

HONDO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2016

HONDO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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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) X approved _____ disapproved for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 17th of October, 2016.

Carey Frazier
Signature of Board Secretary

Mark Matthews
Signature of Board Vice-President

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, 2016, 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, 2016, 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 47-49 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*, and budget comparisons 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, schedule of expenditures of federal awards, and budget comparisons 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, schedule of expenditures of federal awards, and budget comparisons 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 16, 2016 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 16, 2016

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, 2016. 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 \$11,739,601 at June 30, 2016, a decrease of \$1,344,862.

- * During the year, the District’s revenue was \$21,653,175 as reflected below:

		Governmental Activities	
		Current Year	Prior Year
a)	Taxes	\$ 7,431,315	\$ 6,459,675
b)	State Aid	11,367,488	11,392,406
c)	Federal Aid	2,220,347	2,120,839
d)	Investment Earnings	74,077	8,609
e)	Other	559,948	517,700
	Total Revenue	\$21,653,175	\$20,499,229

* During the year, the District's expenses were \$22,998,037 as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
a) Instruction and instructional related	\$12,578,700	\$11,361,475
b) Instructional leadership/school leadership	1,362,541	1,302,838
c) Guidance, social work, health, transportation	1,476,894	1,174,136
d) Food services	1,031,748	942,713
e) Extracurricular	885,787	781,426
f) General administration	886,823	775,282
g) Plant maintenance and security	3,479,661	1,867,166
h) Data processing services	292,224	298,949
i) Community services	8,492	7,262
j) Debt services	986,914	244,014
k) Payments to fiscal agent/member districts - shared service	<u>8,253</u>	<u>15,447</u>
Total Expenses	<u>\$22,998,037</u>	<u>\$18,770,708</u>

* The general fund reported a fund balance this year of \$6,451,144, a decrease of \$16,407 from the prior year.

* The capital projects fund transferred \$507,661 to the debt service fund as part of the bond issuance for 2015-16.

* The District's combined net position was \$11,739,601 at June 30, 2016, as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Current and other assets	\$40,280,011	\$ 9,301,989
Capital and non-current assets	<u>18,388,380</u>	<u>17,221,547</u>
Total Assets	<u>\$58,668,391</u>	<u>\$26,523,536</u>
Deferred resource outflow	<u>\$ 1,855,076</u>	<u>\$ 403,723</u>
Current liabilities	\$ 2,244,115	\$ 2,123,561
Long term liabilities	<u>45,766,189</u>	<u>11,219,758</u>
Total Liabilities	<u>\$48,010,304</u>	<u>\$13,343,319</u>
Deferred resource inflow	<u>\$ 773,562</u>	<u>\$ 499,477</u>
Net assets:		
Invested in capital assets net of related debt	\$ 7,064,320	\$ 8,178,366
Restricted	996,696	394,212
Unrestricted	<u>3,678,585</u>	<u>4,511,885</u>
Total Net Assets	<u>\$11,739,601</u>	<u>\$13,084,463</u>

* Property tax rates were increased 17.5¢ from the past year. The tax base decreased during the past year by \$5,459,016. The tax levy increased by \$926,872 over the prior year.

* State aid decreased by \$365,135.

* Federal aid increased by \$99,508.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$348,022 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Also, resources available were \$23,611 below the final budgeted amount.

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

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District June 30, 2016 amounted to \$18,388,380. 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

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Land	\$ 454,260	\$ 454,260
Buildings and improvements	27,893,907	25,997,853
Equipment	4,495,701	4,190,344
Property under capital lease	<u>835,395</u>	<u>835,395</u>
Totals at historical cost	33,679,263	31,477,852
Total accumulated depreciation	<u>(15,290,883)</u>	<u>(14,256,305)</u>
Net capital assets	<u>\$18,388,380</u>	<u>\$17,221,547</u>

Long-term Liabilities

During the year, the District issued new debt of \$33,590,000, and retired debt of \$1,387,301.

District's Long Term Liabilities

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Bonds payable	\$38,425,467	\$ 6,010,000
Accreted interest	130,350	242,934
Premium on bonds	943,623	-
Loans	1,871,000	2,000,000
Capital lease	<u>706,479</u>	<u>790,247</u>
Total	<u>\$42,076,919</u>	<u>\$ 9,043,181</u>

On August 18, 2015, the District issued \$9,250,000 of Hondo Independent School District Unlimited Tax School Building Bonds, Series 2015. On March 17, 2016, the District issued \$24,340,000 of Hondo Independent School District Unlimited Tax School Building Bonds, Series 2016.

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, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,060,510
1120 Current Investments	23,651,383
1220 Property Taxes Receivable (Delinquent)	398,781
1230 Allowance for Uncollectible Taxes	(39,878)
1240 Due from Other Governments	3,203,888
1267 Due from Fiduciary Funds	100
1290 Other Receivables, net	5,227
Capital Assets:	
1510 Land	454,260
1520 Buildings, Net	16,547,702
1530 Furniture and Equipment, Net	633,795
1550 Leased Property Under Capital Leases, Net	752,623
1000 Total Assets	58,668,391
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	1,855,076
1700 Total Deferred Outflows of Resources	1,855,076
LIABILITIES	
2110 Accounts Payable	84,287
2160 Accrued Wages Payable	1,586,066
2180 Due to Other Governments	44,502
2200 Accrued Expenses	529,260
Noncurrent Liabilities	
2501 Due Within One Year	899,010
2502 Due in More Than One Year	41,177,909
2540 Net Pension Liability (District's Share)	3,689,270
2000 Total Liabilities	48,010,304
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	773,562
2600 Total Deferred Inflows of Resources	773,562
NET POSITION	
3200 Net Investment in Capital Assets	7,064,320
3820 Restricted for Federal and State Programs	184,455
3850 Restricted for Debt Service	812,241
3900 Unrestricted	3,678,585
3000 Total Net Position	\$ 11,739,601

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, 2016

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 11,984,480	\$ 160,749	\$ 1,643,745	\$ (10,179,986)
12 Instructional Resources and Media Services	185,889	-	9,045	(176,844)
13 Curriculum and Staff Development	408,331	-	301,110	(107,221)
21 Instructional Leadership	287,681	-	19,192	(268,489)
23 School Leadership	1,074,860	-	64,830	(1,010,030)
31 Guidance, Counseling and Evaluation Services	676,658	-	89,679	(586,979)
32 Social Work Services	72,220	-	4,201	(68,019)
33 Health Services	194,221	-	9,948	(184,273)
34 Student (Pupil) Transportation	533,795	-	20,499	(513,296)
35 Food Services	1,031,748	52,303	932,918	(46,527)
36 Extracurricular Activities	885,787	193,692	24,627	(667,468)
41 General Administration	886,823	-	28,569	(858,254)
51 Facilities Maintenance and Operations	3,292,065	19,491	42,219	(3,230,355)
52 Security and Monitoring Services	187,596	-	1,787	(185,809)
53 Data Processing Services	292,224	-	8,544	(283,680)
61 Community Services	8,492	-	1,321	(7,171)
72 Debt Service - Interest on Long Term Debt	745,302	-	-	(745,302)
73 Debt Service - Bond Issuance Cost and Fees	241,612	-	-	(241,612)
93 Payments related to Shared Services Arrangements	8,253	-	-	(8,253)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 22,998,037	\$ 426,235	\$ 3,202,234	(19,369,568)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	5,883,547
DT	Property Taxes, Levied for Debt Service	1,547,768
SF	State Aid - Formula Grants	9,769,609
GC	Grants and Contributions not Restricted	615,992
IE	Investment Earnings	74,077
MI	Miscellaneous Local and Intermediate Revenue	133,713
TR	Total General Revenues	18,024,706
CN	Change in Net Position	(1,344,862)
NB	Net Position - Beginning	13,084,463
NE	Net Position--Ending	\$ 11,739,601

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

HONDO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,031,955	\$ 10,727,165	\$ 301,390	\$ 13,060,510
1120 Investments - Current	2,851,747	20,025,694	773,942	23,651,383
1220 Property Taxes - Delinquent	341,674	-	57,107	398,781
1230 Allowance for Uncollectible Taxes (Credit)	(34,167)	-	(5,711)	(39,878)
1240 Receivables from Other Governments	2,722,050	-	481,838	3,203,888
1260 Due from Other Funds	277,485	-	-	277,485
1290 Other Receivables	3,157	-	2,070	5,227
1000 Total Assets	<u>\$ 8,193,901</u>	<u>\$ 30,752,859</u>	<u>\$ 1,610,636</u>	<u>\$ 40,557,396</u>
LIABILITIES				
2110 Accounts Payable	\$ 74,274	\$ -	\$ 10,013	\$ 84,287
2160 Accrued Wages Payable	1,401,294	-	184,772	1,586,066
2170 Due to Other Funds	-	-	277,385	277,385
2180 Due to Other Governments	-	-	44,502	44,502
2000 Total Liabilities	<u>1,475,568</u>	<u>-</u>	<u>516,672</u>	<u>1,992,240</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	267,189	-	43,138	310,327
2600 Total Deferred Inflows of Resources	<u>267,189</u>	<u>-</u>	<u>43,138</u>	<u>310,327</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	184,455	184,455
3470 Capital Acquisition and Contractual Obligation	-	30,752,859	-	30,752,859
3480 Retirement of Long-Term Debt	-	-	812,241	812,241
Committed Fund Balance:				
3510 Construction	400,000	-	-	400,000
3530 Capital Expenditures for Equipment	350,500	-	-	350,500
3545 Other Committed Fund Balance	-	-	54,130	54,130
3600 Unassigned Fund Balance	5,700,644	-	-	5,700,644
3000 Total Fund Balances	<u>6,451,144</u>	<u>30,752,859</u>	<u>1,050,826</u>	<u>38,254,829</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,193,901</u>	<u>\$ 30,752,859</u>	<u>\$ 1,610,636</u>	<u>\$ 40,557,396</u>

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

HONDO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$	38,254,829
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$31,477,852 and the accumulated depreciation was \$(14,256,305). In addition, long-term liabilities of \$(8,800,247), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		8,421,300
2 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 2016 capital outlays \$2,201,411 and debt principal payments of \$1,387,301 is to increase net position.		3,588,712
3 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,034,578)
4 Included in the items related to debt is the recognition of the district's proportionate share of the net pension liability required by GASB 68 in the amount of \$(3,689,270), a deferred resource inflow related to TRS of \$(773,562), and a deferred resource outflow related to TRS of \$1,855,076. The net effect of these pension items is to decrease net position.		(2,607,756)
5 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 \$310,327 as revenue, recognizing the liabilities associated with maturing long-term debt interest of \$(529,260), recognizing accreted interest on capital appreciation bonds of \$(130,350), and bond premium of \$(943,623). Also, the issuance of additional long-term debt of \$(33,590,000). The net effect of these reclassifications and recognitions is to decrease net position.		(34,882,906)
19 Net Position of Governmental Activities	\$	11,739,601

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, 2016

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,205,277	\$ 54,271	\$ 1,832,340	\$ 8,091,888
5800 State Program Revenues	10,590,057	-	437,214	11,027,271
5900 Federal Program Revenues	161,910	-	2,058,437	2,220,347
5020 Total Revenues	<u>16,957,244</u>	<u>54,271</u>	<u>4,327,991</u>	<u>21,339,506</u>
EXPENDITURES:				
Current:				
0011 Instruction	9,710,379	-	1,210,604	10,920,983
0012 Instructional Resources and Media Services	166,010	-	-	166,010
0013 Curriculum and Instructional Staff Development	64,855	-	299,121	363,976
0021 Instructional Leadership	248,649	-	5,985	254,634
0023 School Leadership	971,943	-	8,557	980,500
0031 Guidance, Counseling and Evaluation Services	560,878	-	58,390	619,268
0032 Social Work Services	64,018	-	-	64,018
0033 Health Services	176,935	-	-	176,935
0034 Student (Pupil) Transportation	652,130	-	170	652,300
0035 Food Services	-	-	972,943	972,943
0036 Extracurricular Activities	726,382	-	111,222	837,604
0041 General Administration	830,805	-	-	830,805
0051 Facilities Maintenance and Operations	1,689,910	-	372	1,690,282
0052 Security and Monitoring Services	191,044	-	-	191,044
0053 Data Processing Services	281,763	-	-	281,763
0061 Community Services	-	-	1,321	1,321
Debt Service:				
0071 Principal on Long Term Debt	212,768	-	1,174,533	1,387,301
0072 Interest on Long Term Debt	29,067	-	493,349	522,416
0073 Bond Issuance Cost and Fees	-	240,000	1,612	241,612
Capital Outlay:				
0081 Facilities Acquisition and Construction	388,599	3,101,412	-	3,490,011
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	8,253	-	-	8,253
6030 Total Expenditures	<u>16,974,388</u>	<u>3,341,412</u>	<u>4,338,179</u>	<u>24,653,979</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,144)</u>	<u>(3,287,141)</u>	<u>(10,188)</u>	<u>(3,314,473)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	33,590,000	-	33,590,000
7912 Sale of Real and Personal Property	737	-	-	737
7915 Transfers In	-	-	507,661	507,661
7916 Premium or Discount on Issuance of Bonds	-	957,661	-	957,661
7917 Prepaid Interest	-	-	96,325	96,325
8911 Transfers Out (Use)	-	(507,661)	-	(507,661)
7080 Total Other Financing Sources (Uses)	<u>737</u>	<u>34,040,000</u>	<u>603,986</u>	<u>34,644,723</u>
1200 Net Change in Fund Balances	(16,407)	30,752,859	593,798	31,330,250
0100 Fund Balance - July 1 (Beginning)	<u>6,467,551</u>	<u>-</u>	<u>457,028</u>	<u>6,924,579</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 6,451,144</u>	<u>\$ 30,752,859</u>	<u>\$ 1,050,826</u>	<u>\$ 38,254,829</u>

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

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	31,330,250
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 2016 capital outlays of \$2,201,411 and debt principal payments of \$1,387,301 is to increase net position.		3,588,712
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.		(1,034,578)
The reporting of GASB 68 for the current year resulted in an increase in the net pension liability of \$(1,512,693), and increase in deferred resource inflows of \$(274,085), and an increase in deferred resource outflows of \$1,451,353. The impact of these is to decrease the change in net position.		(335,425)
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 \$(26,949), recognizing the change in liabilities associated with maturing long-term debt interest of \$(445,833), the decrease in accreted interest on capital appreciation bonds of \$112,584, and the increase in bond premium of \$(943,623). Also, the recognition of long-term debt issued of \$(33,590,000). The net effect of these reclassifications and recognitions is to decrease net position.		(34,893,821)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(1,344,862)</u>

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, 2016

	836-849 Investment Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 12,832
Investments - Current	40,839	14,678
Due from Other Funds	-	261
Total Assets	<u>40,839</u>	<u>\$ 27,771</u>
LIABILITIES		
Due to Other Funds	100	\$ -
Due to Student Groups	-	27,771
Total Liabilities	<u>100</u>	<u>\$ 27,771</u>
NET POSITION		
Restricted for Scholarships	<u>40,739</u>	
Total Net Position	<u>\$ 40,739</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, 2016

	836-849 Investment Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 142
Total Additions	142
DEDUCTIONS:	
Other Operating Costs	100
Total Deductions	100
Change in Net Position	42
Total Net Position - July 1 (Beginning)	40,697
Total Net Position - June 30 (Ending)	\$ 40,739

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, 2016

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 promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *GASB Statement No. 56*, 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, 2016, 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. 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.

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. **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.
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.

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	\$30,752,859
Debt Service	812,241
Food Service Fund	173,260
State Textbook Fund	<u>11,195</u>
Total restricted	<u>31,749,555</u>

Committed

Construction	400,000
Equipment	350,500
Campus Activity	<u>54,130</u>
Total committed	<u>804,630</u>

Unassigned

Total Fund Balances	<u><u>5,700,644</u></u>
	<u><u>\$38,254,829</u></u>

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.

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, 2016
	<u>Fund Balance</u>
Restricted Budget Funds - Food Service Fund	\$ 173,260
- State Textbook Fund	11,195
Committed Budget Funds - Campus Activity Fund	<u>54,130</u>
All Special Revenue Funds	<u>\$ 238,585</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, 2016, the District had cash on deposit of \$12,245,461 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, 2016, Hondo Independent School District had the following investments, which are reported on the balance sheet as cash and cash equivalents.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(in years)</u>	<u>Credit Rating</u>
		<u>Less Than 1</u>	
Lonestar Investment Pool	\$13,693,849	\$13,693,849	AAA
Logic Investment Pool	<u>10,013,052</u>	<u>10,013,052</u>	AAA
Total	<u>\$23,706,901</u>	<u>\$23,706,901</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 \$ -0-. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

Fair value at June 30, 2016	\$23,706,901
Add: Proceeds of investments sold	250,000
Less: Cost of investments purchased	20,868,917
Less: Fair value at June 30, 2015	<u>3,087,984</u>
Change in fair value of investments	<u>\$ -0-</u>

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, 2016 consisted of the following amounts:

Due From General Fund To:

Nonmajor Governmental Funds	\$ 277,385
Fiduciary Funds	<u>100</u>
Total Due to General Fund From Other Funds	<u>\$ 277,485</u>

Interfund balances are in support of operating expenses.

Transfers From Capital Projects To:

Debt Service Fund	<u>\$ 507,661</u>
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Interfund transfers were recognized for new bonds issued.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2016 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 341,674	\$ 2,722,050	\$ 277,485	\$ 3,157	\$ 3,344,366
Nonmajor Governmental Funds	<u>57,107</u>	<u>481,838</u>	<u>-</u>	<u>2,070</u>	<u>541,015</u>
Total - Governmental Activities	<u>\$ 398,781</u>	<u>\$ 3,203,888</u>	<u>\$ 277,485</u>	<u>\$ 5,227</u>	<u>\$ 3,885,381</u>
Amounts not scheduled for collection					
during the subsequent year	<u>\$ 39,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,878</u>

Payables at June 30, 2016 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 74,058	\$ 1,401,294	\$ 216	\$ -	\$ -	\$ 1,475,568
Nonmajor Gov. Funds	<u>10,013</u>	<u>184,772</u>	<u>277,385</u>	<u>44,502</u>	<u>-</u>	<u>516,672</u>
Total - Gov. Activities	<u>\$ 84,071</u>	<u>\$ 1,586,066</u>	<u>\$ 277,601</u>	<u>\$ 44,502</u>	<u>\$ -</u>	<u>\$ 1,992,240</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, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 454,260	\$ -	\$ -	\$ 454,260
Buildings and improvements	25,997,853	1,896,054	-	27,893,907
Equipment	4,190,344	305,357	-	4,495,701
Property under capital lease	<u>835,395</u>	<u>-</u>	<u>-</u>	<u>835,395</u>
Total at historical cost	<u>31,477,852</u>	<u>2,201,411</u>	<u>-</u>	<u>33,679,263</u>
Less accumulated depreciation				
Buildings and improvements	(10,542,058)	(804,147)	-	(11,346,205)
Equipment	(3,705,221)	(156,685)	-	(3,861,906)
Property under capital lease	<u>(9,026)</u>	<u>(73,746)</u>	<u>-</u>	<u>(82,772)</u>
Total accumulated depreciation	<u>(14,256,305)</u>	<u>(1,034,578)</u>	<u>-</u>	<u>(15,290,883)</u>
Governmental activities capital assets, net	<u>\$17,221,547</u>	<u>\$ 1,166,833</u>	<u>\$ -</u>	<u>\$18,388,380</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 635,921
Instructional Resources & Media Services	13,328
Curriculum & Instructional Staff Development	30,240
Instructional Leadership	22,376
School Leadership	50,664
Guidance, Counseling & Evaluation Services	31,861
Social Work Services	5,298
Health Services	9,317
Student (Pupil) Transportation	28,233
Food Services	42,799
Cocurricular/Extracurricular Activities	28,125
General Administration	31,637
Plant Maintenance and Operations	92,769
Security Services	2,956
Data Processing Services	1,951
Community Services	<u>7,103</u>
Total depreciation expense	<u>\$ 1,034,578</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, 2016 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2007	3.96%-4.21%	\$3,060,000	\$ 242,391	\$ 2,885,000	\$ -	\$ 89,533	\$ 2,795,467	\$ 80,467
Unlimited Tax Refunding Bonds, Series 2015	0.53%-2.17%	\$3,680,000	41,938	3,125,000	-	365,000	2,760,000	365,000
Unlimited Tax School Building Bonds, Series 2015	2.00%-5.00%	\$9,250,000	209,020	-	9,250,000	720,000	8,530,000	230,000
Unlimited Tax School Buildings Bonds, Series 2016	2.00%-5.00%	\$24,340,000	-	-	24,340,000	-	24,340,000	-
TOTALS			<u>\$ 493,349</u>	<u>\$ 6,010,000</u>	<u>\$33,590,000</u>	<u>\$ 1,174,533</u>	<u>\$38,425,467</u>	<u>\$ 675,467</u>

Debt service requirements are as follows:

Year Ended June 30,	General Obligations		Total Requirements
	Principal	Interest	
2017	\$ 675,467	\$ 1,413,171	\$ 2,088,638
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
2022-2026	6,570,000	5,301,336	11,871,336
2027-2031	8,580,000	3,718,720	12,298,720
2032-2036	10,400,000	2,204,188	12,604,188
2037-2040	<u>8,130,000</u>	<u>591,425</u>	<u>8,721,425</u>
TOTAL	<u>\$38,425,467</u>	<u>\$18,233,093</u>	<u>\$56,658,560</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, 2016.

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

Loan Payable requirements are as follows:

Year Ended June 30	Principal	Interest	Total Requirement
2017	\$ 129,000	\$ 9,355	\$ 138,355
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 - 2026	670,000	23,780	693,780
2027 - 2031	<u>548,000</u>	<u>6,865</u>	<u>554,865</u>
Total	<u>\$1,871,000</u>	<u>\$ 70,925</u>	<u>\$1,941,925</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 of Issue	Interest Rate	Maturity	Amounts Outstanding 7/1/15	Issued Current Year	Retired Current Year	Amounts Outstanding 6/30/16	Due Within One Year
Networking Equipment	11/14/14	3.014%	2/14/17	\$ 90,247	\$ -	\$ 45,255	\$ 44,992	\$ 44,992
Energy Project	05/18/15	2.950%	6/10/30	<u>700,000</u>	<u>-</u>	<u>38,513</u>	<u>661,487</u>	<u>38,846</u>
				<u>\$ 790,247</u>	<u>\$ -</u>	<u>\$ 83,768</u>	<u>\$ 706,479</u>	<u>\$ 83,838</u>

Interest paid in the current year was \$20,067.

Capital lease requirements are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2017	\$ 83,837	\$ 20,002	\$ 103,839
2018	39,992	18,368	58,360
2019	41,171	17,188	58,359
2020	42,386	15,974	58,360
2021	43,636	14,723	58,359
2022 - 2026	238,268	53,531	291,799
2027 - 2030	<u>217,188</u>	<u>16,250</u>	<u>233,438</u>
Total	<u>\$ 706,478</u>	<u>\$ 156,036</u>	<u>\$ 862,514</u>

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2016 was as follows:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 6,010,000	\$33,590,000	\$ 1,174,533	\$38,425,467	\$ 675,467
Accreted interest	242,934	17,882	130,466	130,350	130,350
Premium on bonds	-	957,661	14,038	943,623	-
Loans	2,000,000	-	129,000	1,871,000	9,355
Capital leases	<u>790,247</u>	<u>-</u>	<u>83,768</u>	<u>706,479</u>	<u>83,838</u>
	<u>\$ 9,043,181</u>	<u>\$34,565,543</u>	<u>\$ 1,531,805</u>	<u>\$42,076,919</u>	<u>\$ 899,010</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). TRS’s defined benefit pension plan is 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. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>128,538,706,212</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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

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

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

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Hondo ISD 2015 Employer Contributions		\$ 309,039
Hondo ISD 2015 Member Contributions		815,663
Hondo ISD 2015 NECE On-Behalf Contributions		691,204

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, a privately sponsored source, from non-educational and general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement local funds.

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

- * When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- * When a school district 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.0%
Long-term expected Investment Rate of Return*	8.0%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

* *Includes inflation of 2.5%*

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, 2015 are summarized below:

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

* 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 2015 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
Hondo ISD's proportionate share of the net pension liability:	<u>\$5,780,391</u>	<u>\$3,689,270</u>	<u>\$1,947,496</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Hondo Independent School District reported a liability of \$3,689,270 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	\$ 3,689,270
State's proportionate share that is associated with the District	<u>8,249,081</u>
Total	<u>\$11,938,351</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was .000104368% which was an increase of .00022883% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2015, Hondo Independent School District recognized pension expense of \$1,175,361 and revenue of \$691,204 for support provided by the State.

At June 30, 2016, 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 27,995	\$ 141,782
Changes in actuarial assumptions	117,664	131,617
Differences between projected and actual investment earnings	908,585	498,938
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	523,175	1,225
Contributions paid to TRS subsequent to the measurement date	<u>277,657</u>	<u>-</u>
Total	<u>\$ 1,855,076</u>	<u>\$ 773,562</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 August 31</u>	<u>Pension Expense Amount</u>
2017	\$ 132,406
2018	132,406
2019	132,406
2020	298,719
2021	69,828
Thereafter	38,092

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 2014, 2015, and 2016 were \$31,750, \$32,867, and \$48,632, 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 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 2013-2016.

Contribution Rates						
<u>Year</u>	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	.65%	\$ 80,424	1.0%	\$123,729	.55%	\$ 68,055
2015	.65%	\$ 79,317	1.0%	\$122,025	.55%	\$ 67,114
* 2014	.65%	\$ 79,529	1.0%	\$122,352	.55%	\$ 67,294

* 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, 2016.

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, 2016 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, 2016, the District had a construction contract for \$10,300,000 in place. No amounts were expended during the year just ended.

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, 2016, from various federal sources as follows:

<u>Program or Source</u>	<u>Amount</u>
SHARS	\$ 134,787
Medicaid	3,211
Indirect Costs:	
ESEA Title 1, Part A	14,252
IDEA-Part B, Formula	8,847
IDEA-Part B, Preschool	150
Career and Technical	<u>663</u>
Total	<u>\$ 161,910</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, 2016, 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	\$2,722,050	\$ -	\$2,722,050
Special Revenue	<u>40,525</u>	<u>441,313</u>	<u>481,838</u>
Total	<u>\$2,762,575</u>	<u>\$ 441,313</u>	<u>\$3,203,888</u>

S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$5,925,304	\$ -	\$1,532,960	\$ -	\$7,458,264
Penalties, Interest and Other					
Tax-related Income	112,187	-	20,703	-	132,890
Investment Income	17,702	336	1,768	54,271	74,077
Food Sales	-	72,060	-	-	72,060
Co-curricular Activities	91,281	102,411	-	-	193,692
Other	<u>58,803</u>	<u>102,102</u>	<u>-</u>	<u>-</u>	<u>160,905</u>
Total	<u>\$6,205,277</u>	<u>\$ 276,909</u>	<u>\$1,555,431</u>	<u>\$ 54,271</u>	<u>\$8,091,888</u>

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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,331,900	\$ 6,331,900	\$ 6,205,277	\$ (126,623)
5800	State Program Revenues	10,337,711	10,459,711	10,590,057	130,346
5900	Federal Program Revenues	189,244	189,244	161,910	(27,334)
5020	Total Revenues	16,858,855	16,980,855	16,957,244	(23,611)
EXPENDITURES:					
Current:					
0011	Instruction	9,992,948	9,872,948	9,710,379	162,569
0012	Instructional Resources and Media Services	142,868	167,868	166,010	1,858
0013	Curriculum and Instructional Staff Development	92,498	72,498	64,855	7,643
0021	Instructional Leadership	251,981	251,981	248,649	3,332
0023	School Leadership	1,034,764	974,764	971,943	2,821
0031	Guidance, Counseling and Evaluation Services	391,742	566,742	560,878	5,864
0032	Social Work Services	69,995	69,995	64,018	5,977
0033	Health Services	190,354	185,354	176,935	8,419
0034	Student (Pupil) Transportation	632,246	657,246	652,130	5,116
0036	Extracurricular Activities	747,371	747,371	726,382	20,989
0041	General Administration	818,232	888,232	830,805	57,427
0051	Facilities Maintenance and Operations	1,730,098	1,730,098	1,689,910	40,188
0052	Security and Monitoring Services	214,697	194,697	191,044	3,653
0053	Data Processing Services	235,611	295,611	281,763	13,848
0061	Community Services	300	300	-	300
Debt Service:					
0071	Principal on Long Term Debt	244,150	213,300	212,768	532
0072	Interest on Long Term Debt	-	30,850	29,067	1,783
Capital Outlay:					
0081	Facilities Acquisition and Construction	49,000	390,555	388,599	1,956
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	20,000	12,000	8,253	3,747
6030	Total Expenditures	16,858,855	17,322,410	16,974,388	348,022
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(341,555)	(17,144)	324,411
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	737	737
1200	Net Change in Fund Balances	-	(341,555)	(16,407)	325,148
0100	Fund Balance - July 1 (Beginning)	6,467,551	6,467,551	6,467,551	-
3000	Fund Balance - June 30 (Ending)	\$ 6,467,551	\$ 6,125,996	\$ 6,451,144	\$ 325,148

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, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000104368%	0.000081485%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,689,270	2,176,577
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,249,081	6,727,471
Total	<u>\$ 11,938,351</u>	<u>\$ 8,904,048</u>
District's Covered-Employee Payroll	\$ 12,205,292	12,235,193
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.23%	17.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two 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 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 309,039	\$ 206,587
Contribution in Relation to the Contractually Required Contribution	(309,039)	(206,587)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 12,373,408	\$ 12,205,292
Contributions as a Percentage of Covered-Employee Payroll	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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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.

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING AND OTHER STATEMENTS

HONDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1120	-	-	-	-
1220	-	-	-	-
1230	-	-	-	-
1240	54,708	166,632	9,568	114,644
1290	-	-	-	-
1000	<u>\$ 54,708</u>	<u>\$ 166,632</u>	<u>\$ 9,568</u>	<u>\$ 114,644</u>
LIABILITIES				
2110	\$ -	\$ 446	\$ -	\$ -
2160	19,344	51,620	-	42,758
2170	35,364	114,566	9,568	71,886
2180	-	-	-	-
2000	<u>54,708</u>	<u>166,632</u>	<u>9,568</u>	<u>114,644</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	-	-
3480	-	-	-	-
Committed Fund Balance:				
3545	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 54,708</u>	<u>\$ 166,632</u>	<u>\$ 9,568</u>	<u>\$ 114,644</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	461 Campus Activity Funds
\$ -	\$ 166,305	\$ -	\$ -	\$ -	\$ 8,058	\$ -	\$ 52,484
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,570	53,230	7,525	5,885	26,551	5,125	35,400	-
-	-	-	-	-	424	-	1,646
<u>\$ 2,570</u>	<u>\$ 219,535</u>	<u>\$ 7,525</u>	<u>\$ 5,885</u>	<u>\$ 26,551</u>	<u>\$ 13,607</u>	<u>\$ 35,400</u>	<u>\$ 54,130</u>
\$ -	\$ 7,155	\$ -	\$ -	\$ -	\$ 2,412	\$ -	\$ -
836	39,120	837	-	12,950	-	17,307	-
1,734	-	6,688	5,885	13,601	-	18,093	-
-	-	-	-	-	-	-	-
<u>2,570</u>	<u>46,275</u>	<u>7,525</u>	<u>5,885</u>	<u>26,551</u>	<u>2,412</u>	<u>35,400</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	173,260	-	-	-	11,195	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	54,130
-	173,260	-	-	-	11,195	-	54,130
<u>\$ 2,570</u>	<u>\$ 219,535</u>	<u>\$ 7,525</u>	<u>\$ 5,885</u>	<u>\$ 26,551</u>	<u>\$ 13,607</u>	<u>\$ 35,400</u>	<u>\$ 54,130</u>

HONDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS				
1110	Cash and Cash Equivalents	\$ 226,847	\$ 74,543	\$ 301,390
1120	Investments - Current	-	773,942	773,942
1220	Property Taxes - Delinquent	-	57,107	57,107
1230	Allowance for Uncollectible Taxes (Credit)	-	(5,711)	(5,711)
1240	Receivables from Other Governments	481,838	-	481,838
1290	Other Receivables	2,070	-	2,070
1000	Total Assets	<u>\$ 710,755</u>	<u>\$ 899,881</u>	<u>\$ 1,610,636</u>
LIABILITIES				
2110	Accounts Payable	\$ 10,013	\$ -	\$ 10,013
2160	Accrued Wages Payable	184,772	-	184,772
2170	Due to Other Funds	277,385	-	277,385
2180	Due to Other Governments	-	44,502	44,502
2000	Total Liabilities	<u>472,170</u>	<u>44,502</u>	<u>516,672</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	43,138	43,138
2600	Total Deferred Inflows of Resources	<u style="text-align: right;">-</u>	<u>43,138</u>	<u>43,138</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	184,455	-	184,455
3480	Retirement of Long-Term Debt	-	812,241	812,241
Committed Fund Balance:				
3545	Other Committed Fund Balance	54,130	-	54,130
3000	Total Fund Balances	<u>238,585</u>	<u>812,241</u>	<u>1,050,826</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 710,755</u>	<u>\$ 899,881</u>	<u>\$ 1,610,636</u>

HONDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>138,967</u>	<u>576,436</u>	<u>19,943</u>	<u>373,646</u>
5020 Total Revenues	<u>138,967</u>	<u>576,436</u>	<u>19,943</u>	<u>373,646</u>
EXPENDITURES:				
Current:				
0011 Instruction	138,967	282,676	19,773	307,175
0013 Curriculum and Instructional Staff Development	-	283,897	-	8,402
0021 Instructional Leadership	-	1,134	-	2,155
0023 School Leadership	-	4,807	-	-
0031 Guidance, Counseling and Evaluation Services	-	2,601	-	55,789
0034 Student (Pupil) Transportation	-	-	170	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	125
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	1,321	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>138,967</u>	<u>576,436</u>	<u>19,943</u>	<u>373,646</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7917 Prepaid Interest	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	461 Campus Activity Funds
\$ -	\$ 72,183	\$ 216	\$ -	\$ -	\$ 1,038	\$ 101,061	\$ 102,411
-	80,180	-	-	-	211,617	16,184	-
6,142	823,164	7,544	31,817	80,778	-	-	-
6,142	975,527	7,760	31,817	80,778	212,655	117,245	102,411
6,142	-	-	21,445	80,778	239,671	113,977	-
-	-	-	6,583	-	-	239	-
-	-	-	39	-	-	2,657	-
-	-	-	3,750	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	965,183	7,760	-	-	-	-	-
-	-	-	-	-	-	-	111,097
-	-	-	-	-	-	372	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,142	965,183	7,760	31,817	80,778	239,671	117,245	111,097
-	10,344	-	-	-	(27,016)	-	(8,686)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,344	-	-	-	(27,016)	-	(8,686)
-	162,916	-	-	-	38,211	-	62,816
\$ -	\$ 173,260	\$ -	\$ -	\$ -	\$ 11,195	\$ -	\$ 54,130

HONDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 276,909	\$ 1,832,340
5800	State Program Revenues	307,981	437,214
5900	Federal Program Revenues	2,058,437	2,058,437
5020	Total Revenues	<u>2,643,327</u>	<u>4,327,991</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,210,604	1,210,604
0013	Curriculum and Instructional Staff Development	299,121	299,121
0021	Instructional Leadership	5,985	5,985
0023	School Leadership	8,557	8,557
0031	Guidance, Counseling and Evaluation Services	58,390	58,390
0034	Student (Pupil) Transportation	170	170
0035	Food Services	972,943	972,943
0036	Extracurricular Activities	111,222	111,222
0051	Facilities Maintenance and Operations	372	372
0061	Community Services	1,321	1,321
Debt Service:			
0071	Principal on Long Term Debt	-	1,174,533
0072	Interest on Long Term Debt	-	493,349
0073	Bond Issuance Cost and Fees	-	1,612
6030	Total Expenditures	<u>2,668,685</u>	<u>4,338,179</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,358)</u>	<u>(10,188)</u>
OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	507,661
7917	Prepaid Interest	-	96,325
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>603,986</u>
1200	Net Change in Fund Balance	(25,358)	593,798
0100	Fund Balance - July 1 (Beginning)	<u>263,943</u>	<u>457,028</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 238,585</u>	<u>\$ 1,050,826</u>

HONDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE JULY 1 2015		ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2016	
STUDENT ACTIVITY ACCOUNT						
Assets:						
Cash and Temporary Investments	\$	23,176	\$ 50,930	\$ 46,596	\$	27,510
Due From Other Funds		-	261	-		261
Total Assets	\$	23,176	\$ 51,191	\$ 46,596	\$	27,771
Liabilities:						
Due to Student Groups	\$	23,176	\$ 51,191	\$ 46,596	\$	27,771
TOTAL AGENCY FUNDS						
Assets:						
Cash and Temporary Investments	\$	23,176	\$ 50,930	\$ 46,596	\$	27,510
Due From Other Funds		-	261	-		261
Total Assets	\$	23,176	\$ 51,191	\$ 46,596	\$	27,771
Liabilities:						
Due to Student Groups	\$	23,176	\$ 51,191	\$ 46,596	\$	27,771

T.E.A. REQUIRED SCHEDULES

HONDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.090000	365,510,000
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 (School year under audit)	1.040000	0.275000	565,202,738
1000 TOTALS			

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
\$ 34,733	\$ -	\$ 781	\$ 49	\$ (429)	\$ 33,474
5,435	-	315	27	-	5,093
6,065	-	729	63	(7)	5,266
9,371	-	1,303	125	-	7,943
13,303	-	5,109	491	3,393	11,096
18,204	-	7,014	674	3,116	13,632
32,217	-	13,087	1,258	2,869	20,741
67,376	-	33,530	3,214	2,902	33,534
188,400	-	95,523	9,173	(9,555)	74,149
-	7,432,416	5,767,913	1,517,886	47,236	193,853
<u>\$ 375,104</u>	<u>\$ 7,432,416</u>	<u>\$ 5,925,304</u>	<u>\$ 1,532,960</u>	<u>\$ 49,525</u>	<u>\$ 398,781</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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 93,561	\$ 93,561	\$ 72,183	\$ (21,378)
5800 State Program Revenues	30,452	30,452	80,180	49,728
5900 Federal Program Revenues	749,773	858,233	823,164	(35,069)
5020 Total Revenues	873,786	982,246	975,527	(6,719)
EXPENDITURES:				
0035 Food Services	847,246	982,246	965,183	17,063
0051 Facilities Maintenance and Operations	26,540	-	-	-
6030 Total Expenditures	873,786	982,246	965,183	17,063
1200 Net Change in Fund Balances	-	-	10,344	10,344
0100 Fund Balance - July 1 (Beginning)	162,916	162,916	162,916	-
3000 Fund Balance - June 30 (Ending)	\$ 162,916	\$ 162,916	\$ 173,260	\$ 10,344

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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,113,281	\$ 2,113,281	\$ 1,555,431	\$ (557,850)
5800	State Program Revenues	131,719	131,719	129,233	(2,486)
5020	Total Revenues	2,245,000	2,245,000	1,684,664	(560,336)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,640,000	1,636,328	1,174,533	461,795
0072	Interest on Long Term Debt	603,000	604,670	493,349	111,321
0073	Bond Issuance Cost and Fees	2,000	663,002	1,612	661,390
6030	Total Expenditures	2,245,000	2,904,000	1,669,494	1,234,506
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(659,000)	15,170	674,170
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	507,661	507,661
7916	Premium or Discount on Issuance of Bonds	-	(559,000)	-	559,000
7917	Prepaid Interest	-	100,000	96,325	(3,675)
7949	Other Resources	-	1,118,000	-	(1,118,000)
7080	Total Other Financing Sources (Uses)	-	659,000	603,986	(55,014)
1200	Net Change in Fund Balances	-	-	619,156	619,156
0100	Fund Balance - July 1 (Beginning)	193,085	193,085	193,085	-
3000	Fund Balance - June 30 (Ending)	\$ 193,085	\$ 193,085	\$ 812,241	\$ 619,156

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

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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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, 2016, 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 16, 2016.

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 16, 2016

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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UVALDE, TEXAS 78801-5305

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards 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 the 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, 2016. 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, 2016.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hondo Independent School District as of and for the year ended June 30, 2016, and have issued our report thereon dated September 16, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Coxman, Horton + Company, LLP

Uvalde, Texas

September 16, 2016

HONDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

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 #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program

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, 2016

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, 2016

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

HONDO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

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

HONDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101163904	\$ 576,436
ESEA, Title I, Part C - Migratory Children	84.011	3014201606	19,943
*IDEA - Part B, Formula	84.027	166600011639046600	373,646
*IDEA - Part B, Preschool	84.173	166610011639046610	<u>6,142</u>
Total Special Education Cluster (IDEA)			<u>379,788</u>
Career and Technical - Basic Grant	84.048	16420009163904	31,817
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	3424271603	<u>80,778</u>
Total Passed Through State Department of Education			<u>\$ 1,088,762</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,088,762</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	<u>\$ 3,211</u>
Total Passed Through Texas Dept of Human Services			<u>\$ 3,211</u>
<u>Passed Through State Department of Education</u>			
Head Start	93.600	205457602	<u>\$ 138,967</u>
Total Passed Through State Department of Education			<u>\$ 138,967</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 142,178</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 200,591
*National School Lunch Program - Cash Assistance	10.555	71601601	556,127
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	<u>73,989</u>
Total CFDA Number 10.555			<u>630,116</u>
Total Child Nutrition Cluster			<u>830,707</u>
Total Passed Through the State Department of Agriculture			<u>\$ 830,707</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 830,707</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 2,061,647</u></u>

*Clustered Programs

The above amounts do not include indirect costs of \$23,913 and SHARS receipts of \$134,787, 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, 2016

- 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 which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Hondo Independent School District fiscal year beginning July 1 2015, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Hondo Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	130,350
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	3,689,270
SF13	Pension Expense (6147) at fiscal year-end.	675,306