

HUCKABAY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Huckabay Independent School District
Name of School District

Erath
County

072-908
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ___approved
- ___disapproved for the year ended August 31, 2016, at a meeting of the board of school trustees of such school district on the
___ day of _____, 2016.

Signature of Board Secretary

Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

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

Board of Trustees
Huckabay Independent School District
200 County Road 421
Stephenville, Texas 76401

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Huckabay Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huckabay Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account 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, the Budgetary Comparison Schedule for the General Fund, Schedule of District's Proportionate Share of the Net Pension Liability (TRS) and Schedule of District Contributions to TRS as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 19, 2016, on my consideration of the District's internal control over financial reporting and on my 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 my 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 District's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant

October 19, 2016



Huckabay Independent School District

www.hisd.us

200 COUNTY ROAD 421 • STEPHENVILLE, TX 76401-6429

Troy Roberts
Superintendent
254-968-8476

Nick Heupel
Principal
254-968-5274

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Huckabay Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

Reporting the District's Most Significant

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from \$2,331,656 to \$2,471,063. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$221,856 to \$413,338 due to net operating surpluses for the year. Current and other assets increased by \$72,426 due to increases in state receivables offset by reductions in cash. Capital assets decreased by \$4,202 due to depreciation expense in excess of asset additions. Long-term liabilities increased by \$180,691 due to unfunded net pension obligations plus increases in long-term debt. Other liabilities decreased by \$135,879 due to liquidation of prior year state overpayments and unearned revenue from private grant contributions. Deferred resource outflows related to TRS net pension liabilities increased by \$94,036 and deferred resource inflows related to TRS net pension liabilities decreased by \$21,959.

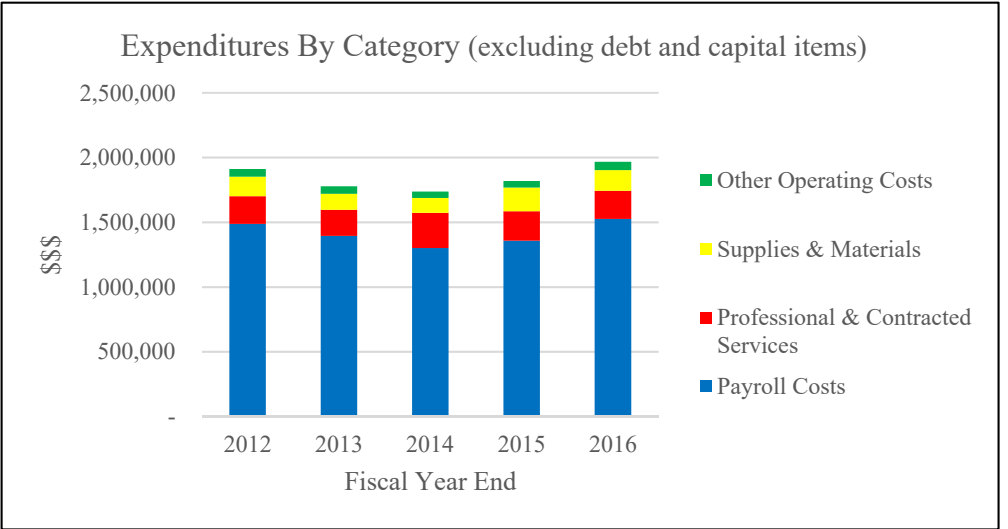
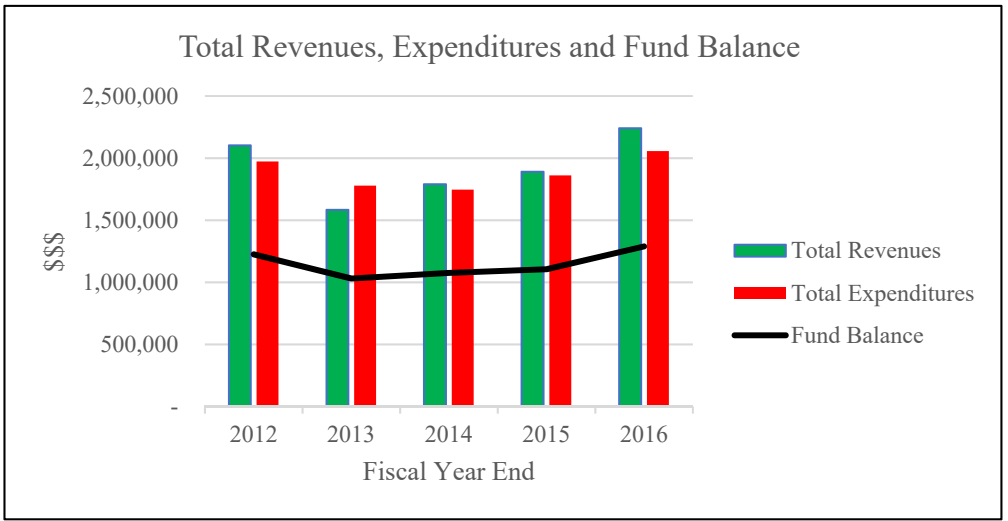
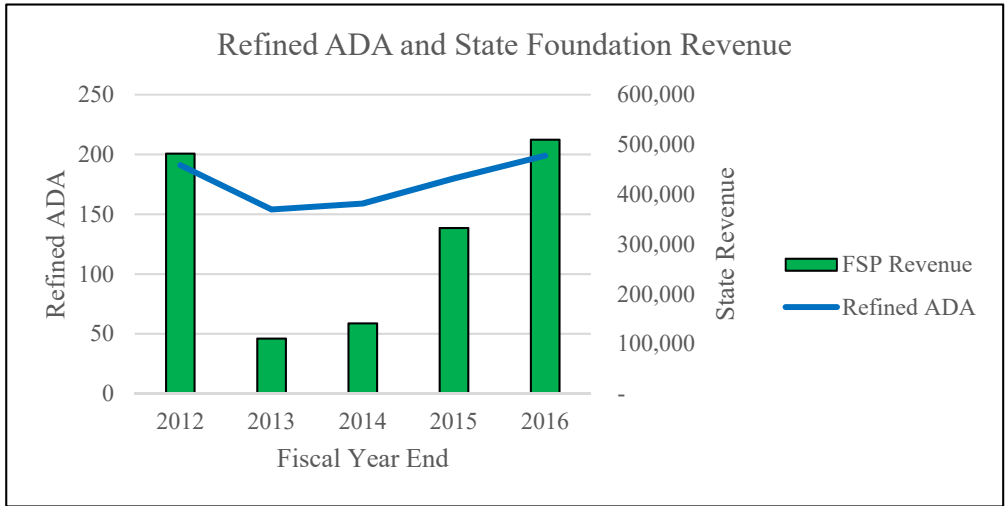
The District's total revenues were \$363,649 more than last year. State aid formula grants increased by \$189,422 due to increased enrollment. Operating grants and contributions were \$159,971 higher due to state on-behalf revenues relative to TRS pension benefit expense plus private donations received for the year. Other revenues were consistent with last fiscal year.

Total expenses were \$229,553 more than last year. A significant portion of the total increase was related to the TRS pension benefit expenses accrued for the year which were nearly \$68,000 more than last year. In addition to that, instructional, school leadership and general administration expenses were higher due to increased payroll costs totaling \$128,000, \$11,000 and \$16,000, respectively. Professional fees were also higher by approximately \$12,000 in general administration for the year. Other expenses by category were comparable to last fiscal year.

Table I Net Position			
	Governmental Activities 2016	Governmental Activities 2015	Variance Increase/ (Decrease)
Current and other assets	\$ 1,462,433	\$ 1,390,007	\$ 72,426
Capital assets	1,343,227	1,347,429	(4,202)
Deferred resource outflows for TRS	127,754	33,718	94,036
Total assets and deferred resource outflows	2,933,414	2,771,154	162,260
Long-term liabilities	318,255	137,564	180,691
Other liabilities	123,974	259,853	(135,879)
Deferred resource inflows for TRS	20,122	42,081	(21,959)
Total liabilities and deferred resource inflows	462,351	439,498	22,853
Net position:			
Net investment in capital assets	1,295,354	1,347,429	(52,075)
Restricted for capital projects and other	762,371	762,371	0
Unrestricted	413,338	221,856	191,482
Total net position	\$ 2,471,063	\$ 2,331,656	\$ 139,407

Table II Changes in Net Position			
Revenues:			
Program Revenues:			
Charges for services	\$ 47,045	\$ 43,776	\$ 3,269
Operating grants and contributions	361,153	201,182	159,971
General Revenues:			
Property taxes	1,281,274	1,268,703	12,571
State aid - formula grants	562,422	373,000	189,422
Other	4,739	6,323	(1,584)
Total Revenues	2,256,633	1,892,984	363,649
Expenses:			
Instruction, curriculum and media services	1,195,446	1,043,882	151,564
Instructional and school leadership	64,858	49,157	15,701
Student support services	117,369	106,266	11,103
Child nutrition	87,038	86,629	409
Extracurricular activities	93,831	87,136	6,695
General administration	228,960	187,831	41,129
Plant maintenance, security & data processing	283,377	285,160	(1,783)
Payments related to shared service arrangements	10,519	6,790	3,729
Other intergovernmental charges	35,828	34,822	1,006
Total Expenses	2,117,226	1,887,673	229,553
Increase (Decrease) in Net Position	139,407	5,311	134,096
Net Position - beginning of year	2,331,656	2,482,206	(150,550)
Prior period adjustment	0	(155,861)	155,861
Net Position - end of year	\$ 2,471,063	\$ 2,331,656	\$ 139,407

The following charts depict trend information for the past five years.



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,289,139, an increase of \$184,291 in the District's Governmental Funds from last year's fund balance of \$1,104,848. The primary reasons for the net increase are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 whose impact is only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District's budget only a few times during the year. The most significant budget amendments were for re-allocation of existing budget among functional categories plus increases in student (pupil) transportation for the purchase of a new school bus not originally budgeted.

The District's General Fund balance of \$1,287,750 reported on pages 14 and 35 differs from the General Fund's budgetary fund balance of \$1,103,539 reported in the budgetary comparison schedule on page 35 due to both revenues and expenditures being more favorable than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had \$2,485,004 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The following were asset additions for the year.

Asset additions:

Bluebird bus	\$	88,673
Total asset additions	\$	<u>88,673</u>

Debt

The District has one long-term debt instrument. A long-term loan payable was acquired to finance the purchase of a school bus at an interest rate of 4.34% payable in annual installments of \$10,559 until February, 2021.

Following is a summary of outstanding debt for the past two years:

	2016	2015
Loans payable	\$ 47,873	\$ 0
Total	\$ 47,873	\$ 0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2016-17 reflected tax rates at \$1.04 for maintenance and operations. Revenues and expenditures were budgeted at approximately \$1.8 million for a break-even year. Therefore, the District expects that its fund balance will be maintained at approximately \$1.3 million at August 31, 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Huckabay Independent School District, 200 County Road 421, Stephenville, Texas 76401.

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BASIC FINANCIAL STATEMENTS

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,292,736
1220 Property Taxes Receivable (Delinquent)	74,418
1230 Allowance for Uncollectible Taxes	(25,098)
1240 Due from Other Governments	120,377
Capital Assets:	
1510 Land	40,950
1520 Buildings, Net	1,119,982
1530 Furniture and Equipment, Net	182,295
1000 Total Assets	2,805,660
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	127,754
1700 Total Deferred Outflows of Resources	127,754
LIABILITIES	
2160 Accrued Wages Payable	97,092
2200 Accrued Expenses	1,882
2300 Unearned Revenue	25,000
Noncurrent Liabilities	
2501 Due Within One Year	9,577
2502 Due in More Than One Year	38,296
2540 Net Pension Liability (District's Share)	270,382
2000 Total Liabilities	442,229
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	20,122
2600 Total Deferred Inflows of Resources	20,122
NET POSITION	
3200 Net Investment in Capital Assets	1,295,354
3860 Restricted for Capital Projects	623,871
3890 Restricted for Other Purposes	138,500
3900 Unrestricted	413,338
3000 Total Net Position	\$ 2,471,063

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,157,018	\$ 79	\$ 247,513	\$ (909,426)
12 Instructional Resources and Media Services	22,152	-	18,537	(3,615)
13 Curriculum and Staff Development	16,276	-	4,470	(11,806)
23 School Leadership	64,858	-	5,696	(59,162)
31 Guidance, Counseling and Evaluation Services	46,904	-	3,620	(43,284)
33 Health Services	10,611	-	906	(9,705)
34 Student (Pupil) Transportation	59,854	-	2,443	(57,411)
35 Food Services	87,038	35,402	45,458	(6,178)
36 Extracurricular Activities	93,831	11,564	2,490	(79,777)
41 General Administration	228,960	-	18,302	(210,658)
51 Facilities Maintenance and Operations	195,769	-	5,453	(190,316)
52 Security and Monitoring Services	1,488	-	-	(1,488)
53 Data Processing Services	86,120	-	6,265	(79,855)
93 Payments related to Shared Services Arrangements	10,519	-	-	(10,519)
99 Other Intergovernmental Charges	35,828	-	-	(35,828)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 2,117,226</u>	<u>\$ 47,045</u>	<u>\$ 361,153</u>	<u>(1,709,028)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,281,274
SF	State Aid - Formula Grants	562,422
IE	Investment Earnings	4,638
MI	Miscellaneous Local and Intermediate Revenue	101
TR	Total General Revenues	<u>1,848,435</u>
CN	Change in Net Position	139,407
NB	Net Position - Beginning	<u>2,331,656</u>
NE	Net Position--Ending	<u>\$ 2,471,063</u>

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,291,347	\$ 1,389	\$ 1,292,736
1220 Property Taxes - Delinquent	74,418	-	74,418
1230 Allowance for Uncollectible Taxes (Credit)	(25,098)	-	(25,098)
1240 Receivables from Other Governments	104,378	15,999	120,377
1260 Due from Other Funds	13,606	-	13,606
1000 Total Assets	<u>\$ 1,458,651</u>	<u>\$ 17,388</u>	<u>\$ 1,476,039</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ 94,809	\$ 2,283	\$ 97,092
2170 Due to Other Funds	-	13,606	13,606
2200 Accrued Expenditures	1,772	110	1,882
2300 Unearned Revenues	25,000	-	25,000
2000 Total Liabilities	<u>121,581</u>	<u>15,999</u>	<u>137,580</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	49,320	-	49,320
2600 Total Deferred Inflows of Resources	<u>49,320</u>	<u>-</u>	<u>49,320</u>
FUND BALANCES			
Committed Fund Balance:			
3510 Construction	623,871	-	623,871
3530 Capital Expenditures for Equipment	138,500	-	138,500
3600 Unassigned Fund Balance	525,379	1,389	526,768
3000 Total Fund Balances	<u>1,287,750</u>	<u>1,389</u>	<u>1,289,139</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,458,651</u>	<u>\$ 17,388</u>	<u>\$ 1,476,039</u>

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$	1,289,139
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 \$2,396,331 and the accumulated depreciation was (\$1,048,902). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		1,347,429
2 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the capital outlays is to increase net position.		88,673
3 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 \$270,382, a deferred resource inflow related to TRS in the amount of \$20,122 and a deferred resource outflow related to TRS in the amount of \$127,754. This resulted in a decrease in net position.		(162,750)
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(92,875)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and reclassifying the proceeds of loans payable as an increase in long-term debt. The net effect of these reclassifications and recognitions is to increase net position.		1,447
19 Net Position of Governmental Activities	\$	2,471,063

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 1,373,562	\$ 35,482	\$ 1,409,044
5800	State Program Revenues	651,525	37,516	689,041
5900	Federal Program Revenues	-	93,919	93,919
5020	Total Revenues	<u>2,025,087</u>	<u>166,917</u>	<u>2,192,004</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,016,309	63,332	1,079,641
0012	Instructional Resources and Media Services	2,838	18,537	21,375
0013	Curriculum and Instructional Staff Development	12,465	3,348	15,813
0023	School Leadership	60,802	430	61,232
0031	Guidance, Counseling and Evaluation Services	45,057	184	45,241
0033	Health Services	10,236	-	10,236
0034	Student (Pupil) Transportation	125,032	1,157	126,189
0035	Food Services	-	84,892	84,892
0036	Extracurricular Activities	71,492	-	71,492
0041	General Administration	220,357	-	220,357
0051	Facilities Maintenance and Operations	187,834	-	187,834
0052	Security and Monitoring Services	1,488	-	1,488
0053	Data Processing Services	83,210	239	83,449
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	10,519	-	10,519
0099	Other Intergovernmental Charges	35,828	-	35,828
6030	Total Expenditures	<u>1,883,467</u>	<u>172,119</u>	<u>2,055,586</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>141,620</u>	<u>(5,202)</u>	<u>136,418</u>
OTHER FINANCING SOURCES (USES):				
7914	Non-Current Loans	47,873	-	47,873
7915	Transfers In	-	5,282	5,282
8911	Transfers Out (Use)	(5,282)	-	(5,282)
7080	Total Other Financing Sources (Uses)	<u>42,591</u>	<u>5,282</u>	<u>47,873</u>
1200	Net Change in Fund Balances	184,211	80	184,291
0100	Fund Balance - September 1 (Beginning)	<u>1,103,539</u>	<u>1,309</u>	<u>1,104,848</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,287,750</u>	<u>\$ 1,389</u>	<u>\$ 1,289,139</u>

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	184,291
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the capital outlays is to increase net position.		88,673
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.		(92,875)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and reclassifying the proceeds of loans payable. The net effect of these reclassifications and recognitions is to decrease net position.		(23,859)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$26,376. Contributions made before the measurement and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This also caused a decrease in the change in net position totaling \$22,649. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$20,550. The net result is to decrease the change in net position.		(16,823)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>139,407</u>

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

HUCKABAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 42,423
Total Assets	<u>\$ 42,423</u>
LIABILITIES	
Due to Student Groups	\$ 42,423
Total Liabilities	<u>\$ 42,423</u>

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

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

As of August 31, 2016, the 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 District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds appear as due to/due 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 Activities.

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. 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 some times require the District to refund all or part of the unused amount.

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- 1. The General Fund.** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

2. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. 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 district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities 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 are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	10
Equipment	7
Technology Equipment	5

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are described in section III.G. below.
10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are described in section III.G. below.
11. 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 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 in RSI and the other report is in Exhibit J4.

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

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

3. Prior to September 1, the 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. (However, none of these were significant.)
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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the District had two functional categories from the General Fund that exceeded its final amended budget as follows:

Functional Category	Amount Over Budget	Explanation
34 - Student (Pupil) Transportation	\$ 43,585	The District failed to properly account for the financed purchase of a school bus. The loan acquired to finance the bus purchase was netted against the expenditure rather than recorded at gross other financing resources. The audit reclassification caused the budget category to be exceeded.
41 - General Administration	1,009	Ending accruals caused the final amended budget category to be exceeded.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits). The District was not exposed to foreign currency risk.

As of August 31, 2016, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Cash:						
Money market and FDIC insured accounts	\$ 437,190	33%	\$ 437,190			N/A
Certificates of deposit	404,076	30%	404,076			N/A
Total Cash	841,266	63%	841,266			
Investment Pools:						
TexPool	493,893	37%	493,893			AAA
Total Investment Pools	493,893	37%	493,893			
Total Cash and Cash Equivalents	\$ 1,335,159	100%	\$ 1,335,159			

Investments

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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2016, the District's investments in (category such as commercial paper) were rated (give appropriate information, for example, A1 by Standard & Poor's, F-1 by Fitch Ratings, etc.). The District was not exposed to credit risk.

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

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 limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. The District was not exposed to interest rate risk.

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 (state an appropriate policy, such as, "limiting all investments denominated in a foreign currency to less than 5% of all investments"). The District was not exposed to foreign currency risk.

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 below. In instances where inputs used to measure fair value fall into different levels in the above 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.

At August 31, 2016, the District had no investments.

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.

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 Fund is 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

The composition of interfund balances as of August 31, 2016 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General Fund	\$ 13,606	\$	Temporary advances	Yes
Special Revenue Funds		13,606	Temporary advances	Yes
Total	<u>\$ 13,606</u>	<u>\$ 13,606</u>		

Interfund transfers for the year ended August 31, 2016 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Special Revenue Fund	\$ 5,282	\$	Operating deficit transfer
General Fund		5,282	Operating deficit transfer
Total	<u>\$ 5,282</u>	<u>\$ 5,282</u>	

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016 were as follows:

	Property Taxes (net)	Other Government	Total Receivables
Governmental Activities:			
General Fund	\$ 49,320	\$ 104,378	\$ 153,698
Nonmajor Governmental Funds		15,999	15,999
Total Governmental Activities	<u>\$ 49,320</u>	<u>\$ 120,377</u>	<u>\$ 169,697</u>

Payables at August 31, 2016 were as follows:

	Salaries and Benefits
Governmental Activities:	
General Fund	\$ 96,581
Nonmajor Governmental Funds	2,393
Total Governmental Activities	<u>\$ 98,974</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2016, was as follows:

	Balance 8/31/15	Additions	Disposals	Balance 8/31/16
Governmental activities:				
Land and improvements	\$ 40,950	\$	\$	\$ 40,950
Buildings and improvements	1,775,945			1,775,945
Furniture and equipment	579,436	88,673		668,109
Totals	<u>2,396,331</u>	<u>88,673</u>		<u>2,485,004</u>
Less accumulated depreciation for:				
Buildings and improvements	610,957	45,006		655,963
Furniture and equipment	437,945	47,869		485,814
Total accumulated depreciation	<u>1,048,902</u>	<u>92,875</u>		<u>1,141,777</u>
Governmental activities capital assets, net	<u>\$ 1,347,429</u>	<u>\$ (4,202)</u>	<u>\$ 0</u>	<u>\$ 1,343,227</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 42,448
School leadership	1,413
Student (pupil) transportation	21,183
Extracurricular activities	21,184
General administration	1,439
Facilities maintenance and operations	5,208
Total depreciation expense - governmental activities	<u>\$ 92,875</u>

G. BONDS AND LONG-TERM NOTES PAYABLE

The District accounts for long-term debts for maintenance purposes through the General Fund. Long-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as non-current liabilities and principal payments as expenditures in the fund financial statements and reductions in liabilities in the government-wide financial statements.

A summary of changes in general long-term debt for the year ended August 31, 2016 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/15	Issued	Retired	Amounts Outstanding 8/31/16
Long-Term Loans Payable:						
First Financial Bank	4.34%	\$ 47,873	\$ 0	\$ 47,873	\$	\$ 47,873
Total Long-Term Debt			\$ 0	\$ 47,873	\$	\$ 47,873

Loan Payable - First Financial Bank -

The District obtained a long-term note payable in August, 2016 to finance the purchase of a new school bus. The amount financed was for \$47,873 payable in annual installments of \$10,559 at an interest rate of 4.34% with final maturity in February, 2021.

H. DEBT SERVICE REQUIREMENTS - NOTES PAYABLE

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2017	\$ 9,577	\$ 982	\$ 10,559
2018	9,014	1,545	10,559
2019	9,377	1,181	10,559
2020	9,756	803	10,559
2021	10,149	410	10,559
Totals	\$ 43,873	\$ 4,921	\$ 52,794

I. DEFINED BENEFIT PENSION PLAN

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

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	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>

Net Position as a 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 in (A) above.

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

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

Contribution Rates		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

2016 District Contributions	\$ 26,376
2016 Member Contributions	\$ 87,310
2015 NECE On-behalf Contributions	\$ 68,123

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.

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
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
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

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%. 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%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.0%	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	<u>100%</u>		<u>8.7%</u>

* *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.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 423,638	\$ 270,382	\$ 142,730

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$270,382 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 270,382
State's proportionate share that is associated with the District	813,008
Total	<u>\$ 1,083,390</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 District's proportion of the net pension liability was based on the District'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 District's proportion of the collective net pension liability was 0.0007649% which was an increase of 0.0002499% 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-employment 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 measurement period August 31, 2015, the District recognized pension expense of \$67,437 and revenue of \$67,437 for support provided by the State in the Government-Wide Statement of Activities.

At August 31, 2015, the 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 1,769	\$ 10,391
Changes in actuarial assumptions	7,437	9,646
Differences between projected and actual investment earnings	35,055	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	57,117	85
Total as of August 31, 2015 measurement date	\$ 101,378	\$ 20,122
Contributions paid to TRS subsequent to the measurement date	26,376	
Total as of August 31, 2016 fiscal year end	\$ 127,754	\$ 20,122

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

Year ended August 31,	Pension Expense Amount
2017	\$ 14,266
2018	\$ 14,266
2019	\$ 14,265
2020	\$ 24,778
2021	\$ 8,021
Thereafter	\$ 5,660

J. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. 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. For staff members funded by federal programs, the federal programs are required to contribution 1.0 %.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2016, 2015 and 2014 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 7,881	1.00%	\$ 12,126	0.55%	\$ 6,670
2015	0.65%	\$ 6,995	1.00%	\$ 10,761	0.55%	\$ 5,919
2014	0.65%	\$ 7,056	1.00%	\$ 10,856	0.55%	\$ 5,971

Medicare Part D. 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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2016, 2015 and 2014 were \$4,738, \$4,379 and \$, respectively.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes Payable	\$ 0	\$ 47,873	\$	\$ 47,873	\$ 9,577
Net Pension Liability	137,564	155,467	22,649	270,382	0
Total	<u>\$ 137,564</u>	<u>\$ 203,340</u>	<u>\$ 22,649</u>	<u>\$ 318,255</u>	<u>\$ 9,577</u>

L. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

	Unavailable Revenue (levied but uncollected property taxes)	Unearned Windfarm Permit Fees Donation
General Fund	<u>\$ 49,320</u>	<u>\$ 25,000</u>

M. DUE FROM STATE AND FEDERAL 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 August 31, 2016, are summarized below. They are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	\$ 104,378	\$	\$ 104,378
Special Revenue		15,999	15,999
Net Total Receivables	<u>\$ 104,378</u>	<u>\$ 15,999</u>	<u>\$ 120,377</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 1,242,265	\$	\$ 1,242,265
Penalties, interest and other tax related income	14,995		14,995
Food sales		35,402	35,402
Investment income	4,637	1	4,638
Extracurricular student activities	11,564		11,564
Donations	100,000		100,000
Other income	101	79	180
Total	<u>\$ 1,373,562</u>	<u>\$ 35,482</u>	<u>\$ 1,409,044</u>

O. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

P. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Greater Erath County Special Ed Co-op. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Stephenville ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 11. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 11 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

Q. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2016, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty and Workers Compensation Program

The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Unemployment Compensation

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's board of trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2016; the date which the financial statements were available for distribution. There were none noted.

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REQUIRED SUPPLEMENTARY INFORMATION

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 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	\$ 1,278,544	\$ 1,337,544	\$ 1,373,562	\$ 36,018
5800	State Program Revenues	549,528	549,528	651,525	101,997
5020	Total Revenues	1,828,072	1,887,072	2,025,087	138,015
EXPENDITURES:					
Current:					
0011	Instruction	1,050,651	1,037,151	1,016,309	20,842
0012	Instructional Resources and Media Services	3,684	3,984	2,838	1,146
0013	Curriculum and Instructional Staff Development	13,274	14,874	12,465	2,409
0023	School Leadership	48,499	74,699	60,802	13,897
0031	Guidance, Counseling and Evaluation Services	46,759	46,259	45,057	1,202
0033	Health Services	10,474	10,474	10,236	238
0034	Student (Pupil) Transportation	39,247	81,447	125,032	(43,585)
0036	Extracurricular Activities	71,719	75,119	71,492	3,627
0041	General Administration	197,948	219,348	220,357	(1,009)
0051	Facilities Maintenance and Operations	201,994	214,894	187,834	27,060
0052	Security and Monitoring Services	2,000	2,500	1,488	1,012
0053	Data Processing Services	83,325	83,325	83,210	115
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	10,435	10,635	10,519	116
0099	Other Intergovernmental Charges	36,357	36,357	35,828	529
6030	Total Expenditures	1,816,366	1,911,066	1,883,467	27,599
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	11,706	(23,994)	141,620	165,614
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	41,000	47,873	6,873
8911	Transfers Out (Use)	(11,706)	(17,006)	(5,282)	11,724
7080	Total Other Financing Sources (Uses)	(11,706)	23,994	42,591	18,597
1200	Net Change in Fund Balances	-	-	184,211	184,211
0100	Fund Balance - September 1 (Beginning)	1,103,539	1,103,539	1,103,539	-
3000	Fund Balance - August 31 (Ending)	\$ 1,103,539	\$ 1,103,539	\$ 1,287,750	\$ 184,211

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0007649%	0.0005150%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 270,382	\$ 137,564
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>813,008</u>	<u>661,091</u>
Total	<u>\$ 1,083,390</u>	<u>\$ 798,655</u>
District's Covered Employee Payroll	\$ 1,076,106	\$ 1,085,604
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	25.13%	12.67%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. "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."

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 26,376	\$ 22,649
Contribution in Relation to the Contractually Required Contribution	<u>(26,376)</u>	<u>(22,649)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 1,212,640	\$ 1,076,106
Contributions as a percentage of Covered Employee Payroll	2.18%	2.10%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. "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."

HUCKABAY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 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.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING SCHEDULES

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	935	1,602	13,462
1000	Total Assets	<u>\$ 935</u>	<u>\$ 1,602</u>	<u>\$ 13,462</u>
LIABILITIES				
2160	Accrued Wages Payable	\$ 852	\$ 1,431	\$ -
2170	Due to Other Funds	-	144	13,462
2200	Accrued Expenditures	83	27	-
2000	Total Liabilities	<u>935</u>	<u>1,602</u>	<u>-</u>
FUND BALANCES				
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 935</u>	<u>\$ 1,602</u>	<u>\$ 13,462</u>

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 1,389	\$ 1,389
-	-	15,999
<u>\$ -</u>	<u>\$ 1,389</u>	<u>\$ 17,388</u>
\$ -	\$ -	\$ 2,283
-	-	13,606
-	-	110
<u>-</u>	<u>-</u>	<u>15,999</u>
-	1,389	1,389
<u>-</u>	<u>1,389</u>	<u>1,389</u>
<u>\$ -</u>	<u>\$ 1,389</u>	<u>\$ 17,388</u>

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 35,402	\$ -	\$ -
5800 State Program Revenues	-	3,076	-	-
5900 Federal Program Revenues	26,571	41,132	10,430	15,786
5020 Total Revenues	<u>26,571</u>	<u>79,610</u>	<u>10,430</u>	<u>15,786</u>
EXPENDITURES:				
Current:				
0011 Instruction	7,187	-	10,430	11,275
0012 Instructional Resources and Media Services	18,227	-	-	310
0013 Curriculum and Instructional Staff Development	-	-	-	3,348
0023 School Leadership	-	-	-	430
0031 Guidance, Counseling and Evaluation Services	-	-	-	184
0034 Student (Pupil) Transportation	1,157	-	-	-
0035 Food Services	-	84,892	-	-
0053 Data Processing Services	-	-	-	239
6030 Total Expenditures	<u>26,571</u>	<u>84,892</u>	<u>10,430</u>	<u>15,786</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,282)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	5,282	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 80	\$ 35,482
34,440	-	37,516
-	-	93,919
<u>34,440</u>	<u>80</u>	<u>166,917</u>
34,440	-	63,332
-	-	18,537
-	-	3,348
-	-	430
-	-	184
-	-	1,157
-	-	84,892
-	-	239
<u>34,440</u>	<u>-</u>	<u>172,119</u>
-	80	(5,202)
-	-	5,282
-	80	80
-	1,309	1,309
<u>\$ -</u>	<u>\$ 1,389</u>	<u>\$ 1,389</u>

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 37,028	\$ 108,617	\$ 103,222	\$ 42,423
Liabilities:				
Due to Student Groups	\$ 37,028	\$ 108,617	\$ 103,222	\$ 42,423
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 37,028	\$ 108,617	\$ 103,222	\$ 42,423
Liabilities:				
Due to Student Groups	\$ 37,028	\$ 108,617	\$ 103,222	\$ 42,423

REQUIRED TEA SCHEDULES

HUCKABAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(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	0.000000	96,746,710
2009	1.040000	0.000000	106,909,852
2010	1.040000	0.000000	116,525,088
2011	1.040000	0.000000	114,361,808
2012	1.040000	0.000000	115,824,649
2013	1.040000	0.000000	113,086,732
2014	1.040000	0.000000	116,267,084
2015	1.040000	0.000000	120,801,256
2016 (School year under audit)	1.040000	0.000000	122,258,989
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 17,665	\$ -	\$ 420	\$ -	\$ (8,979)	\$ 8,266
1,510	-	76	-	(15)	1,419
1,522	-	96	-	(15)	1,411
3,975	-	487	-	(16)	3,472
3,385	-	89	-	(16)	3,280
2,874	-	71	-	(15)	2,788
3,460	-	543	-	-	2,917
3,732	-	634	-	-	3,098
16,195	-	9,016	-	(15)	7,164
-	1,271,493	1,230,833	-	(57)	40,603
<u>\$ 54,318</u>	<u>\$ 1,271,493</u>	<u>\$ 1,242,265</u>	<u>\$ -</u>	<u>\$ (9,128)</u>	<u>\$ 74,418</u>

HUCKABAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 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	\$ 36,000	\$ 36,000	\$ 35,402	\$ (598)
5800	State Program Revenues	3,393	3,393	3,076	(317)
5900	Federal Program Revenues	45,300	45,300	41,132	(4,168)
5020	Total Revenues	84,693	84,693	79,610	(5,083)
EXPENDITURES:					
0035	Food Services	96,399	101,699	84,892	16,807
6030	Total Expenditures	96,399	101,699	84,892	16,807
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,706)	(17,006)	(5,282)	11,724
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	11,706	17,006	5,282	(11,724)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

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

Board of Trustees
Huckabay Independent School District
200 County Road 421
Stephenville, Texas 76401

I 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huckabay Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Huckabay Independent School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cameron L. Gulley
Certified Public Accountant

October 19, 2016

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None reported.		

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HUCKABAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None reported.

III. Findings and Questioned Costs for Federal Awards

N/A.

HUCKABAY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

None required.