<br>SSA - SSVI<br>Visually<br>Impaired | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|---|------------------------------------|--|
| <b>REVENUES:</b>                                    |   |                                    |  |
| 5700 Total Local and Intermediate Sources           | \$ 114,987                                | \$ 120,264                         | \$ 309,872                                 |
| 5800 State Program Revenues                         | 17,955                                    | -                                  | 306,591                                    |
| 5900 Federal Program Revenues                       | -   | -                                  | 2,051,939                                  |
| 5020 Total Revenues                                 | <u>132,942</u>                            | <u>120,264</u>                     | <u>2,668,402</u>                           |
| <b>EXPENDITURES:</b>                                |   |                                    |  |
| Current:  |   |                                    |  |
| 0011 Instruction                                    | 131,041                                   | -                                  | 1,152,278                                  |
| 0013 Curriculum and Instructional Staff Development | 187                                       | -                                  | 299,427                                    |
| 0021 Instructional Leadership                       | -   | -                                  | 5,559                                      |
| 0023 School Leadership                              | -   | -                                  | 10,057                                     |
| 0031 Guidance, Counseling and Evaluation Services   | -   | -                                  | 59,555                                     |
| 0035 Food Services                                  | -   | -                                  | 985,649                                    |
| 0036 Extracurricular Activities                     | -   | 122,997                            | 123,092                                    |
| 0061 Community Services                             | -   | -                                  | 1,182                                      |
| 6030 Total Expenditures                             | <u>131,228</u>                            | <u>122,997</u>                     | <u>2,636,799</u>                           |
| 1200 Net Change in Fund Balance                     | 1,714                                     | (2,733)                            | 31,603                                     |
| 0100 Fund Balance - July 1 (Beginning)              | -   | 54,130                             | 238,585                                    |
| 3000 Fund Balance - June 30 (Ending)                | <u>\$ 1,714</u>                           | <u>\$ 51,397</u>                   | <u>\$ 270,188</u>                          |

HONDO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

|                                 | BALANCE<br>JULY 1<br>2016 | ADDITIONS        | DEDUCTIONS       | BALANCE<br>JUNE 30<br>2017 |
|---------------------------------|---------------------------|------------------|------------------|----------------------------|
| <b>STUDENT ACTIVITY ACCOUNT</b> |                           |                  |                  |                            |
| Assets:                         |                           |                  |                  |                            |
| Cash and Temporary Investments  | \$ 27,510                 | \$ 30,123        | \$ 51,773        | \$ 5,860                   |
| Investments - Current           | -                         | 14,799           | -                | 14,799                     |
| Due From Other Funds            | 261                       | -                | 261              | -                          |
| Total Assets                    | <u>\$ 27,771</u>          | <u>\$ 44,922</u> | <u>\$ 52,034</u> | <u>\$ 20,659</u>           |
| Liabilities:                    |                           |                  |                  |                            |
| Due to Student Groups           | <u>\$ 27,771</u>          | <u>\$ 44,922</u> | <u>\$ 52,034</u> | <u>\$ 20,659</u>           |
| <b>TOTAL AGENCY FUNDS</b>       |                           |                  |                  |                            |
| Assets:                         |                           |                  |                  |                            |
| Cash and Temporary Investments  | \$ 27,510                 | \$ 30,123        | \$ 51,773        | \$ 5,860                   |
| Investments - Current           | -                         | 14,799           | -                | 14,799                     |
| Due From Other Funds            | 261                       | -                | 261              | -                          |
| Total Assets                    | <u>\$ 27,771</u>          | <u>\$ 44,922</u> | <u>\$ 52,034</u> | <u>\$ 20,659</u>           |
| Liabilities:                    |                           |                  |                  |                            |
| Due to Student Groups           | <u>\$ 27,771</u>          | <u>\$ 44,922</u> | <u>\$ 52,034</u> | <u>\$ 20,659</u>           |

## **T.E.A. REQUIRED SCHEDULES**

HONDO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2017

| Last 10 Years                  | (1)         | (2)          | (3)  |
|--------------------------------|-------------|--------------|--|
|                                | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                | Maintenance | Debt Service |  |
| 2008 and prior years           | Various     | Various      | \$ Various   |
| 2009                           | 1.040000    | 0.090000     | 403,346,107  |
| 2010                           | 1.040000    | 0.100000     | 417,568,860  |
| 2011                           | 1.040000    | 0.100000     | 438,470,439  |
| 2012                           | 1.040000    | 0.100000     | 454,062,632  |
| 2013                           | 1.040000    | 0.100000     | 494,008,421  |
| 2014                           | 1.040000    | 0.100000     | 524,253,246  |
| 2015                           | 1.040000    | 0.100000     | 570,661,754  |
| 2016                           | 1.040000    | 0.275000     | 565,202,738  |
| 2017 (School year under audit) | 1.040000    | 0.340000     | 628,793,478  |
| 1000 TOTALS                    |             |              |  |

| (10)<br>Beginning<br>Balance<br>7/1/2016 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>6/30/2017 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 38,567                                | \$ -                                    | \$ 260                             | \$ 18                               | \$ (57)                                 | \$ 38,232                              |
| 5,266                                    | -                                       | 978                                | 84                                  | -                                       | 4,204                                  |
| 7,943                                    | -                                       | 799                                | 76                                  | -                                       | 7,068                                  |
| 11,096                                   | -                                       | 1,442                              | 137                                 | -                                       | 9,517                                  |
| 13,632                                   | -                                       | 3,093                              | 296                                 | -                                       | 10,243                                 |
| 20,741                                   | -                                       | 6,933                              | 666                                 | -                                       | 13,142                                 |
| 33,534                                   | -                                       | 11,181                             | 1,074                               | -                                       | 21,279                                 |
| 74,149                                   | -                                       | 28,200                             | 2,707                               | (200)                                   | 43,042                                 |
| 193,853                                  | -                                       | 76,295                             | 20,149                              | (13,969)                                | 83,440                                 |
| -  | 8,677,350                               | 6,350,297                          | 2,074,294                           | (8,659)                                 | 244,100                                |
| <u>\$ 398,781</u>                        | <u>\$ 8,677,350</u>                     | <u>\$ 6,479,478</u>                | <u>\$ 2,099,501</u>                 | <u>\$ (22,885)</u>                      | <u>\$ 474,267</u>                      |

HONDO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2017

| Data<br>Control<br>Codes                  | Budgeted Amounts  |                   | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---|-------------------|-------------------|--------------------------------|--|
|   | Original          | Final             |                                |  |
| <b>REVENUES:</b>                          |                   |                   |                                |  |
| 5700 Total Local and Intermediate Sources | \$ 68,561         | \$ 77,561         | \$ 72,907                      | \$ (4,654)   |
| 5800 State Program Revenues               | 30,452            | 73,052            | 75,657                         | 2,605  |
| 5900 Federal Program Revenues             | 830,273           | 830,273           | 841,263                        | 10,990   |
| 5020 Total Revenues                       | <u>929,286</u>    | <u>980,886</u>    | <u>989,827</u>                 | <u>8,941</u>   |
| <b>EXPENDITURES:</b>                      |                   |                   |                                |  |
| 0035 Food Services                        | <u>929,286</u>    | <u>980,886</u>    | <u>978,190</u>                 | <u>2,696</u>   |
| 6030 Total Expenditures                   | <u>929,286</u>    | <u>980,886</u>    | <u>978,190</u>                 | <u>2,696</u>   |
| 1200 Net Change in Fund Balances          | -                 | -                 | 11,637                         | 11,637   |
| 0100 Fund Balance - July 1 (Beginning)    | <u>173,260</u>    | <u>173,260</u>    | <u>173,260</u>                 | <u>-</u>   |
| 3000 Fund Balance - June 30 (Ending)      | <u>\$ 173,260</u> | <u>\$ 173,260</u> | <u>\$ 184,897</u>              | <u>\$ 11,637</u>   |

HONDO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2017

| Data<br>Control<br>Codes | Budgeted Amounts                     |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |           |
|--------------------------|--------------------------------------|--------------|--------------------------------|--|-----------|
|                          | Original                             | Final        |                                |  |           |
| <b>REVENUES:</b>         |                                      |              |                                |  |           |
| 5700                     | Total Local and Intermediate Sources | \$ 2,069,702 | \$ 2,069,702                   | \$ 2,127,535   | \$ 57,833 |
| 5800                     | State Program Revenues               | 144,188      | 144,188                        | 151,419  | 7,231     |
| 5020                     | Total Revenues                       | 2,213,890    | 2,213,890                      | 2,278,954  | 65,064    |
| <b>EXPENDITURES:</b>     |                                      |              |                                |  |           |
| Debt Service:            |                                      |              |                                |  |           |
| 0071                     | Principal on Long Term Debt          | 676,000      | 676,000                        | 675,467  | 533       |
| 0072                     | Interest on Long Term Debt           | 1,414,000    | 1,414,000                      | 1,413,173  | 827       |
| 0073                     | Bond Issuance Cost and Fees          | 5,000        | 5,000                          | 2,240  | 2,760     |
| 6030                     | Total Expenditures                   | 2,095,000    | 2,095,000                      | 2,090,880  | 4,120     |
| 1200                     | Net Change in Fund Balances          | 118,890      | 118,890                        | 188,074  | 69,184    |
| 0100                     | Fund Balance - July 1 (Beginning)    | 812,241      | 812,241                        | 812,241  | -         |
| 3000                     | Fund Balance - June 30 (Ending)      | \$ 931,131   | \$ 931,131                     | \$ 1,000,315   | \$ 69,184 |

**REPORTS ON**  
**INTERNAL CONTROLS, COMPLIANCE**  
**AND**  
**FEDERAL AWARDS**

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400 E. NOPAL ST  
UVALDE, TEXAS 78801-5305

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**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of Trustees  
Hondo Independent School District  
Hondo, Texas 78861

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hondo Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hondo Independent School District's basic financial statements, and have issued our report thereon dated September 15, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the 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.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 15, 2017

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**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Trustees  
Hondo Independent School District  
Hondo, Texas 78861

**Report on Compliance for Each Major Federal Program**

We have audited Hondo Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hondo Independent School District's major federal programs for the year ended June 30, 2017. The Hondo Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Hondo 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Hondo 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 of the Hondo Independent School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Hondo 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 programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the Hondo Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hondo Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hondo 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
September 15, 2017

HONDO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued? Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified?  Yes  No

Control deficiency(ies) or significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified?  Yes  No

Control deficiency(ies) or significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 200.56 of the Uniform Guidance?  Yes  No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>        |
|-----------------------|--|
| CFDA #84.010A         | ESEA, Title I, Part A - Improving Basic Programs |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

HONDO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**B. Financial Statement Findings**

----- None noted -----

**C. Federal Award Findings and Questioned Costs**

----- None noted -----

HONDO INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

----- Not Applicable -----

HONDO INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017

----- Not Applicable -----

HONDO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

| (1)   | (2)                       | (3)  | (4)                     |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                           |  |                         |
| <u>Passed Through State Department of Education</u>                   |                           |  |                         |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                   | 16610101163904                               | \$ 16,017               |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                   | 17610101163904                               | 579,520                 |
| Total CFDA Number 84.010A   |                           |  | 595,537                 |
| ESEA, Title I, Part C - Migratory Children                            | 84.011                    | 301420703                                    | 17,322                  |
| *IDEA - Part B, Formula   | 84.027                    | 166600011639046600                           | 3,226                   |
| *IDEA - Part B, Formula   | 84.027                    | 176600011639046600                           | 346,741                 |
| Total CFDA Number 84.027  |                           |  | 349,967                 |
| *IDEA - Part B, Preschool   | 84.173                    | 166610011639046610                           | 29                      |
| *IDEA - Part B, Preschool   | 84.173                    | 176610011639046610                           | 6,954                   |
| Total CFDA Number 84.173  |                           |  | 6,983                   |
| Total Special Education Cluster (IDEA)                                |                           |  | 356,950                 |
| Career and Technical - Basic Grant                                    | 84.048                    | 17420006163904                               | 27,862                  |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 17671003163904                               | 1,320                   |
| ESEA, Title II, Part A, Teacher/Principal Training                    | 84.367A                   | 3424271603                                   | 1,542                   |
| ESEA, Title II, Part A, Teacher/Principal Training                    | 84.367A                   | 3424271703                                   | 79,325                  |
| Total CFDA Number 84.367A   |                           |  | 80,867                  |
| Total Passed Through State Department of Education                    |                           |  | \$ 1,079,858            |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                             |                           |  | <b>\$ 1,079,858</b>     |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                   |                           |  |                         |
| <u>Passed Through Texas Dept of Human Services</u>                    |                           |  |                         |
| Medicaid Administrative Claiming Program - MAC                        | 93.778                    |  | \$ 2,836                |
| Total Passed Through Texas Dept of Human Services                     |                           |  | \$ 2,836                |
| <u>Passed Through State Department of Education</u>                   |                           |  |                         |
| Head Start  | 93.600                    | 205457602                                    | \$ 433                  |
| Head Start  | 93.600                    | 205457702                                    | 123,000                 |
| Total CFDA Number 93.600  |                           |  | 123,433                 |
| Total Passed Through State Department of Education                    |                           |  | \$ 123,433              |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>             |                           |  | <b>\$ 126,269</b>       |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                           |  |                         |
| <u>Passed Through the State Department of Agriculture</u>             |                           |  |                         |
| *School Breakfast Program   | 10.553                    | 71401701                                     | \$ 213,475              |
| *National School Lunch Program - Cash Assistance                      | 10.555                    | 71301701                                     | 561,854                 |
| *National School Lunch Prog. - Non-Cash Assistance                    | 10.555                    | N/A  | 65,934                  |
| Total CFDA Number 10.555  |                           |  | 627,788                 |
| *Summer Feeding Program - Cash Assistance                             | 10.559                    | N/A  | 7,385                   |
| Total Child Nutrition Cluster   |                           |  | 848,648                 |
| Total Passed Through the State Department of Agriculture              |                           |  | \$ 848,648              |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                           |                           |  | <b>\$ 848,648</b>       |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                           |  | <b>\$ 2,054,775</b>     |

\*Clustered Programs

The above amounts do not include indirect costs of \$20,545 and SHARS receipts of \$186,718, which are included as federal revenue in the general fund.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

HONDO INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017

- 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.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

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. 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 unearned revenues until earned.

- The period performance 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 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$20,545.