

**HUGHES SPRINGS
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2022**



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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CERTIFICATE OF BOARD

Hughes Springs Independent School District
Name of School District

Cass
County

034-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2022 at a meeting of the Board of Trustees of such school district on the _____ day of January 2023.

Signature of Board Secretary

Signature of Board President

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



**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

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

Members of the Board:

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of Hughes Springs Independent School District (the District) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of the Hughes Springs Independent School District as of August 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise a substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on pages 51-52, schedule of District contributions to TRS on pages 53-54, schedule of the District's proportionate share of the OPEB liability (TRS) on pages 55-56, and schedule of District contributions to TRS OPEB plan on pages 57-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hughes Springs Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of reports required from Texas Education Agency identified in the Table of Contents as J-1 through J-4, and L-1. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, on our consideration of the Hughes Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hughes Springs Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hughes Springs Independent School District's internal control over financial reporting and compliance.



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

January 3, 2023

HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hughes Springs Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's Net Position is \$5,792,557 as a result of this year's operations.

During the year, the District had expenses that were \$754,857 less than the \$15,854,862 generated in tax and other revenues for governmental programs.

The general fund reported a positive fund balance of \$9,343,369.

USING THIS ANNUAL REPORT

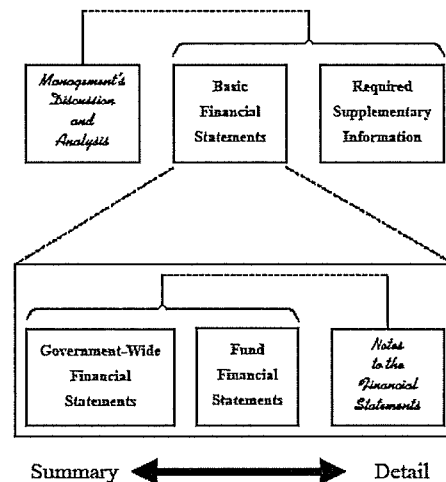
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property 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 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 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.

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



HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the

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

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

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

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

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

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

Net Position of the District's governmental activities increased from \$5,043,555 to \$5,792,557. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,427,790 at August 31, 2022.

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

	Governmental Activities 2022	Governmental Activities 2021	Total % Change
Current and other assets	\$ 10,785,770	\$ 10,029,542	7.54%
Capital assets	5,678,466	6,009,393	-5.51%
Total Assets	<u>16,464,236</u>	<u>16,038,935</u>	<u>2.65%</u>
Deferred outflows of resources	<u>2,239,487</u>	<u>2,474,524</u>	<u>-9.50%</u>
Other liabilities	954,125	794,150	20.14%
Long term liabilities	1,423,528	1,555,728	-8.50%
TRs net pension liability	1,457,518	3,117,128	-53.24%
TRs net OPEB liability	4,209,271	4,392,174	-4.16%
Total Liabilities	<u>8,044,442</u>	<u>9,859,180</u>	<u>-18.41%</u>
Deferred inflow of resources	<u>4,866,724</u>	<u>3,610,724</u>	<u>34.79%</u>
Net Position:			
Net investment in capital and RTU assets	4,274,644	4,481,416	-4.61%
Restricted	90,123	169,410	-46.80%
Unrestricted	1,427,790	392,729	263.56%
Total Net Position	<u>\$ 5,792,557</u>	<u>\$ 5,043,555</u>	<u>14.85%</u>

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

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

	Governmental Activities 2022	Governmental Activities 2021	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 93,369	\$ 152,558	-38.80%
Operating grants and contributions	2,793,197	2,033,313	37.37%
General Revenues:			
Property taxes	2,539,992	2,687,154	-5.48%
State aid - formula grants	10,016,143	9,678,352	3.49%
Investment earnings	23,109	13,516	70.98%
Miscellaneous and Other	389,052	377,472	3.07%
Gain (Loss) on Disposal of Capital Asset	-	3,000	-100.00%
Total Revenues	15,854,862	14,945,365	6.09%
Expenses:			
Instruction, curriculum and media services	8,525,112	9,174,994	-7.08%
Instructional and school leadership	667,289	815,946	-18.22%
Guidance, counseling and evaluation services	310,821	235,783	31.83%
Social Work and Health services and student transportatio	624,091	496,227	25.77%
Food services	690,490	532,806	29.60%
Extracurricular activities	891,468	827,614	7.72%
General administration	572,001	599,905	-4.65%
Facilities maintenance, security & monitoring	2,015,326	1,575,173	27.94%
Data processing	636,917	447,406	42.36%
Debt service	25,520	26,674	-4.33%
Payments to Shared Service Arrangements	69,040	83,417	-17.24%
Other Intergovernmental Charges	71,930	68,742	4.64%
Total Expenses	15,100,005	14,884,687	1.45%
Increase (Decrease) in Net Position	754,857	60,678	1144.04%
Net Position - Beginning of Year	5,043,555	4,982,877	1.22%
Prior Period Adjustment	(5,855)	-	-100.00%
Net Position - End of Year	\$ 5,792,557	\$ 5,043,555	14.85%

The cost of all governmental activities this year was \$15,100,005. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$2,539,992 because some of the costs were paid by those who directly benefited from the programs \$93,369 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,793,197 or by unrestricted grants, interest, or other revenue \$10,428,304.

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

THE DISTRICT'S FUNDS

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

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

	Governmental Funds 2022	Governmental Funds 2021	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 3,068,512	\$ 3,255,589	\$ (187,077)	-5.7%
State Program Revenues	10,708,961	10,338,290	370,671	3.6%
Federal Program Revenues	2,899,493	1,292,702	1,606,791	124.3%
Total Revenues	<u>16,676,966</u>	<u>14,886,581</u>	<u>1,790,385</u>	<u>12.0%</u>
Expenditures:				
Instruction	8,724,014	8,196,766	527,248	6.4%
Instructional resources & media services	111,502	111,044	458	0.4%
Curriculum and Instructional Staff Development	132,720	152,745	(20,025)	-13.1%
Instructional leadership	746	1,619	(873)	-53.9%
School leadership	711,243	740,656	(29,413)	-4.0%
Guidance, counseling & evaluation services	295,411	208,824	86,587	41.5%
Health services	165,331	123,552	41,779	33.8%
Student (pupil) transportation	650,731	333,184	317,547	95.3%
Food service	690,705	490,790	199,915	40.7%
Extracurricular activities	855,781	770,735	85,046	11.0%
General administration	621,426	553,985	67,441	12.2%
Facilities maintenance & operations	1,865,486	1,426,427	439,059	30.8%
Security & monitoring services	148,467	124,830	23,637	18.9%
Data processing services	605,341	445,093	160,248	36.0%
Debt service	223,910	205,000	18,910	9.2%
Capital outlay	189,964	-	189,964	100.0%
Payments to fiscal agent member districts of SSA	69,040	83,417	(14,377)	-17.2%
Other intergovernmental charges	71,930	68,742	3,188	4.6%
Total Expenditures	<u>16,133,748</u>	<u>14,037,409</u>	<u>2,096,339</u>	<u>14.9%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	543,218	849,172	(305,954)	-36.0%
Other Financing Sources (Uses):				
Sale of real and personal property	2,500	3,000	(500)	-16.7%
Right-to-Use Leases	35,878	-	35,878	100.0%
Transfers in	225,725	262,000	(36,275)	-13.8%
Transfers out	(225,725)	(262,000)	36,275	13.8%
	<u>38,378</u>	<u>3,000</u>	<u>35,378</u>	<u>1179.3%</u>
Net Change in Fund Balances	581,596	852,172	(270,576)	-31.8%
Fund Balance - Beginning of Year	8,948,951	8,096,779	852,172	10.5%
Fund Balance - End of Year	<u>\$ 9,530,547</u>	<u>\$ 8,948,951</u>	<u>\$ 581,596</u>	<u>6.5%</u>

As the District completed the year, its governmental funds reported a combined fund balance of \$9,530,547, which is more than last year's total of \$8,948,951. Included in this year's total change in fund balance is an increase of \$563,655 in the District's General Fund.

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

BUDGET

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2021).

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

The District's General Fund balance of \$9,343,369 differs from the General Fund's budgetary fund balance of \$8,656,188 reported in the budgetary comparison schedule.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$5,678,466 net invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net decrease in capital assets over last year due to current depreciation and current year additions including the replacement of the junior high gym floor, a welding shear, steel surcharge, two buses, a whirlpool tub, several floor scrubbers, a 10 ton gas pack and an elementary playground.

The District disposed of the old junior high gym floor that was replaced with insurance proceeds and sold a fully depreciated vehicle for \$2,500.

Debt

Long-term debt (bonds) decreased for the year ending August 31, 2022. As of year-end, the District had outstanding bonds of \$1,348,035. The District had outstanding right-to-use lease liability of \$55,787. More detailed information about the District's debt is presented in Notes I, J, K and L to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2023. Amounts appropriated in the General Fund expenditure budget are \$13,522,761 an increase from the final 2022 actual of \$12,962,460. This increase is due to increasing costs. Average percentage attendance rates from 19/20 (pre-COVID) along with actual ADA from the last two six weeks of 21/22 were utilized in building the budget for 2023. If these estimates are realized, the District's budgetary General Fund balance is expected to remain close to the same at the close of 2023. More importantly, however, this will have been accomplished in spite of unfunded mandates.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Hughes Springs Independent School District, 871 Taylor Street. Hughes Springs, Texas.

BASIC FINANCIAL STATEMENTS

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,509,964
1120 Current Investments	3,450,249
1220 Property Taxes - Delinquent	348,436
1230 Allowance for Uncollectible Taxes	(92,201)
1240 Due from Other Governments	1,481,923
1250 Accrued Interest Receivable	1,620
1300 Inventories	85,779
Capital Assets:	
1510 Land	100,050
1520 Buildings and Improvements, Net	3,966,538
1530 Furniture and Equipment, Net	1,561,550
1550 Right-to-Use Leased Assets, Net	50,328
1000 Total Assets	16,464,236
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	958,855
1706 Deferred Outflow Related to TRS OPEB	1,280,632
1700 Total Deferred Outflows of Resources	2,239,487
LIABILITIES	
2110 Accounts Payable	96,572
2140 Accrued Interest Payable	1,578
2150 Payroll Deductions and Withholdings	99,149
2160 Accrued Wages Payable	745,365
2300 Unearned Revenue	11,461
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	193,531
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	1,229,997
2540 Net Pension Liability (District's Share)	1,457,518
2545 Net OPEB Liability (District's Share)	4,209,271
2000 Total Liabilities	8,044,442
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,587,235
2606 Deferred Inflow Related to TRS OPEB	3,279,489
2600 Total Deferred Inflows of Resources	4,866,724
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	4,274,644
Restricted:	
3820 Restricted for Federal and State Programs	35
3850 Restricted for Debt Service	4,309
3890 Restricted for Other Purposes	85,779
3900 Unrestricted	1,427,790
3000 Total Net Position	\$ 5,792,557

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 8,338,231	\$ 16,280	\$ 1,713,917	\$ (6,608,034)
12	Instructional Resources and Media Services	105,094	-	(1,776)	(106,870)
13	Curriculum and Instructional Staff Development	81,787	-	3,581	(78,206)
21	Instructional Leadership	785	-	-	(785)
23	School Leadership	666,504	-	5,260	(661,244)
31	Guidance, Counseling, and Evaluation Services	310,821	-	69,691	(241,130)
33	Health Services	173,955	-	30,095	(143,860)
34	Student (Pupil) Transportation	450,136	-	8,849	(441,287)
35	Food Services	690,490	31,430	641,725	(17,335)
36	Extracurricular Activities	891,468	45,659	(4,804)	(850,613)
41	General Administration	572,001	-	2,482	(569,519)
51	Facilities Maintenance and Operations	1,859,114	-	220,919	(1,638,195)
52	Security and Monitoring Services	156,212	-	1,706	(154,506)
53	Data Processing Services	636,917	-	101,552	(535,365)
72	Debt Service - Interest on Long-Term Debt	25,520	-	-	(25,520)
93	Payments Related to Shared Services Arrangements	69,040	-	-	(69,040)
99	Other Intergovernmental Charges	71,930	-	-	(71,930)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 15,100,005	\$ 93,369	\$ 2,793,197	(12,213,439)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			2,539,992	
SF	State Aid - Formula Grants			10,016,143	
IE	Investment Earnings			23,109	
MI	Miscellaneous Local and Intermediate Revenue			389,052	
TR	Total General Revenues			12,968,296	
CN	Change in Net Position			754,857	
NB	Net Position - Beginning			5,043,555	
PA	Prior Period Adjustment			(5,855)	
NE	Net Position - Ending			\$ 5,792,557	

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	ESSER -School Emergency Relief III	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,207,195	\$ -	\$ 150,893	\$ 5,358,088
1120 Investments - Current	3,450,249	-	-	3,450,249
1220 Property Taxes - Delinquent	345,054	-	3,382	348,436
1230 Allowance for Uncollectible Taxes	(91,981)	-	(220)	(92,201)
1240 Due from Other Governments	984,363	183,497	314,063	1,481,923
1250 Accrued Interest Receivable	1,620	-	-	1,620
1260 Due from Other Funds	357,434	-	-	357,434
1300 Inventories	44,276	-	41,503	85,779
1000 Total Assets	<u>\$ 10,298,210</u>	<u>\$ 183,497</u>	<u>\$ 509,621</u>	<u>\$ 10,991,328</u>
LIABILITIES				
2110 Accounts Payable	\$ 34,102	\$ -	\$ 62,470	\$ 96,572
2140 Interest Payable - Current	119	-	-	119
2150 Payroll Deductions and Withholdings Payable	84,717	6,090	8,342	99,149
2160 Accrued Wages Payable	636,878	12,535	95,952	745,365
2170 Due to Other Funds	-	164,872	141,860	306,732
2300 Unearned Revenue	800	-	10,661	11,461
2000 Total Liabilities	<u>756,616</u>	<u>183,497</u>	<u>319,285</u>	<u>1,259,398</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	198,225	-	3,158	201,383
2600 Total Deferred Inflows of Resources	<u>198,225</u>	<u>-</u>	<u>3,158</u>	<u>201,383</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	44,276	-	41,503	85,779
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	35	35
3480 Retirement of Long-Term Debt	-	-	2,729	2,729
Committed Fund Balance:				
3510 Construction	2,500,000	-	-	2,500,000
3530 Capital Expenditures for Equipment	850,000	-	-	850,000
3540 Self Insurance	25,171	-	-	25,171
3545 Other Committed Fund Balance	1,167,000	-	142,911	1,309,911
3600 Unassigned Fund Balance	4,756,922	-	-	4,756,922
3000 Total Fund Balances	<u>9,343,369</u>	<u>-</u>	<u>187,178</u>	<u>9,530,547</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,298,210</u>	<u>\$ 183,497</u>	<u>\$ 509,621</u>	<u>\$ 10,991,328</u>

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	9,530,547
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		101,174
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$31,831,589 and the accumulated depreciation was (\$25,789,882). In addition, long-term liabilities of (\$1,566,146), including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,475,561
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		725,347
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$958,855, a deferred resource inflow in the amount of (\$1,587,235), and a net pension liability in the amount of (\$1,457,518). This resulted in an increase(decrease) in net position.		(2,085,898)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,280,632, a deferred resource inflow in the amount of (\$3,279,489), and a net OPEB liability in the amount of (\$4,209,271). This resulted in an increase(decrease) in net position.		(6,208,128)
6 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(830,516)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		84,470
19 Net Position of Governmental Activities	\$	<u>5,792,557</u>

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	ESSER -School Emergency Relief III	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,868,158	\$ -	\$ 200,354	\$ 3,068,512
5800 State Program Revenues	10,619,579	-	89,382	10,708,961
5900 Federal Program Revenues	-	1,274,567	1,624,926	2,899,493
5020 Total Revenues	<u>13,487,737</u>	<u>1,274,567</u>	<u>1,914,662</u>	<u>16,676,966</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,878,542	753,716	1,091,756	8,724,014
0012 Instructional Resources and Media Services	111,502	-	-	111,502
0013 Curriculum and Instructional Staff Development	127,361	2,059	3,300	132,720
0021 Instructional Leadership	746	-	-	746
0023 School Leadership	691,684	19,559	-	711,243
0031 Guidance, Counseling, and Evaluation Services	223,252	72,159	-	295,411
0033 Health Services	132,956	32,375	-	165,331
0034 Student (Pupil) Transportation	634,260	16,471	-	650,731
0035 Food Services	2,560	22,647	665,498	690,705
0036 Extracurricular Activities	698,614	-	157,167	855,781
0041 General Administration	611,132	10,294	-	621,426
0051 Facilities Maintenance and Operations	1,632,296	233,190	-	1,865,486
0052 Security and Monitoring Services	144,349	4,118	-	148,467
0053 Data Processing Services	497,362	107,979	-	605,341
Debt Service:				
0071 Principal on Long-Term Liabilities	18,260	-	169,000	187,260
0072 Interest on Long-Term Liabilities	925	-	35,725	36,650
Capital Outlay:				
0081 Facilities Acquisition and Construction	189,964	-	-	189,964
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	69,040	-	-	69,040
0099 Other Intergovernmental Charges	71,930	-	-	71,930
6030 Total Expenditures	<u>12,736,735</u>	<u>1,274,567</u>	<u>2,122,446</u>	<u>16,133,748</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	751,002	-	(207,784)	543,218
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	2,500	-	-	2,500
7913 Right-to-Use Leases	35,878	-	-	35,878
7915 Transfers In	-	-	225,725	225,725
8911 Transfers Out (Use)	(225,725)	-	-	(225,725)
7080 Total Other Financing Sources (Uses)	<u>(187,347)</u>	<u>-</u>	<u>225,725</u>	<u>38,378</u>
1200 Net Change in Fund Balances	563,655	-	17,941	581,596
0100 Fund Balance - September 1 (Beginning)	8,779,714	-	169,237	8,948,951
3000 Fund Balance - August 31 (Ending)	<u>\$ 9,343,369</u>	<u>\$ -</u>	<u>\$ 187,178</u>	<u>\$ 9,530,547</u>

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

HUGHES SPRING 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, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	581,596
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		25,950
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase net position.</p>		
		725,347
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(830,516)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.</p>		
		(98,996)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$338,078. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling (\$243,534). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased)decreased the change in net position by \$55,004. The net result is an increase(decrease) in the change in net position.</p>		
		149,548
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$98,580. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$85,441). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased)decreased the change in net position by \$188,789. The net result is an increase(decrease) in the change in net position.</p>		
		201,928
Change in Net Position of Governmental Activities		\$ 754,857

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2022

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 151,876
Total Assets	151,876
LIABILITIES	
Current Liabilities:	
Due to Other Funds	50,702
Total Liabilities	50,702
NET POSITION	
Unrestricted Net Position	101,174
Total Net Position	\$ 101,174

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 56,803
Total Operating Revenues	<u>56,803</u>
OPERATING EXPENSES:	
Payroll Costs	<u>30,853</u>
Total Operating Expenses	<u>30,853</u>
Operating Income	25,950
Total Net Position - September 1 (Beginning)	<u>75,224</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 101,174</u></u>

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 56,803
Cash Payments for Insurance Claims	(24,644)
Cash Payments for Suppliers	(6,209)
	25,950
Net Cash Provided by Operating Activities	25,950
Net Increase in Cash and Cash Equivalents	125,926
Cash and Cash Equivalents at Beginning of Year	125,926
Cash and Cash Equivalents at End of Year	\$ 151,876
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	\$ 25,950

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 23,815	\$ 36,580
Total Assets	<u>23,815</u>	<u>\$ 36,580</u>
NET POSITION		
Restricted for Scholarships	22,578	-
Restricted for Other Purposes	<u>1,237</u>	<u>36,580</u>
Total Net Position	<u>\$ 23,815</u>	<u>\$ 36,580</u>

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

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Funds	Total Custodial Funds
ADDITIONS:		
Contributions to Student Groups	\$ -	\$ 39,552
Contributions, Gifts and Donations	45,886	-
Total Additions	<u>45,886</u>	<u>39,552</u>
DEDUCTIONS:		
Supplies and Materials	41,017	39,344
Total Deductions	<u>41,017</u>	<u>39,344</u>
Change in Fiduciary Net Position	4,869	208
Total Net Position - September 1 (Beginning)	<u>18,946</u>	<u>36,372</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 23,815</u></u>	<u><u>\$ 36,580</u></u>

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Note A. Summary of Significant Account Policies

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

The District implemented Governmental Accounting Standards Board (GASB) Number 87 *Leases* to improve accounting and financial reporting for leases by governments. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

1. Reporting Entity

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

2. Government-Wide Fund Financial Statements

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

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The Proprietary and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have measurement focus. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

4. Fund Accounting

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

The District reports the following major governmental funds:

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

Elementary and Secondary Emergency Relief Fund (ESSER III) – This fund accounts for resources restricted for specific purposes by a grant in a special revenue fund. ESSER III funds were granted to LEAs through the American Rescue Plan Act to address learning loss and the disproportionate impact of the coronavirus on certain student subgroups, identify and provide homeless children and youth with services in light of challenges of the coronavirus, and enable homeless children and youth to attend school and participate fully in school activities.

Additionally, the District reports the following fund types:

Governmental Fund Type:

Special Revenue Funds – The District accounts for resources restricted or committed for, specific purposes by the District or a grantor in special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service fund is the only required special revenue budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

Debt Service Fund - This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded worker's compensation fund and laptop fund.

Fiduciary Fund Type:

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

Custodial Funds – The District utilizes Custodial Funds to account for resources held for others in a custodial capacity. The District's Custodial Fund is the Student Activity Fund

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

5. Cash Equivalents

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

6. Investments

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

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

8. Grant Fund Accounting

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

9. Long-term Debt

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

10. Compensated Absences

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

11. Asset Capitalization and Useful Lives

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

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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Buildings and improvements, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

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

The District has no restriction on any assets.

12. Worker’s Compensation Plan

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

13. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as due to/from other funds. All balances between funds are reported as transfers.

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

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

14. Risk Management

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

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

15. Fund Equity

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

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

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

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

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

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

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

As of August 31, 2022:

	General	Other	Total
<u>Nonspendable:</u>			
Inventory	\$ 44,276	\$ 41,503	\$ 85,779
<u>Restricted:</u>			
Food Service	-	35	35
Long-Term Debt	-	2,729	2,729
<u>Committed:</u>			
Construction	2,500,000	-	2,500,000
Capital Equip Expenditures	850,000	-	850,000
Self Insurance	25,171	-	25,171
Other	1,167,000	142,911	1,309,911
<u>Unassigned:</u>			
	4,756,922	-	4,756,922
	\$ 9,343,369	\$ 187,178	\$ 9,530,547

17. Deferred Outflows of Resources and Deferred Inflows of Resources

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

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

18. Application of Restricted or Unrestricted Assets

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

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

19. Data Control Codes

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

20. Estimates and Assumptions

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

21. Internal Service Funds

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

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

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

Note B. Stewardship, Compliance and Accountability

Budgetary Data

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

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

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

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

The following budget amendments were significant:

General Fund:	
Decrease in expenditures Function 11 - Instruction	271,985
Decrease in expenditures Function 13 - Curriculum Development	1,946
Decrease in expenditures Function 23 - School Leadership	44,622
Decrease in expenditures Function 31 - Guidance, Counseling Services	9,500
(Increase) in expenditures Function 34 - Student Transportation	(104,000)
Decrease in expenditures Function 36 - Extracurricular Activities	15,337
(Increase) in expenditures Function 41 - General Administration	(23,000)
(Increase) in expenditures Function 51 - Facilities Maintenance & Operations	(333,980)
(Increase) in expenditures Function 52 - Security & Monitoring Services	(26,300)
(Increase) in expenditures Function 53 - Data Processing Services	(112,510)
(Increase) in expenditures Function 71 - Principal on Long-Term Debt	(20,600)
(Increase) in expenditures Function 72 - Interest on Long-Term Debt	(2,000)
Decrease in expenditures Function 81 - Facilities Acquisition & Construction	150,000
	(129,000)
Food Service Fund:	
Increase in revenue - Total Local and Intermediate Sources	5,500
Increase in revenue - State Program Revenues	9,919
Increase in revenue - Federal Program Revenues	88,477
(Increase) in expenditures Function 35 - Food Services	(173,896)
Increase in other financing uses -Transfers In	70,000
	-

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

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

	Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 41,538
Nonappropriated Budget Funds	145,640
	\$ 187,178

Note C. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

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

The captions and amounts of cash in bank on the Balance Sheet and Statements of Proprietary and Fiduciary Net Position as of August 31, 2022 consists of the following:

	Other	Balance	Private	Custodial		
General	Governmental	Sheet	Proprietary	Purpose		
Fund	Funds	Total	Fund	Trust Funds		
				Fund		
Cash in bank	8,657,444	85,670	8,743,114	151,876	23,815	36,580
Investment pools	-	65,223	65,223	-	-	-
Total	8,657,444	150,893	8,808,337	151,876	23,815	36,580

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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The District's cash deposits and certificates of deposits at August 31, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

As of August 31, 2022, Hughes Springs Independent School District had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>
Texas Local Government Investment Pool ("Lone Star")	
Total Investment Pools	65,223
Certificates of Deposit	<u>3,450,249</u>
Total	<u>3,515,472</u>

The Lone Star Investment Governing Board exercises oversight responsibility over Lone Star Investment Pool Funds. Additionally, its oversight agency reviews its investment policies and management fee structure. Lone Star Investment Pool – Government Overnight Fund uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star Investment Pool Funds is the same as the value of Lone Star Investment Pool Fund shares.

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2022, the district's investments in the Lone Star Investment Pool was rated AAA by Standard and Poor.

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

Note D. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for real and personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2021 upon which the levy for the 2022 fiscal year was based was \$256,025,621. The tax rates levied for the year ended August 31, 2022, to finance General Fund operations was \$1.0187 per \$100 valuation.

Taxes are due upon receipt of the tax bill and are delinquent and subject to interest if not paid by February 1 of the year following the October 1 levy date. On June 30 of each year, a tax lien attaches to the property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Note E. Delinquent Taxes Receivable

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

Note F. Interfund Payables and Receivables and Transfers

Interfund balances at August 31, 2022, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
ESSER - School Emergency Relief III	-	164,872
Nonmajor Special Revenue Funds	-	141,860
Internal Service Fund	-	50,702
ESSER - School Emergency Relief III:		
General Fund	164,872	-
Nonmajor Special Revenue Funds:		
General Fund	141,860	-
Internal Service Fund:		
General Fund	50,702	-
Total	357,434	357,434

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without requirement of repayment.” Interfund transfers at August 31, 2022, were as follows:

	Transfers to Other Funds	Transfer from Other Funds
General Fund:		
Debt Service Fund	-	204,725
Food Service Fund	-	21,000
Nonmajor Governmental Funds:		
General Fund	225,725	-
Total	225,725	225,725

The District transferred \$204,725 to the Debt Service Fund to make payments on principal and interest on debt and transferred \$21,000 to subsidize the Food Service Fund.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2022, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Total Receivables
Governmental Activities:				
General Fund	345,054	984,363	357,434	1,686,851
ESSER - School Emergency Relief III	-	183,497	-	183,497
Other Funds	3,382	314,063	-	317,445
Total - Governmental Activities	348,436	1,481,923	357,434	2,187,793
Amounts not scheduled for collection during the subsequent year	(92,201)	-	-	(92,201)

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Payables at August 31, 2022, were as follows:

	Accounts Payable	Salaries and Benefits	Due To Other Funds	Total Payables
Governmental Activities:				
General Fund	34,221	721,595	-	755,816
ESSER - School Emergency Relief III	-	18,625	164,872	183,497
Other Funds	62,470	104,294	141,860	308,624
Total - Governmental Activities	<u>96,691</u>	<u>844,514</u>	<u>306,732</u>	<u>1,247,937</u>

Note H. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2022, was as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Governmental Activities:				
Land	100,050	-	-	100,050
Buildings and Improvements	26,839,208	154,085	(88,515)	26,904,778
Furniture and Equipment	4,819,885	348,124	(63,278)	5,104,731
Right-To-Use Asset	72,446	35,878	-	108,324
Total Historical Cost	<u>31,831,589</u>	<u>538,087</u>	<u>(151,793)</u>	<u>32,217,883</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	22,384,196	571,747	(17,703)	22,938,240
Furniture and Equipment	3,365,554	240,905	(63,278)	3,543,181
Right-To-Use Asset	40,132	17,864	-	57,996
Total Accumulated Depreciation	<u>25,789,882</u>	<u>830,516</u>	<u>(80,981)</u>	<u>26,539,417</u>
Governmental Activities:				
Land	100,050	-	-	100,050
Buildings and Improvements, Net	4,455,012	(417,662)	(70,812)	3,966,538
Furniture and Equipment, Net	1,454,331	107,219	-	1,561,550
Right-To-Use Asset, Net	32,314	18,014	-	50,328
Capital Assets, Net	<u>6,041,707</u>	<u>(292,429)</u>	<u>(70,812)</u>	<u>5,678,466</u>

Current year additions for fiscal year 2022 included the replacement of the junior high gym floor, a welding shear, steel surcharge, two buses, a whirlpool tub, several floor scrubbers, a 10 ton gas pack and an elementary playground. The District leased new copiers in the current year.

The District disposed of the old junior high gym floor that was replaced with insurance proceeds and sold a fully depreciated vehicle for \$2,500.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to governmental functions as follows:

Instruction	472,940
Instructional Resources and Media Services	5,816
Curriculum and Instructional Staff Development	6,923
Instructional Leadership	39
School Leadership	37,101
Guidance, Counseling, and Evaluation Services	15,410
Health Services	8,624
Student Transportation	33,944
Food Services	36,030
Extracurricular Activities	44,641
General Administration	32,416
Facilities Maintenance and Operations	97,310
Security and Monitoring Services	7,745
Data Processing Services	31,577
Total Depreciation Expense	830,516

Note I. Bonds Payable

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

In 2020, the District issued Unlimited Tax Refunding Bonds, Series 2020 in the amount of \$1,645,000 to refund Series 2014. The escrow payment of \$1,665,220 was used to provide debt service payments on Series 2014 when called on July 16, 2020. As a result, the Series 2014 is considered defeased and the District has removed the liability from its financial statements. In the governmental fund financial statements, bond indebtedness of the District current requirement for principal and interest expenditures are accounted for in the Debt Service Fund. The District paid \$169,000 in principal and \$35,725 in interest.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium on issuance of bonds, net of accumulated amortization, totaled \$37,035 at August 31, 2022. Current year amortization totals \$10,942.

The following is a summary of the changes in the District's general long-term debt for the year ended August 31, 2022:

<u>Description</u>	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/21	Issued	Retired	Amounts Outstanding 08/31/22
Unlimited Tax Refunding, Series 2020	2.56%	\$ 1,645,000	1,480,000	-	169,000	1,311,000
Total			1,480,000	-	169,000	1,311,000

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31	Principal	Interest	Total Requirements
2023	173,000	31,347	204,347
2024	178,000	26,854	204,854
2025	182,000	22,246	204,246
2026	187,000	17,523	204,523
2027	192,000	12,672	204,672
2028-2029	399,000	10,279	409,279
	<u>\$ 1,311,000</u>	<u>\$ 120,921</u>	<u>\$ 1,431,921</u>

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

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2022.

Note J. Right-To-Use Leases

In fiscal year 2022, the District signed a lease for several copiers for the District with U.S. Bank Equipment Finance. The new lease was for a total of \$35,878.

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2021	Additions	Reductions	Amounts Outstanding 8/31/2022
Leases	2.56%	108,324	38,169	35,878	18,260	55,787
			<u>38,169</u>	<u>35,878</u>	<u>18,260</u>	<u>55,787</u>

In the governmental fund financial statements, indebtedness current requirement for principal and interest expenditures are accounted for in the General Fund, Function 71 and Function 72, respectively. During the year ended August 31, 2022, the District paid \$18,260 in principal and \$925, in interest on the leases outstanding.

Debt Service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2023	20,531	1,173	21,704
2024	13,538	738	14,276
2025	12,349	395	12,744
2026	8,380	128	8,508
2027	708	11	719
2028	281	-	281
	<u>\$ 55,787</u>	<u>\$ 2,445</u>	<u>\$ 58,232</u>

Note K. Accumulated Leave Benefits Payable

The District adopted a new policy regarding the payment of accumulated leave upon retirement from Hughes Springs Independent School District. Employees earn leave, which may either be taken or accumulated until paid upon retirement. Leave benefits payable at August 31, 2022 totaled \$19,706. A summary of the changes in the accumulated leave liability follows:

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Balance September 1, 2021	27,751
Additions	-
Deductions	<u>8,045</u>
Balance August 31, 2022	<u><u>19,706</u></u>

Note L. Changes in Debt

Long-term liability activity for the year ended August 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Unlimited Tax Refund, Series 2020	1,480,000	-	169,000	1,311,000	173,000
Bond premium	47,977	-	10,942	37,035	-
Right-To-Use Lease Liability	38,169	35,878	18,260	55,787	20,531
Total Bond Payable	<u>1,566,146</u>	<u>35,878</u>	<u>198,202</u>	<u>1,403,822</u>	<u>193,531</u>
Other Liabilities					
Compensated Absences	27,751	-	8,045	19,706	-
TRS Net Pension Liability	3,117,128	-	1,659,610	1,457,518	-
TRS Net OPEB Liability	4,392,174	-	182,903	4,209,271	-
Total Other Liabilities	<u>7,537,053</u>	<u>-</u>	<u>1,850,558</u>	<u>5,686,495</u>	<u>-</u>
Total Governmental Activities:					
Long Term-Liabilities	<u>9,103,199</u>	<u>35,878</u>	<u>2,048,760</u>	<u>7,090,317</u>	<u>193,531</u>

Note M. Defined Benefit Pension Plans

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.

Plan Description. Hughes Springs Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, 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.

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Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member (Employees)	7.7%	8.0%
Employer (District)	7.5%	7.75%
Non-Employer Contributing Entity (State)	7.5%	7.75%
HSISD Member Contributions	642,823	699,079
HSISD Employer Contributions	243,534	338,078
HSISD Measurement Year NECE On-Behalf Contributions	480,414	528,737

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

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

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

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter school, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- 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.

Actuarial Assumptions. The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100) years	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25%. 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, 2021 are summarized below:

Asset Class ¹	Target Allocation % ²	Long-Term Expected Arithmetic Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Development	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	-0.2%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Reserves	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity			
Risk Parity	8.0%	2.8%	0.28%
Leverage			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag⁴			-0.95%
Total	100.00%		6.90%

¹ Absolute Return includes Credit Sensitive Investments

² Target Allocations are based on the FY2021 policy model

³ Capital Asset Market Assumptions come from Aon Hewitt (as of 8/31/2021).

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one % point lower (6.25%) or one % point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
HSISD's proportionate share of the net pension liability:	\$ 3,184,908	\$ 1,457,518	\$ 56,080

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, Hughes Springs ISD reported a liability of \$1,457,518 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Hughes Springs ISD. The amount recognized by Hughes Springs ISD 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 Hughes Springs ISD were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,457,518
State's proportionate share that is associated with the District	<u>3,155,274</u>
Total	<u>\$ 4,612,792</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.005723285%, which was an increase (decrease) of (0.0000968174%) from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, Hughes Springs School recognized pension expense of \$201,144 and revenue of \$12,614 for support provided by the State.

At August 31, 2022, Hughes Springs School reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,439	\$ 102,610
Changes in actuarial assumptions	515,204	224,585
Net difference between projected and actual investment earnings	-	1,222,110
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	103,134	37,930
Total as of August 31, 2021 measurement date	\$ 620,777	\$ 1,587,235
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	338,078	-
Total as of August 31, 2022 fiscal year-end	\$ 958,855	\$ 1,587,235

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

Year ended <u>August 31:</u>	Pension Expense <u>Amount</u>
2023	(151,205)
2024	(160,651)
2025	(272,265)
2026	(363,034)
2027	(14,289)
Thereafter	<u>(5,014)</u>
	<u>(966,458)</u>

Note N. Defined Other Post-Employment Benefit Plan

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

Plan Description. Hughes Springs Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS- Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates			
	<u>Medicare</u>		<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree or Surviving Spouse and Children	468		408
Retiree and Family	1,020		999

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2021</u>	<u>2022</u>
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Non-Employer Contributing Entity (State)	1.25%	1.25%
HSISD Member Contributions	54,264	56,930
HSISD Employer Contributions	85,441	98,580
Measurement Year NECE On-behalf Contributions	118,005	114,213

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB program*). When hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 million in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale (MP-2018).

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expenses	3.05% to 9.05%, including inflation
Salary Increases	None
Ad Hoc Post-Employment Benefit Changes	

Discount Rate: A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
HSISD's proportionate share of the Net OPEB Liability	\$ 5,077,350	\$ 4,209,271	\$ 3,526,064

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2022 the District reported a liability of \$4,209,271 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	4,209,271
State's proportionate share that is associated with the District	<u>5,639,485</u>
Total	<u><u>9,848,756</u></u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was 0.0109120637%, compared to (0.0006418741%) as of August 31, 2021.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	\$ 3,409,370	\$ 4,209,271	\$ 5,282,539

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021.
- This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources: (The amounts shown below will be the cumulative layers for the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 181,229	\$ 2,037,581
Changes in actuarial assumptions	466,226	890,183
Net difference between projected and actual investment earnings	4,570	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	530,027	351,725
Total as of August 31, 2021 measurement date	\$ 1,182,052	\$ 3,279,489
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	98,580	-
Total as of August 31, 2022 fiscal year-end	\$ 1,280,632	\$ 3,279,489

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

Year ended August 31:	OPEB Expense Amount
2023	(406,492)
2024	(406,597)
2025	(406,571)
2026	(295,771)
2027	(145,767)
Thereafter	(436,239)
	<u>\$ (2,097,437)</u>

For the year ended August 31, 2022, the District recognized OPEB expense of (\$311,488) and revenue of (\$208,140) for support provided by the State.

Note O. Medicare Part D (TRS)

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District’s employees were \$26,903 for the year ended August 31, 2022. State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District’s employees were \$39,882 for the year ended August 31, 2021. State Contributions for Medicare Part D made on behalf of Hughes Springs Independent School District’s employees were \$33,133 for the year ended August 31, 2020.

Note P. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2022 consisted of the following:

	General Fund	Nonmajor Debt Service Fund	Total
Net uncollected tax revenue	198,225	3,158	201,383
	198,225	3,158	201,383

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Note Q. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2022, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 984,363	\$ -	\$ -	\$ 984,363
ESSER - School Emergency Relief III	-	183,497	-	183,497
Other Funds	69,389	244,674	-	314,063
Total	\$ 1,053,752	\$ 428,171	\$ -	\$ 1,481,923

Note R. Revenues from Local and Intermediate Sources

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

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total	Internal Service Fund	Private Purpose Fund	Custodial Funds	Total
Property Taxes	2,645,422	66	2,645,488	-	-	-	2,645,488
Services to Other Districts	16,280	-	16,280	-	-	-	16,280
Food Sales	-	31,430	31,430	-	-	-	31,430
Investment Income	22,801	308	23,109	51	-	-	23,160
Gifts	-	-	-	-	-	39,552	39,552
Rent	10,135	-	10,135	-	-	-	10,135
Insurance Recovery	60,774	-	60,774	-	-	-	60,774
Co-Curricular Student Activities	45,659	-	45,659	-	-	-	45,659
Other	67,087	168,550	235,637	56,752	45,886	-	338,275
Total	2,868,158	200,354	3,068,512	56,803	45,886	39,552	3,210,753

Note S. Litigation and Contingencies

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

Contingencies - The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Note T. Risk Management

In the normal course of operation the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. For insured programs, there were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

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

Workers' Compensation

The District maintains a self-insurance program for workers' compensation. Contributions are paid from all government funds to the Workers' Compensation Internal Service Fund from which all claims are paid. Claims administration, loss control, and consultant services are provided by a third party administrator. The District contributed fixed cost of \$13,992 to the fund for the year ended August 31, 2022. The District's loss fund maximum was \$28,480. The District maintains a catastrophic loss insurance policy for catastrophic losses exceeding \$350,000. Estimated claims incurred but not reported (IBNR) were calculated to be \$60,234.

Changes in the workers' compensation claims liability amounts in fiscal year 2022 are represented below:

	Statement of Change in Liability From 9/1/21 Thru 8/31/22												
	01/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	Total
Unpaid claims at 9/1/21	1,750	324	107	376	641	4	2,955	2,675	1,438	1,286	6,207	-	17,763
Incurred Claims:													
Provisions for insured events of the current year	-	-	-	-	-	-	-	-	-	-	-	17,767	17,767
Increases in provision for insured events of the prior years	(251)	3	(19)	(1)	(101)	(1)	(37)	(209)	116	(246)	(1,205)	-	(1,951)
Total incurred claims	(251)	3	(19)	(1)	(101)	(1)	(37)	(209)	116	(246)	(1,205)	17,767	15,816
Payments:													
Claims attributable to insured events of the current year	-	-	-	-	-	-	-	-	-	-	-	6,585	6,585
Claims attributable to insured events of the prior years	90	99	-	-	41	-	94	182	344	150	823	-	1,823
Total payments	90	99	-	-	41	-	94	182	344	150	823	6,585	8,408
Total unpaid claims 8/31/22	1,409	228	88	375	499	3	2,824	2,284	1,210	890	4,179	11,182	25,171
Minimum amount to be encumbered. Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	211	98	79	809	167	49,380	1,198	1,488	536	528	1,216	4,524	60,234

Note U. Shared Service Arrangements

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

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

The District has accounted for the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements. These payments totaled \$69,040 for the year ended August 31, 2022.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Note V. Prior Period Adjustment

During the current year, the District adopted GASB No.87 *Leases*. This resulted in a prior period adjustment on the government-wide financial statements to record Right-To-Use Assets of \$32,314, net of amortization and Right-To-Use Lease Payable of \$38,169. The restated beginning Net Position is \$5,037,700.

Note W. Subsequent Events

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements, which was January 3, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,780,563	\$ 2,780,563	\$ 2,868,158	\$ 87,595
5800	State Program Revenues	10,896,165	10,896,165	10,619,579	(276,586)
5020	Total Revenues	13,676,728	13,676,728	13,487,737	(188,991)
EXPENDITURES:					
Current:					
0011	Instruction	7,608,332	7,336,347	6,878,542	457,805
0012	Instructional Resources and Media Services	114,668	114,668	111,502	3,166
0013	Curriculum and Instructional Staff Development	147,389	145,443	127,361	18,082
0021	Instructional Leadership	1,750	1,750	746	1,004
0023	School Leadership	758,362	713,740	691,684	22,056
0031	Guidance, Counseling, and Evaluation Services	244,519	235,019	223,252	11,767
0033	Health Services	155,285	155,285	132,956	22,329
0034	Student (Pupil) Transportation	562,817	666,817	634,260	32,557
0035	Food Services	6,402	6,402	2,560	3,842
0036	Extracurricular Activities	779,683	764,346	698,614	65,732
0041	General Administration	594,690	617,690	611,132	6,558
0051	Facilities Maintenance and Operations	1,384,969	1,718,949	1,632,296	86,653
0052	Security and Monitoring Services	123,681	149,981	144,349	5,632
0053	Data Processing Services	395,957	508,467	497,362	11,105
Debt Service:					
0071	Principal on Long-Term Liabilities	-	20,600	18,260	2,340
0072	Interest on Long-Term Liabilities	-	2,000	925	1,075
0073	Bond Issuance Cost and Fees	750	750	-	750
Capital Outlay:					
0081	Facilities Acquisition and Construction	365,000	215,000	189,964	25,036
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	72,000	72,000	69,040	2,960
0099	Other Intergovernmental Charges	80,000	80,000	71,930	8,070
6030	Total Expenditures	13,396,254	13,525,254	12,736,735	788,519
1100	Excess of Revenues Over Expenditures	280,474	151,474	751,002	599,528
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	2,500	2,500
7913	Right-to-Use Leases	-	-	35,878	35,878
8911	Transfers Out (Use)	(275,000)	(275,000)	(225,725)	49,275
7080	Total Other Financing Sources (Uses)	(275,000)	(275,000)	(187,347)	87,653
1200	Net Change in Fund Balances	5,474	(123,526)	563,655	687,181
0100	Fund Balance - September 1 (Beginning)	8,779,714	8,779,714	8,779,714	-
3000	Fund Balance - August 31 (Ending)	\$ 8,785,188	\$ 8,656,188	\$ 9,343,369	\$ 687,181

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.005723285%	0.005820102%	0.005690576%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,457,518	\$ 3,117,128	\$ 2,958,139
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,155,274	6,236,034	5,572,945
Total	<u>\$ 4,612,792</u>	<u>\$ 9,353,162</u>	<u>\$ 8,531,084</u>
District's Covered Payroll	\$ 8,348,387	\$ 7,748,349	\$ 6,844,939
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	17.46%	40.23%	43.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.005590179%	0.005363584%	0.005231531%	0.0055736%	0.0026508%
\$ 3,076,970	\$ 1,714,985	\$ 1,976,918	\$ 1,970,193	708,065
5,987,612	3,795,011	4,670,017	4,465,504	3,778,782
<u>\$ 9,064,582</u>	<u>\$ 5,509,996</u>	<u>\$ 6,646,935</u>	<u>\$ 6,435,697</u>	<u>\$ 4,486,847</u>
\$ 6,591,984	\$ 6,664,605	\$ 6,662,163	\$ 6,590,643	6,197,193
46.68%	25.73%	29.67%	29.89%	11.43%
73.74%	82.17%	78.00%	78.43%	83.25%

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 338,078	\$ 243,534	\$ 235,994
Contribution in Relation to the Contractually Required Contribution	(338,078)	(243,534)	(235,994)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 8,738,501	\$ 8,348,387	\$ 7,748,349
Contributions as a Percentage of Covered Payroll	3.87%	2.92%	3.05%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

	2019	2018	2017	2016	2015
\$	197,112	\$ 187,446	\$ 175,787	\$ 166,219	\$ 165,036
	(197,112)	(187,446)	(175,787)	(166,219)	(165,036)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	6,844,939	\$ 6,591,984	\$ 6,664,605	\$ 6,662,163	\$ 6,590,643
	2.88%	2.84%	2.64%	2.49%	2.50%

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.010912064%	0.011553938%	0.010860009%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 4,209,271	\$ 4,392,174	\$ 5,135,832
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	5,639,485	5,902,028	6,824,371
Total	<u>\$ 9,848,756</u>	<u>\$ 10,294,202</u>	<u>\$ 11,960,203</u>
District's Covered Payroll	\$ 8,348,387	\$ 7,748,349	\$ 6,844,939
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.42%	56.69%	75.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.010491594%	0.010383898%
\$ 5,238,549	\$ 4,515,568
5,587,823	5,215,114
<u>\$ 10,826,372</u>	<u>\$ 9,730,682</u>
\$ 6,591,984	\$ 6,664,605
79.47%	67.75%
1.57%	0.91%

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 98,580	\$ 85,441	\$ 87,550
Contribution in Relation to the Contractually Required Contribution	(98,580)	(85,441)	(87,550)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 8,738,501	\$ 8,348,387	\$ 7,748,349
Contributions as a Percentage of Covered Payroll	1.13%	1.02%	1.13%

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

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

<hr/>	
2019	2018
<hr/>	
\$ 76,840	\$ 75,332
(76,840)	(75,332)
<hr/>	
\$ -	\$ -
<hr/>	
\$ 6,844,939	\$ 6,591,984
1.12%	1.14%

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

There were no changes of benefit terms since the prior measurement date.

Changes of Assumptions.

There were no changes in assumptions since the prior measurement date.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions.

The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the total OPEB liability.

COMBINING SCHEDULES

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

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 V, B,2 Rural & Low Income
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 130	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	58,913	46,596	-	-
1300 Inventories	-	41,503	-	-
1000 Total Assets	<u>\$ 58,913</u>	<u>\$ 88,229</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ 3,158	\$ 15,012	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	2,540	1,819	-	-
2160 Accrued Wages Payable	27,143	13,307	-	-
2170 Due to Other Funds	26,072	5,892	-	-
2300 Unearned Revenue	-	10,661	-	-
2000 Total Liabilities	<u>58,913</u>	<u>46,691</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	41,503	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	35	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>41,538</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 58,913</u>	<u>\$ 88,229</u>	<u>\$ -</u>	<u>\$ -</u>

281 ESSER II CRRSA Act Supplemental	289 Other Federal Special Revenue Funds	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 142,911	\$ 143,041	\$ 7,852	\$ 150,893
-	-	-	-	-	3,382	3,382
-	-	-	-	-	(220)	(220)
100,739	38,400	69,389	-	314,037	26	314,063
-	-	-	-	41,503	-	41,503
<u>\$ 100,739</u>	<u>\$ 38,400</u>	<u>\$ 69,389</u>	<u>\$ 142,911</u>	<u>\$ 498,581</u>	<u>\$ 11,040</u>	<u>\$ 509,621</u>
\$ -	\$ -	\$ 44,300	\$ -	\$ 62,470	\$ -	\$ 62,470
3,983	-	-	-	8,342	-	8,342
55,502	-	-	-	95,952	-	95,952
41,254	38,400	25,089	-	136,707	5,153	141,860
-	-	-	-	10,661	-	10,661
<u>100,739</u>	<u>38,400</u>	<u>69,389</u>	<u>-</u>	<u>314,132</u>	<u>5,153</u>	<u>319,285</u>
-	-	-	-	-	3,158	3,158
-	-	-	-	-	3,158	3,158
-	-	-	-	41,503	-	41,503
-	-	-	-	35	-	35
-	-	-	-	-	2,729	2,729
-	-	-	142,911	142,911	-	142,911
-	-	-	142,911	184,449	2,729	187,178
<u>\$ 100,739</u>	<u>\$ 38,400</u>	<u>\$ 69,389</u>	<u>\$ 142,911</u>	<u>\$ 498,581</u>	<u>\$ 11,040</u>	<u>\$ 509,621</u>

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

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 V, B,2 Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 33,372	\$ -	\$ -
5800 State Program Revenues	-	13,891	-	-
5900 Federal Program Revenues	349,279	605,209	33,118	26,183
5020 Total Revenues	<u>349,279</u>	<u>652,472</u>	<u>33,118</u>	<u>26,183</u>
EXPENDITURES:				
Current:				
0011 Instruction	346,279	-	32,818	26,183
0013 Curriculum and Instructional Staff Development	3,000	-	300	-
0035 Food Services	-	665,498	-	-
0036 Extracurricular Activities	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
6030 Total Expenditures	<u>349,279</u>	<u>665,498</u>	<u>33,118</u>	<u>26,183</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(13,026)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	21,000	-	-
1200 Net Change in Fund Balance	-	7,974	-	-
0100 Fund Balance - September 1 (Beginning)	-	33,564	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 41,538</u>	<u>\$ -</u>	<u>\$ -</u>

281 ESSER II CRRSA Act Supplemental	289 Other Federal Special Revenue Funds	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 166,916	\$ 200,288	\$ 66	\$ 200,354
-	-	75,339	-	89,230	152	89,382
546,465	64,672	-	-	1,624,926	-	1,624,926
546,465	64,672	75,339	166,916	1,914,444	218	1,914,662
546,465	64,672	75,339	-	1,091,756	-	1,091,756
-	-	-	-	3,300	-	3,300
-	-	-	-	665,498	-	665,498
-	-	-	157,167	157,167	-	157,167
-	-	-	-	-	169,000	169,000
-	-	-	-	-	35,725	35,725
546,465	64,672	75,339	157,167	1,917,721	204,725	2,122,446
-	-	-	9,749	(3,277)	(204,507)	(207,784)
-	-	-	-	21,000	204,725	225,725
-	-	-	9,749	17,723	218	17,941
-	-	-	133,162	166,726	2,511	169,237
\$ -	\$ -	\$ -	\$ 142,911	\$ 184,449	\$ 2,729	\$ 187,178

REQUIRED T.E.A. SCHEDULES

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
2014	1.119046	0.000000	366,967,669
2015	1.119046	0.000000	324,274,213
2016	1.119046	0.000000	329,645,440
2017	1.119046	0.000000	238,960,214
2018	1.119046	0.000000	226,870,803
2019	1.119046	0.000000	252,188,037
2020	1.035300	0.000000	279,595,576
2021	1.021700	0.000000	272,854,850
2022 (School year under audit)	1.018700	0.000000	256,025,621
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 50,595	\$ -	\$ 1,464	\$ -	\$ (7,130)	\$ 42,001
10,007	-	1,013	-	(76)	8,918
13,828	-	2,129	-	(132)	11,567
14,257	-	2,386	-	(1,369)	10,502
18,961	-	5,474	-	(1,351)	12,136
25,699	-	7,967	-	1,752	19,484
39,091	-	12,287	-	901	27,705
52,604	-	13,750	-	(2,652)	36,202
98,634	-	35,106	-	(7,275)	56,253
-	2,608,133	2,469,897	-	(14,568)	123,668
<u>\$ 323,676</u>	<u>\$ 2,608,133</u>	<u>\$ 2,551,473</u>	<u>\$ -</u>	<u>\$ (31,900)</u>	<u>\$ 348,436</u>

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 19,500	\$ 25,000	\$ 33,372	\$ 8,372
5800 State Program Revenues	-	9,919	13,891	3,972
5900 Federal Program Revenues	494,914	583,391	605,209	21,818
5020 Total Revenues	514,414	618,310	652,472	34,162
EXPENDITURES:				
Current:				
0035 Food Services	512,115	686,011	665,498	20,513
6030 Total Expenditures	512,115	686,011	665,498	20,513
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,299	(67,701)	(13,026)	54,675
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	70,000	21,000	(49,000)
1200 Net Change in Fund Balances	2,299	2,299	7,974	5,675
0100 Fund Balance - September 1 (Beginning)	33,564	33,564	33,564	-
3000 Fund Balance - August 31 (Ending)	\$ 35,863	\$ 35,863	\$ 41,538	\$ 5,675

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ -	\$ -	\$ 66	\$ 66
5800 State Program Revenues	-	-	152	152
5020 Total Revenues	-	-	218	218
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	169,000	169,000	169,000	-
0072 Interest on Long-Term Liabilities	35,725	35,725	35,725	-
6030 Total Expenditures	204,725	204,725	204,725	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(204,725)	(204,725)	(204,507)	218
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	205,000	205,000	204,725	(275)
1200 Net Change in Fund Balances	275	275	218	(57)
0100 Fund Balance - September 1 (Beginning)	2,511	2,511	2,511	-
3000 Fund Balance - August 31 (Ending)	\$ 2,786	\$ 2,786	\$ 2,729	\$ (57)

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$964,887
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$432,098
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$30,428
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$19,284
<hr/>		

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



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

Independent Auditor's Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, business-type activities, and the aggregate remaining fund information of Hughes Springs Independent School District the (District), as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2023.

Internal Control over Financial Reporting

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

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

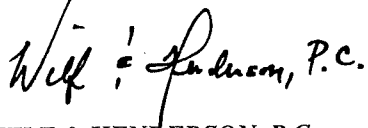
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

January 3, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

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

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hughes Springs Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hughes Springs Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

This purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

January 3, 2023

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Hughes Springs Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instance of noncompliance material to the financial statements of the Hughes Springs Independent School District was disclosed during the audit.
- d. No significant deficiency or material weakness relating to the audit of the major federal award programs are reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516(a).
- g. The program tested as major programs was:

COVID-19 ESSER School Emergency Relief II	CFDA # 84.425D
COVID-19 ESSER School Emergency Relief III	CFDA # 84.425U

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Hughes Springs Independent School District was determined to be a low-risk auditee.

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

No findings were required to be reported.

III. Findings and Responses for Federal Awards Including Audit Findings as Described in I.f above.

No findings were required to be reported.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022**

There were no prior year findings or questioned costs.

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022**

There were no current year audit findings or questioned costs.

HUGHES SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION			
<u>Direct Programs</u>			
COVID-19 Emergency Connectivity Fund	32.009	N/A	\$ 38,400
Total Direct Programs			38,400
TOTAL FEDERAL COMMUNICATIONS COMMISSION			38,400
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	22 - 610101034903	323,380
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	23 - 610101034903	25,899
Total Assistance Listing Number 84.010			349,279
ESEA, Title V, Part B,2 - Rural & Low Income Prog.	84.358 A	22 - 696001034903	26,183
ESEA, Title II, Part A, Supporting Effective Instr	84.367 A	22 - 694501034903	33,118
COVID-19 ESSER School Emergency Relief II	84.425 D	21 - 521001034903	546,465
COVID-19 ESSER School Emergency Relief III	84.425 U	21 - 528001034903	1,274,567
Total Assistance Listing Number 84.425			1,821,032
Title IV, Part A, Subpart 1	84.424 A	20 - 680101034903	7,857
Title IV, Part A, Subpart 1	84.424 A	22 - 680101034903	18,415
Total Assistance Listing Number 84.424			26,272
Total Passed Through Texas Education Agency			2,255,884
TOTAL U.S. DEPARTMENT OF EDUCATION			2,255,884
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	89,585
*National School Lunch Program - Cash Assistance	10.555	N/A	441,562
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	48,383
*COVID-19 Supply Chain Assistance Grant	10.555	N/A	25,679
Total Assistance Listing Number 10.555			515,624
Total Child Nutrition Cluster			605,209
Total Passed Through the Texas Department of Agriculture			605,209
TOTAL U.S. DEPARTMENT OF AGRICULTURE			605,209
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,899,493
*Clustered Programs Per Compliance Supplement 2022			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**HUGHES SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

The District has elected to not use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, Uniform Guidance.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expense are reported in the Food Service Special Revenue Fund.

SCHOOLS FIRST QUESTIONNAIRE

Hughes Spring Independent School District

Fiscal Year 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$0