

HOOKS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2015

HOOKS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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CERTIFICATE OF BOARD


Hooks Independent School District
Name of School District

Bowie
County

019-902
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, 2015 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2015.


Signature of Board Secretary


Signature of Board President

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

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

Independent Auditor's Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hooks Independent School District as of August 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statement in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 44, schedule of the District's proportionate share of the net pension liability (TRS) on page 45, and schedule of District contribution to TRS on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining financial statements and 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the Hooks Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hooks Independent School District's internal control over financial reporting and compliance.



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

December 9, 2015

HOOKS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hooks Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with our transmittal letter, the independent auditor's report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent period by \$10,821,360 (net position). Of this amount, \$1,498,959 (unrestricted net position) may be used to meet the District's ongoing obligations.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,285,395. The General Fund reported a fund balance this year of \$2,255,624.

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. 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.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

An analysis of the District's overall financial condition and operations is included in this report. 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 and grants provided by the U.S. Department of Education to assist children from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we present the following kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

- Governmental funds—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.

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 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.

Table I
Hooks Independent School District

NET POSITION

	Governmental Activities 2014	Governmental Activities 2015
Current and other assets	3,298,504	3,253,892
Capital assets	<u>17,786,871</u>	<u>17,236,659</u>
Total assets	<u>21,085,375</u>	<u>20,490,551</u>
Other liabilities	883,453	1,254,440
Net Pension liability	-	804,787
Long-term liability	<u>8,049,982</u>	<u>7,609,964</u>
Total liabilities	<u>8,933,435</u>	<u>9,669,191</u>
Net Position:		
Net Investment in Capital Assets	9,403,095	9,272,423
Restricted	37,356	49,978
Unrestricted	<u>2,711,489</u>	<u>1,498,959</u>
Total net position	<u>12,151,940</u>	<u>10,821,360</u>

Net position of the District's governmental activities decreased from \$12,151,940 to \$10,821,360. Unrestricted net assets – 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 requirement was \$1,498,959 at August 31, 2015.

The total excess of expenditures over revenues for all governmental funds was (\$340,277) for the current year. Funds were used to pay for capital outlay of \$34,554, bond payments of \$400,000, an increase due to the implementation of GASB 68 of \$23,719 and an increase of \$48,018 in various other items. Depreciation expense of \$584,766 reduced net position. The net effect of these transactions was a decrease in net position of (\$418,752).

During the fiscal year 2015, the District adopted GASB Statement No. 68 for *Accounting and Reporting for Pensions*. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$911,829).

The Statement of Net Position includes the District's portion of Teacher Retirement System (TRS) net pension liability as a result of the implementation of GASB 68 in the current year 2015 only. The financials also reflect deferred outflows and inflows of resources to record the liability. This information is not available for the prior year 2014 financial statements.

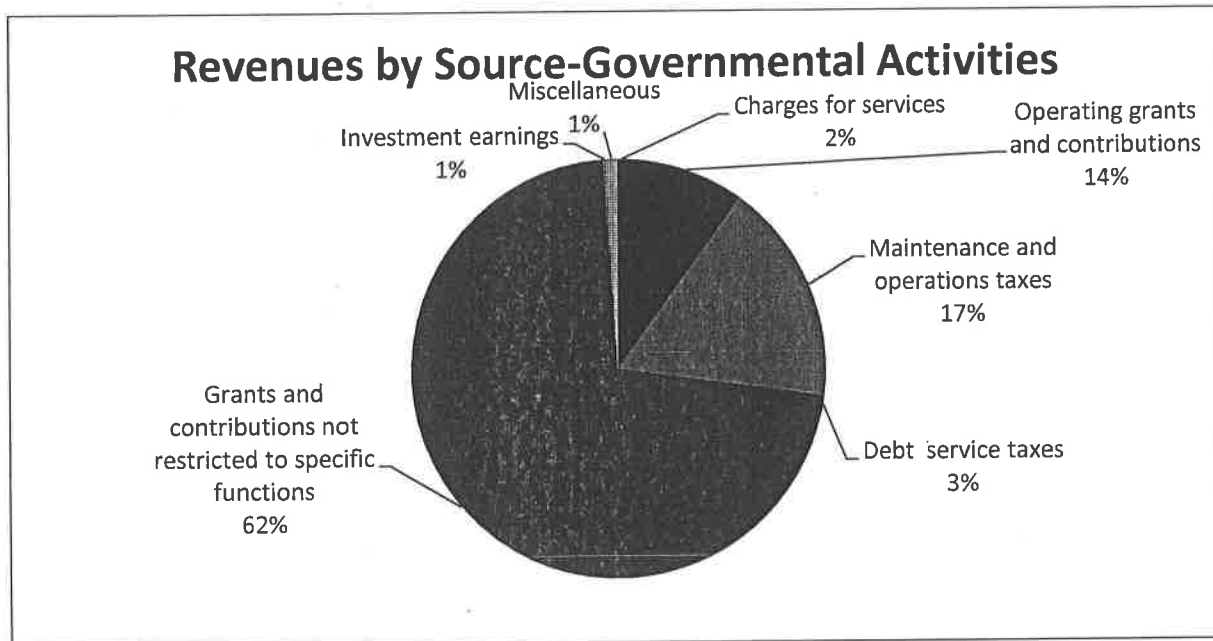
Table II
Hooks Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2014	Governmental Activities 2015
Revenues:		
Program Revenues		
Charges for services	125,165	216,201
Operating grants and contributions	1,110,842	1,493,068
General Revenues:		
Maintenance and operations taxes	1,740,032	1,698,010
Debt service taxes	133,253	346,214
Grants and contributions not restricted to specific functions	6,499,699	6,331,401
Investment earnings	26,880	22,859
Miscellaneous	<u>95,580</u>	<u>145,247</u>
Total Revenue	<u>9,731,451</u>	<u>10,253,000</u>
Expenses:		
Instruction, curriculum and media services	5,903,615	5,803,409
Instructional and school leadership	766,786	950,156
Student support services	424,604	459,242
Child nutrition	332,450	381,229
Co-curricular activities	503,631	529,706
General administration	392,572	531,642
Plant maintenance and data processing	1,154,791	1,270,333
Security and monitoring services	48,249	48,024
Community services	1,701	805
Debt services	286,180	275,975
Payments to fiscal agent	413,381	393,795
Other intergovernmental charges	<u>24,592</u>	<u>27,436</u>
Total Expenses	<u>10,252,552</u>	<u>10,671,752</u>
 Increase (decrease) in net position	 (521,101)	 (418,752)
Prior Period Adjustment	-	(911,829)
 Net position at Beginning of Year	 <u>12,673,041</u>	 <u>12,151,941</u>
Net position at Ending of Year	<u>12,151,940</u>	<u>10,821,360</u>

The District's total revenues increased 5% from \$9,731,451 to \$10,253,000. Grants and contributions not restricted to specific functions decreased due to a reduction in state funding because of declining average daily attendance. Operating grants increased due to \$502,433 received from the Federal Texas 21st Century Community Learning Centers grant in 2014-2015 versus \$99,679 received in 2013-2014. The grant began in June, 2014 so 2014-2015 was the first full year of operation. Debt service taxes were up \$212,961 due to a rate increase from \$.09 to \$.24.

Expenses were up \$419,200 from the previous year and were mainly related to the Federal Texas 21st Century Community Learning Centers grant. Instructional and school leadership expenditures of \$178,493 were for salaries for the three campus coordinators and general administration expenditures of \$140,167 were for salaries for the director, family engagement liaison and clerk. The remaining expense categories were fairly similar.

The cost of all governmental activities this year was \$10,671,752. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2,044,224 because some of the costs were paid by those who directly benefited from the program (\$216,201) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,493,068) or by state equalization funding (\$6,331,401).



DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,285,395, a decrease of \$340,277. Approximately 52 percent of the combined ending fund balance (\$1,199,624) constitutes *unassigned fund balance*. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been set aside 1) restricted to pay debt service (\$3,438), 2) restricted for food service (\$26,333), 3) other committed for future budget deficits (\$56,000), and 4) other assigned construction (\$1,000,000).

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,199,624 while the total fund balance was \$2,255,624. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 14 percent of the total general fund expenditures, while total fund balance represents 26 percent of that same amount.

- ❖ The fund balance of the District's General Fund decreased by (\$342,965) during the current fiscal year.

Key factors related to this change are as follows:

- ❖ The District adopted an original deficit budget of (\$124,376).
- ❖ Total revenues decreased approximately \$73,000 from the prior year and \$18,000 from the original revenues budgeted. Losses in foundation funding were almost all offset by increases in local revenue from donations, insurance recovery, and distribution from the fiscal agent of a shared service arrangement.
- ❖ The District spent \$34,554 on capital outlay during the year. A greenhouse for the agriculture department was purchased at a cost of \$5,228 and a sign for the Junior High campus for \$29,326. Donations in the amount of \$24,500 were received from a local bank to help the District pay for the sign.
- ❖ Normal operating expenditures were up approximately \$95,000 from the previous year and \$145,000 from the original expenditures budgeted. The majority of the increase was in the areas of facilities maintenance and operations for increases in utility costs, supplies and additional repairs and instruction for additional personnel costs. A transfer to the Debt Service Fund of \$24,000 was also necessary to make bond payments.

The Debt Service Fund has a total fund balance of \$3,438 all of which is reserved for the payment of debt. The net increase in fund balance during the period in the debt service fund was \$395. The District did not receive all funds budgeted for Debt Service revenue. There was a \$12,000 reduction in state instructional facilities allotment funds because of declining average daily attendance. The debt tax rate increased from \$.09 to \$.24 but actual tax collections were \$12,000 below estimates. A transfer from the General Fund of \$24,000 was needed to pay bond payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District recommended and the Board approved revisions to budget appropriations and estimated revenues as necessary.

The revision to estimated state revenue was a decrease of \$85,000 mainly due to a loss of foundation funding because of a decline in average daily attendance. Local revenue increased \$163,000 in the areas of donations, insurance recovery, distribution from the fiscal agent of a shared service arrangement and other miscellaneous items.

The most significant increases to appropriations were \$45,000 in instruction for personnel costs and \$150,000 in facilities maintenance and operations for additional repairs, supplies, utility cost increases and purchase of a sign at the Junior High school.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$17,236,659 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, athletics, administration, and maintenance. This amount represents a net decrease of \$550,212, or 3 percent, below last year. Capital outlay additions were a new sign at the junior high school campus of \$29,326 and greenhouse for \$5,228. Total additions of \$34,554 less depreciation of \$584,766 make up the decrease. More detailed information about the District's capital assets is presented in Note H to the financial statements.

Debt

A bond issue of \$4,000,000 was sold in 2000 to renovate the high school. In September of 2002, the District issued bonds in the amount of \$3,500,000 to renovate elementary and junior high classrooms. In October, 2008, the District issued bonds in the amount of \$3,800,000 for a new vocational complex at the high school and other renovations at the junior high and high school. In May, 2010, the District issued \$3,035,000 in refunding bonds to redeem in full the 2000 series bonds. In February, 2012, the District issued \$2,635,000 in refunding bonds to redeem in full the 2002 series bonds. The two advanced refunding issues will reduce total debt service payments over the remaining lives of the bonds by approximately \$1,006,467. The state and the District will share in these savings. At year-end the District had \$7,815,000 in bonds and notes outstanding versus \$8,215,000 last year. State instructional facilities allotment funds will pay approximately 47% of the annual bond payments for the life of the bonds. The remainder will be paid by a debt service tax levy.

Other obligations include accrued leave. More detailed information about the District's long-term liabilities is presented in Note I, J and K to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the region is 4.8 percent while the state and national rates are 4.4 and 5.0 percent respectively.
- November, 2015 voters approved an additional \$10,000 homestead exemption for tax calculation purposes. Appraised value used for the 2015-2016 budget preparation reflected the new exemption and was down \$8,761, 000 or 5% from the previous year. State foundation revenue is to make up the difference in tax collections lost due to the exemption.
- The 2015 proposed tax rates for 2015-2016 were maintenance and operations \$1.17 per \$100 assessed value and debt service \$.24 per \$100 assessed value which are both the same as the previous year.
- The District's 2014-2015 refined average daily attendance was 804 down from 828 for the three previous years. The 2015-2016 state foundation revenue budget was calculated based upon an ADA of 815 due to an anticipated increase in enrollment.

These indicators were taken into account when adopting the General Fund budget for 2015-2016. Amounts available for appropriation in the General Fund budget are \$8.415 million, up \$40,000 from actual revenues of the previous year. The District budgeted decreases in local revenue such as donations and tax revenue and increases in state revenue for the increase in average daily attendance and for formula changes part of which is to make up for tax collections lost.

Expenditures for the General Fund were budgeted at \$8.471 million, a decrease of \$226,000 from actual expenditures for 2015. Instructional personnel costs were reduced mainly through attrition. The budget included capital outlay items of \$48,000 for a new agriculture truck and \$32,000 for a new agriculture barn. The barn is to be funded by the sale of District timber. No transfer to the Debt Service Fund was budgeted for 2015-2016.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease \$56,443 by the close of 2016.

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 Hooks Independent School District, 100 E. 5th Street, Hooks, Texas 75561.

BASIC FINANCIAL STATEMENTS

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,609,940
1220 Property Taxes Receivable (Delinquent)	424,872
1230 Allowance for Uncollectible Taxes	(223,097)
1240 Due from Other Governments	267,384
Capital Assets:	
1510 Land	375,420
1520 Buildings and Improvements, Net	16,400,357
1530 Furniture and Equipment, Net	460,882
1000 Total Assets	20,315,758
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	11,928
1705 Deferred Outflow Related to TRS	162,865
1700 Total Deferred Outflows of Resources	174,793
LIABILITIES	
2140 Accrued Interest Payable	6,324
2160 Accrued Wages Payable	259,484
2180 Due to Other Governments	332,445
Noncurrent Liabilities	
2501 Due Within One Year	410,000
2502 Due in More Than One Year	7,609,964
2540 Net Pension Liability (District's Share)	804,787
2000 Total Liabilities	9,423,004
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	246,187
2600 Total Deferred Inflows of Resources	246,187
NET POSITION	
3200 Net Investment in Capital Assets	9,272,423
3820 Restricted for Federal and State Programs	26,333
3850 Restricted for Debt Service	23,645
3900 Unrestricted	1,498,959
3000 Total Net Position	\$ 10,821,360

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

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	1	3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 5,603,752	\$ 28,383	\$ 687,714	\$	(4,887,655)
12 Instructional Resources and Media Services	93,803	-	12,139		(81,664)
13 Curriculum and Staff Development	105,854	-	2,602		(103,252)
21 Instructional Leadership	239,196	-	182,082		(57,114)
23 School Leadership	710,960	-	65,569		(645,391)
31 Guidance, Counseling and Evaluation Services	305,934	-	15,577		(290,357)
33 Health Services	92,836	-	5,802		(87,034)
34 Student (Pupil) Transportation	60,472	-	28,806		(31,666)
35 Food Services	381,229	69,368	292,261		(19,600)
36 Extracurricular Activities	529,706	33,559	13,707		(482,440)
41 General Administration	531,642	-	157,447		(374,195)
51 Facilities Maintenance and Operations	1,109,516	84,891	20,057		(1,004,568)
52 Security and Monitoring Services	48,024	-	-		(48,024)
53 Data Processing Services	160,817	-	9,305		(151,512)
61 Community Services	805	-	-		(805)
72 Debt Service - Interest on Long Term Debt	274,475	-	-		(274,475)
73 Debt Service - Bond Issuance Cost and Fees	1,500	-	-		(1,500)
93 Payments related to Shared Services Arrangements	393,795	-	-		(393,795)
99 Other Intergovernmental Charges	27,436	-	-		(27,436)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 10,671,752	\$ 216,201	\$ 1,493,068		(8,962,483)
General Revenues:					
MT Property Taxes, Levied for General Purposes					1,698,010
DT Property Taxes, Levied for Debt Service					346,214
GC Grants and Contributions not Restricted					6,331,401
IE Investment Earnings					22,859
MI Miscellaneous Local and Intermediate Revenue					145,247
TR Total General Revenues					8,543,731
CN Change in Net Position					(418,752)
NB Net Position - Beginning					12,151,941
PA Prior Period Adjustment					(911,829)
NE Net Position--Ending				\$	10,821,360

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

HOOKS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,577,833	\$ 19,866	\$ 12,241	\$ 2,609,940
1220 Property Taxes - Delinquent	371,462	53,410	-	424,872
1230 Allowance for Uncollectible Taxes (Credit)	(196,219)	(26,878)	-	(223,097)
1240 Receivables from Other Governments	211,678	-	55,706	267,384
1260 Due from Other Funds	26,673	-	-	26,673
1000 Total Assets	<u>\$ 2,991,427</u>	<u>\$ 46,398</u>	<u>\$ 67,947</u>	<u>\$ 3,105,772</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 244,543	\$ -	\$ 14,941	\$ 259,484
2170 Due to Other Funds	-	-	26,673	26,673
2180 Due to Other Governments	316,016	16,429	-	332,445
2000 Total Liabilities	<u>560,559</u>	<u>16,429</u>	<u>41,614</u>	<u>618,602</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	175,244	26,531	-	201,775
2600 Total Deferred Inflows of Resources	<u>175,244</u>	<u>26,531</u>	<u>-</u>	<u>201,775</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	26,333	26,333
3480 Retirement of Long-Term Debt	-	3,438	-	3,438
Committed Fund Balance:				
3545 Other Committed Fund Balance	56,000	-	-	56,000
Assigned Fund Balance:				
3550 Construction	1,000,000	-	-	1,000,000
3600 Unassigned Fund Balance	1,199,624	-	-	1,199,624
3000 Total Fund Balances	<u>2,255,624</u>	<u>3,438</u>	<u>26,333</u>	<u>2,285,395</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,991,427</u>	<u>\$ 46,398</u>	<u>\$ 67,947</u>	<u>\$ 3,105,772</u>

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

HOOKS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 2,285,395
<p>1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,347,193 and the accumulated depreciation was (\$7,560,322). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, these liabilities totaled \$8,449,982. 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.</p>	9,336,889
<p>2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.</p>	434,554
<p>3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$804,787), a Deferred Resource Inflow related to TRS in the amount of (\$246,187) and a Deferred Resource Outflow related to TRS in the amount of \$162,865. This amounted to a decrease in net position.</p>	(888,109)
<p>4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>	(584,766)
<p>5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, 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.</p>	237,397
19 Net Position of Governmental Activities	\$ 10,821,360

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

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,988,533	\$ 347,895	\$ 69,368	\$ 2,405,796
5800 State Program Revenues	6,364,789	324,267	116,131	6,805,187
5900 Federal Program Revenues	22,357	-	996,925	1,019,282
5020 Total Revenues	<u>8,375,679</u>	<u>672,162</u>	<u>1,182,424</u>	<u>10,230,265</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,887,862	-	419,061	5,306,923
0012 Instructional Resources and Media Services	81,074	-	7,800	88,874
0013 Curriculum and Instructional Staff Development	99,333	-	480	99,813
0021 Instructional Leadership	45,430	-	179,960	225,390
0023 School Leadership	640,973	-	29,862	670,835
0031 Guidance, Counseling and Evaluation Services	288,795	-	-	288,795
0033 Health Services	87,637	-	121	87,758
0034 Student (Pupil) Transportation	28,909	-	28,084	56,993
0035 Food Services	-	-	359,336	359,336
0036 Extracurricular Activities	499,653	-	-	499,653
0041 General Administration	357,463	-	143,997	501,460
0051 Facilities Maintenance and Operations	1,061,707	-	11,320	1,073,027
0052 Security and Monitoring Services	45,227	-	-	45,227
0053 Data Processing Services	151,592	-	110	151,702
0061 Community Services	758	-	-	758
Debt Service:				
0071 Principal on Long Term Debt	-	400,000	-	400,000
0072 Interest on Long Term Debt	-	294,267	-	294,267
0073 Bond Issuance Cost and Fees	-	1,500	-	1,500
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	393,795	-	-	393,795
0099 Other Intergovernmental Charges	27,436	-	-	27,436
6030 Total Expenditures	<u>8,697,644</u>	<u>695,767</u>	<u>1,180,131</u>	<u>10,573,542</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(321,965)</u>	<u>(23,605)</u>	<u>2,293</u>	<u>(343,277)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	3,000	-	-	3,000
7915 Transfers In	175,950	24,000	-	199,950
8911 Transfers Out (Use)	(199,950)	-	-	(199,950)
7080 Total Other Financing Sources (Uses)	<u>(21,000)</u>	<u>24,000</u>	<u>-</u>	<u>3,000</u>
1200 Net Change in Fund Balances	(342,965)	395	2,293	(340,277)
0100 Fund Balance - September 1 (Beginning)	<u>2,598,589</u>	<u>3,043</u>	<u>24,040</u>	<u>2,625,672</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,255,624</u>	<u>\$ 3,438</u>	<u>\$ 26,333</u>	<u>\$ 2,285,395</u>

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

HOOKS 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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (340,277)
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 2015 capital outlays and debt principal payments is to increase net position.	434,554
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.	(584,766)
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 increase net position.	48,018
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$98,107. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were (\$125,016) for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$50,628. This caused a net decrease in the change in net position of (\$74,388). The impact of all of these is to increase the change in net position.	23,719
Change in Net Position of Governmental Activities	\$ (418,752)

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

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 79,851
Total Assets	<u>-</u>	<u>79,851</u>
LIABILITIES		
Due to Student Groups	-	\$ 79,851
Total Liabilities	<u>-</u>	<u>79,851</u>

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

HOOKS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 9,100
Total Additions	<u>9,100</u>
DEDUCTIONS:	
Other Operating Costs	<u>10,100</u>
Total Deductions	<u>10,100</u>
Change in Net Position	(1,000)
 Total Net Position September 1 (Beginning)	 <u>1,000</u>
 Total Net Position August 31 (Ending)	 <u>\$ -</u>

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

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015**

Note A. Summary of Significant Accounting Policies

Hooks Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statement on Auditing Standards No. 69* 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.

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.

Hooks Independent School District implemented Governmental Accounting Standards Board (GASB) Number 68 *Accounting and Reporting for Pensions* to assume its proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas (TRS) in the current year.

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 Hooks Independent School District. The members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "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 entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District 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 revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories –governmental 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.

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.

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

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

The 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 a 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. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net assets.

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.

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.

Additionally, the District reports the following fund types:

Governmental Fund Type:

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

Fiduciary Fund Type:

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

Agency Funds - The District utilizes Agency Funds to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Fund is the Student Activity Fund.

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 recorded 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. Asset Capitalization and Useful Lives

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

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

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

	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	7
Furniture and Equipment	10

9. Compensated Absences

Employees earn state personal leave which may either be taken or accumulated. Employees who complete their current contract and retire from Hooks Independent School District with a minimum of ten years of service are entitled to payment of their accumulated leave in a lump sum payment at rates set by the School Board. All unused leave is accrued when incurred in the government-wide 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.

10. 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 fund financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses or debt expenditures.

11. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements 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.

12. 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 that 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 receivable or principal of a permanent fund).

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 amount the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent and Business Manager.

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.

Committed Fund Balance – Other Committed Fund Balance totals \$56,000 to cover the board-approved deficit budget for fiscal year 2015-2016.

13. Worker's Compensation Plan

Hooks Independent School District entered into an agreement with the Texas Educational Insurance Association to self-fund their workers' compensation plan. The agreement was effective September 1, 2001 and is administered by Claims Administrative Services, Inc. Prior to audit of the plan, the fixed cost amount for the District was \$18,715 loss fund maximum was \$56,821. The loss fund amount is for Hooks Independent School District's claims and for claims of other group members in excess of their loss fund maximum.

The Statement of Changes in Liability from 09/01/14 thru 08/31/15 is as follows:

	01/10	11/12	12/13	13/14	14/15	Total
Unpaid claims at 9/1/14	11,063	3,453	3,502	16,810	-	34,828
Incurring Claims:						
Provisions for insured events of the current year					19,152	19,152
Increases (decreases) in provision for insured events of the prior years	(1,354)	(523)	302	(8,500)		(10,075)
Total incurred claims	(1,354)	(523)	302	(8,500)	19,152	9,077
Payments:						
Claims attributable to insured events of the current year					1,771	1,771
Claims attributable to insured events of the prior years	129	236	941	2,369		3,675
Total payments	129	236	941	2,369	1,771	5,446
Total unpaid claims 8/31/15*	9,580	2,694	2,863	5,941	17,381	38,459
*Minimum amount to be incumbered. Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	8,425	1,305	1,715	3,329	8,890	23,664

14. Risk Management - Claims and Judgments

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 or 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 participate in their workers' compensation program. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the 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. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

16. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

17. Data Control Codes

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

18. Estimates and Assumptions

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

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position - Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental funds balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

One element of the reconciliation explains that capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,347,193 and the accumulated depreciation was \$7,560,322. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled \$8,449,982. The net effect of including the beginning balances for capital assets (net of accumulated depreciation) and long-term debt in the governmental activities is to increase net position by \$9,336,889.

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but are shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlays of \$34,554 and long-term debt principal payments of \$400,000 is to increase net position by \$434,554.

Another element of the reconciliation explains that items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$804,787, a Deferred Resource Inflow related to TRS in the amount of \$246,187 and a Deferred Resource Outflow related to TRS in the amount of \$162,865. This amounted to a decrease in net position in the amount of \$888,109.

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government-wide statement of net position. This element affects both the balance of net assets and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by \$584,766.

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

	<u>Amount</u>	<u>Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	105,300	
Uncollected taxes (assumed collectible) from current year levy	<u>96,475</u>	
		201,775
<u>Reclassify Liabilities Incurred But Not Liquidated This Year</u>		
Interest accrued on bonds payable from current year	(6,324)	
Unused leave accrued during current year	<u>(5,280)</u>	
		(11,604)
<u>Reclassify Liabilities Liquidated This Year</u>		
Leave liability liquidated during current year	<u>13,770</u>	
		13,770
<u>Adjustments for Bond Transactions This Year</u>		
Deferred charge on refunding bonds, net of amortization	13,916	
Amortization of deferred charge on refunding bonds	(1,988)	
Amortization of bond premium/discount during year	<u>21,528</u>	
		33,456
Net Adjustments to Net Position - Increase		<u><u>237,397</u></u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental funds statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

One element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but are shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of removing the current year capital outlays of \$34,554 and long-term debt principal payments of \$400,000 is to increase net position by \$434,554.

Another element of the reconciliation explains that the implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date caused the change in ending net position to increase in the amount of \$98,107. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed and de-expended caused a decrease in the change in net position of \$74,388. The impact of all of these is to increase the change in net position by \$23,719.

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as depreciation expense in the government-wide statement of activities. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by \$584,766.

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

	Amount	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(76,739)	
Uncollected taxes (assumed collectible) from current year levy	96,475	
		19,736
<u>Reclassify Liabilities Incurred But Not Liquidated This Year</u>		
Interest accrued on bonds payable from current year	(6,324)	
Interest accrued on bonds payable from prior year	6,576	
Unused leave accrued during current year	(5,280)	
		(5,028)
<u>Reclassify Liabilities Liquidated This Year</u>		
Leave liability liquidated during current year	13,770	
		13,770
<u>Adjustments for Bond Transactions this year</u>		
Amortization of bond premium/discount during year	21,528	
Amortization of deferred charge on refunding bond	(1,988)	
		19,540
Net Adjustments to Changes in Net Position - Increase		48,018

Note C. 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 appear in Exhibit J-2 and J-3.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

Because the District as a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:

General Fund:

Increase in revenues - Local Program Revenues	163,000
(Decrease) in revenues - State Program Revenues	(85,000)
(Increase) in expenditures Function 11 - Instruction	(45,000)
(Increase) in expenditures Function 51 - Facilities Maintenance and Operations	(150,000)

Food Service Fund:

Increase in revenues - Federal Program Revenues	36,000
(Increase) in expenditures Function 35 - Food Services	(30,000)

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 Nonmajor Governmental Special Revenue Funds is as follows:

	8/31/2015 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	26,333
Nonappropriated Budget Funds	-
	<u>26,333</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>26,333</u></u>

Note D. 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.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2015 consist of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Balance Sheet Total	Fiduciary Funds
Cash and Certificates of Deposit	2,513,206	16,550	12,241	2,541,997	79,851
Investments in Pools	64,627	3,316	-	67,943	-
Total	2,577,833	19,866	12,241	2,609,940	79,851

The District's cash deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District's cash deposits were collateralized during the year ending August 31, 2015.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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 type of investments. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

As of August 31, 2015, Hooks Independent School District had the following investments:

Investment Type	Investment Maturities (in years)			
	Fair Value*	Less than 1	1-5	6-10 More than 10
Investment Pools **				
TexPool***	38,109	38,109		
Lone Star ***	29,834	29,834		
Total	67,943	67,943		

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

**Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

***Investments in local government pool are based upon a contract and not the security itself. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

The Texas Local Government Investment Pool ("TexPool") and the Lone Star Investment Pool ("Lone Star") are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, this Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Lone Star's Advisory Board is composed of participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to the operation of Lone Star Investment Pool. Lone Star employs an independent third-party bank, Mellon Bank, to perform custody and valuation services. Investment advisory services are provided by Standish Mellon and AMR Investments. An independent auditor, Ernst & Young LLP, provides an annual audit of Lone Star's financial statements.

Additional policies and contractual provisions governing deposits and investments for Hooks 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 Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2015, the District's investments in public funds investment pools were rated AAAM and AAA by Standard & Poor's.

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

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

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

Note E. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2014 upon which the levy for the 2015 fiscal year was based was \$151,004,406. The tax rates levied for the year ended August 31, 2015 to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.17 and \$.24 per \$100 per valuation respectively, for a total of \$1.41 per \$100 valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are collected.

Note F. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance (General Fund) and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund 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 G. Disaggregation of Receivables and Payables

Receivables at August 31, 2015, were as follows:

	Property Taxes	Other Governments	Due from Other Funds	Total Receivables
Governmental Activities:				
General Fund	371,462	211,678	26,673	609,813
Debt Service	53,410	-	-	53,410
Nonmajor Governmental Funds (Special Revenue)	-	55,706	-	55,706
Total - Governmental Activities	424,872	267,384	26,673	718,929
Amounts not scheduled for collection during the subsequent year	(223,097)			(223,097)

Payables at August 31, 2015, were as follows:

	Salaries/ Benefits	Other Governments	Due to Other Funds	Total Payables
Governmental Activities:				
General Fund	244,543	316,016	-	560,559
Debt Service Fund	-	16,429	-	16,429
Nonmajor Governmental Funds (Special Revenue)	14,941	-	26,673	41,614
Total - Governmental Activities	259,484	332,445	26,673	618,602

Note H. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	375,420	-	-	375,420
Building and Improvements	23,193,445	-	-	23,193,445
Furniture and Equipment	1,778,328	34,554	23,799	1,789,083
Totals at Historic Cost	25,347,193	34,554	23,799	25,357,948
Less Accumulated Depreciation for:				
Buildings and Improvements	6,331,563	461,525	-	6,793,088
Furniture and Equipment	1,228,759	123,241	23,799	1,328,201
Total Accumulated Depreciation	7,560,322	584,766	23,799	8,121,289
Governmental Activities:				
Land	375,420	-	-	375,420
Building and Improvements, Net	16,861,882	(461,525)	-	16,400,357
Furniture and Equipment, Net	549,569	(88,687)	-	460,882
Capital Assets, Net	17,786,871	(550,212)	-	17,236,659

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	328,165
Instructional Resources and Media Services	5,496
Curriculum Development and Instructional Staff	6,172
Instructional Leadership	13,937
School Leadership	41,483
Guidance, Counseling and Evaluation Services	17,858
Health Services	5,427
Student (Pupil) Transportation	3,524
Food Services	22,220
Cocurricular/Extracurricular Activities	30,897
General Administration	31,009
Plant Maintenance and Operations	66,353
Security and Monitoring	2,797
Data Processing Services	9,381
Community Services	47
Total Depreciation Expense - Governmental Activities	584,766

Note I. Bonds Payable and Debt Service Requirements

On October 9, 2008, Hooks Independent School District issued Unlimited Tax School Building Bonds, Series 2008 to renovate and add on to the junior high and high school campuses in the amount of \$3,800,000. The Series 2008 was comprised of \$640,000 in Current Interest Serial Bonds with stated interest rate of 4.00%, \$3,060,000 in Current Interest Term Bonds with stated interest rates ranging from 4.00% through 4.625%, and \$100,000 in Capital Appreciation Bonds. The Current Interest Serial Bonds will mature February 15, 2013 through 2018. The Current Interest Term Bonds will mature February 15, 2020, 2023, 2027, 2029, 2031 and 2033. The Capital Appreciation Bonds matured February 15, 2010, 2011 and 2012.

On May 20, 2010, Hooks Independent School District issued Unlimited Tax Refunding Bonds, Series 2010 to redeem in full Hooks Independent School District Unlimited Tax School Building Bonds, Series 2000 in the amount of \$3,035,000. The Series 2010 was comprised of \$2,940,000 in Current Interest Bonds with stated interest rates ranging between 2.00% through 4.00% and \$95,000 in Capital Appreciation Bonds. The Current Interest Bonds will mature February 15, 2012 through 2025. The Capital Appreciation Bonds matured February 15, 2011.

On February 9, 2012, Hooks Independent School District issued \$2,635,000 of Unlimited Tax Refunding Bonds Series 2012 to redeem the Unlimited Tax School Building Bonds, Series 2002. This issue was comprised of \$2,635,000 Current Interest Bonds with interest rates between 1.0-3.0% maturing annually from February 15, 2013 through 2027.

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, 2015. Hooks 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 15c2-12 to enable investors to analyze the financial condition and operations of Hooks Independent School District.

A summary of changes in bonded debt for the year ended August 31, 2015 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2014	Bonds Issued/ Accretion	Bonds Retired	Amounts Outstanding 8/31/2015
Unlimited Tax School Building Bonds						
Series 2008, Current Interest Serial Bonds maturing February 15, 2009 and 2013-2018	4.00%	640,000	360,000	-	85,000	275,000
Unlimited Tax School Building Bonds						
Series 2008, Current Interest Term Bonds maturing February 15, 2020, 2023, 2027, 2029, 2031 and 2033	4.0-4.625%	3,060,000	3,060,000	-	-	3,060,000
Unlimited Tax Refunding Bonds						
Series 2010, Current Interest Term Bonds maturity February 15, 2012-2025	2.0-4.0%	2,940,000	2,415,000	-	180,000	2,235,000
Unlimited Tax Refunding Bonds						
Series 2012, Current Interest Bonds maturing February 15, 2013-2027	1.0-3.0%	2,635,000	2,380,000	-	135,000	2,245,000
			<u>8,215,000</u>	<u>-</u>	<u>400,000</u>	<u>7,815,000</u>

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2015, the District paid \$400,000 in principal, \$294,267 in interest, and \$1,500 in fees.

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 \$161,164 at August 31, 2015. Amortization of \$21,528 is reflected in the Statement of Activities for the year ended August 31, 2015.

Bonded debt service requirements are as follows:

Year Ended <u>August 31</u>	Unlimited Tax School Building Bonds		
	Principal	Interest	Total Requirements
2016	410,000	282,567	692,567
2017	425,000	270,493	695,493
2018	435,000	258,068	693,068
2019	450,000	245,036	695,036
2020	465,000	230,505	695,505
2021-2025	2,580,000	886,070	3,466,070
2026-2030	1,970,000	434,788	2,404,788
2031-2033	1,080,000	76,313	1,156,313
	<u>7,815,000</u>	<u>2,683,840</u>	<u>10,498,840</u>

Note J. Leave Benefits Payable

Employees earn state personal leave which may either be taken or accumulated. Employees who complete their current contract and retire from Hooks ISD with a minimum of 10 years of service are entitled to payment of their accumulated state personal leave in a lump sum payment at rates set by the School Board. The summary of changes in the liability are as follows:

Balance September 1, 2014	52,290
Additions	5,280
Deductions - Payments to Participants	(12,600)
Deductions - Leave Taken	<u>(1,170)</u>
Balance August 31, 2015	<u>43,800</u>

Note K. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	8,215,000	-	400,000	7,815,000	410,000
Bond Premium/Discount	182,692	-	21,528	161,164	-
Total Bonds and Notes Payable	<u>8,397,692</u>	<u>-</u>	<u>421,528</u>	<u>7,976,164</u>	<u>410,000</u>
Other Liabilities:					
Compensated Absences	52,290	5,280	13,770	43,800	-
Total Other Liabilities	<u>52,290</u>	<u>5,280</u>	<u>13,770</u>	<u>43,800</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities	<u>8,449,982</u>	<u>5,280</u>	<u>435,298</u>	<u>8,019,964</u>	<u>410,000</u>

Note L. Defined Benefit Pension Plan (TRS)

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

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

Pension Plan Fiduciary Net Position.

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

The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age

Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	2014	2015
Member (Employees)	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%
Hooks ISD Member Contributions	366,512	404,848
Hooks ISD NECE On-Behalf Contributions	316,295	312,784
Hooks ISD Employer Contributions	76,385	98,107

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible

future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
HISD's proportionate share of the net pension liability	1,438,106	804,787	331,182

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Hooks ISD reported a liability of \$804,787 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Hooks ISD. The amount recognized by Hooks 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 Hooks ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 804,787
State's proportionate share that is associated with the District	3,339,554
Total	<u>\$ 4,144,341</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .000030129%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Hooks ISD recognized pension expense of \$308,736 and revenue of \$316,295 for support provided by the State.

At August 31, 2014, Hooks ISD 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	\$ 12,446	\$ -
Changes in actuarial assumptions	52,312	-
Difference between projected and actual investment earnings	-	245,976
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	211
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	98,107	-
Total	\$ 162,865	\$ 246,187

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

Year ended August 31:

2015	\$ (50,605)
2016	(50,605)
2017	(50,605)
2018	(50,605)
2019	10,889
2020	10,102
Thereafter	-
	<u>\$ (181,429)</u>

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 64,758	\$ 246,187
Contributions made subsequent to the Measurement Date	98,107	-
Reported by District as of August 31, 2015	162,865	246,187

Note M. School District Retiree Health Plan (TRS)

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

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

Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Contribution Rates and Contribution Amounts

Year	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$39,277	1.00%	\$54,433	0.55%	\$33,233
2014	0.65%	\$37,224	1.00%	\$54,729	0.55%	\$31,497
2013	0.65%	\$36,011	0.50%	\$26,454	0.55%	\$30,470

Note N. 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.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

ERRP reimbursement, a temporary program was not available to TRS for the fiscal years ended August 31, 2014; therefore, there was no allocation required. ERRP reimbursement was available on a first come, first served basis for qualified employers. TRS was certified for this program and received funds from the ERRP program in fiscal years 2013. These funds were allocated to reporting agencies, using the same basis as the Medicare Part D - On Behalf Payments (GASB 24) reporting that is done each year. In fiscal years 2013, the District reported this allocation on their annual financial statements as Medicare Part D.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$17,919 for the year ended August 31, 2015. State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$15,862 for the year ended August 31, 2014. State Contributions for Medicare Part D and ERRP made on behalf of Hooks Independent School District's employees were \$21,331 for the year ended August 31, 2013.

Note O. Health Care Coverage

During the year ended August 31, 2015 employees of Hooks Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes the \$75 which is reimbursed by the state, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Blue Cross and Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager for TRS-ActiveCare.

Effective September 1, 2005 Hooks Independent School District and all participating members of the Bowie County Schools Health Cooperative elected to go to the State of Texas for medical insurance under the Texas Teacher Retirement (TRS) - Active Care. The Bowie County Schools Health Cooperative continued to operate and administer dental insurance only. Participating members of the dental cooperative include New Boston ISD, DeKalb ISD, Hooks ISD, Malta ISD and Bowie County Schools Transportation Cooperative.

Note P. Commitments and Contingencies

Litigation - The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcomes of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2015 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 financial statements for such contingencies.

Note Q. Deferred Outflows of Resources (Government-Wide Activities)

The following is a summary of changes in deferred outflows of resources - deferred charges on refunding for the year ended August 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred charges on refundings	13,916	-	1,988	11,928

Deferred charges on refunding bond, net of accumulated amortization totaled \$11,928 at August 31, 2015. Amortization of \$1,988 is reflected in the Statement of Activities for the year ended August 31, 2015.

Note R. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes sat August 31, 2015 consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	175,244	26,531	201,775

Note S. Due From/To 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/to federal and state governments as of August 31, 2015 are summarized below. All federal grants shown below are passed through the TEA and are reported on combined financial statements as due from/to other governments.

Fund	State Entitlements	Federal Grants	Total
Governmental Activities:			
<u>Due From Other Governments</u>			
General Fund	211,678	-	211,678
Nonmajor Governmental Funds (Special Revenue)	13,961	41,745	55,706
	225,639	41,745	267,384
<u>Due To Other Governments</u>			
General Fund	316,016	-	316,016
Debt Service Fund	16,429	-	16,429
	332,445	-	332,445

Note T. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
Operating transfer in from General Fund	175,950	-
Operating transfer (out) to General Fund	-	175,950
Operating transfer (out) to Debt Service Fund	-	24,000
Debt Service Fund:		
Debt Service Fund transfer in from General Fund	24,000	-
	199,950	199,950

The General Fund transferred \$175,950 to the band and athletic funds to cover year-end deficits. The General Fund transferred \$24,000 to the Debt Service Fund to cover a year-end deficit.

Note. U. Shared Service Arrangements

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

State Funded - New Boston ISD fiscal agent: The District participates in a State funded SSA which provides special education services and alternative education services to member districts. In addition to the District, other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

State Funded - Bowie County Schools Transportation Department fiscal agent: The District participates in a state funded SSA which provides transportation services to member districts. In addition to the District, other member districts include all the districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency and the member districts provide funds to the fiscal agent. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District's participation; the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

The District has accounted for their portion of the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled \$393,795 for the year ended August 31, 2015 and were as follows:

SSA - Special Education	252,983
SSA - Alternative Education	10,920
SSA - Transportation	129,892
	393,795

State and Federally Funded – New Boston ISD fiscal agent - The District participates in a state and federally funded SSA which provides special education services to member districts. In addition to the District other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency provides state and federal grant funds to the fiscal agent. Although a portion of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to Hooks Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The fiscal agent has accounted for the activities of the SSA using Model 2 in the SSA section of the Resource Guide.

The fiscal agent has accounted for the grant funds as follows:

SSA - State Funded Visually Impaired
 SSA - Federally Funded IDEA, Part B Formula
 SSA - Federally Funded IDEA, Part B Preschool

Note V. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Indirect Cost:		
Title IV, Pt. B 21st Century Community Learning	84.287	15,563
ESEA Title I, Part A - Improving Basic Programs	84.010A	5,696
ESEA Title II, Part A - Teacher & Principal Training	84.367A	1,098
		<u>22,357</u>

Note W. Revenue from Local and Intermediate Sources

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

<u>Revenue Sources</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds Total</u>	<u>Private Purpose Trust Fund</u>
Property taxes and tax related income	1,742,029	347,055	-	2,089,084	-
Investment income	22,019	840	-	22,859	-
Food service sales	-	-	69,368	69,368	-
Co-curricular	33,618	-	-	33,618	-
Insurance recovery	42,759	-	-	42,759	-
Fiscal Agent SSA	84,891	-	-	84,891	-
Gifts and bequests	34,892	-	-	34,892	9,100
Other local sources	28,325	-	-	28,325	-
	<u>1,988,533</u>	<u>347,895</u>	<u>69,368</u>	<u>2,405,796</u>	<u>9,100</u>

Note X. Prior Period Adjustment – (Government Wide Activities)

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$(911,829). The restated beginning net position is \$11,240,112.

Note Y. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 9, 2015, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,841,000	\$ 2,004,000	\$ 1,988,533	\$ (15,467)
5800	State Program Revenues	6,526,626	6,441,626	6,364,789	(76,837)
5900	Federal Program Revenues	26,100	26,100	22,357	(3,743)
5020	Total Revenues	8,393,726	8,471,726	8,375,679	(96,047)
EXPENDITURES:					
Current:					
0011	Instruction	4,856,858	4,901,858	4,887,862	13,996
0012	Instructional Resources and Media Services	87,689	87,689	81,074	6,615
0013	Curriculum and Instructional Staff Development	91,168	101,168	99,333	1,835
0021	Instructional Leadership	42,387	46,387	45,430	957
0023	School Leadership	641,273	642,273	640,973	1,300
0031	Guidance, Counseling and Evaluation Services	292,787	292,787	288,795	3,992
0033	Health Services	91,525	91,525	87,637	3,888
0034	Student (Pupil) Transportation	15,100	31,100	28,909	2,191
0036	Extracurricular Activities	459,559	502,559	499,653	2,906
0041	General Administration	363,593	363,593	357,463	6,130
0051	Facilities Maintenance and Operations	923,528	1,073,528	1,061,707	11,821
0052	Security and Monitoring Services	47,400	47,400	45,227	2,173
0053	Data Processing Services	155,335	155,335	151,592	3,743
0061	Community Services	2,000	2,000	758	1,242
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	418,100	398,100	393,795	4,305
0099	Other Intergovernmental Charges	30,000	30,000	27,436	2,564
6030	Total Expenditures	8,518,302	8,767,302	8,697,644	69,658
1100	Excess (Deficiency) of Revenues Over Expenditures	(124,576)	(295,576)	(321,965)	(26,389)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	100	100	3,000	2,900
7913	Capital Leases	100	100	-	(100)
7915	Transfers In	169,000	179,000	175,950	(3,050)
8911	Transfers Out (Use)	(169,000)	(206,000)	(199,950)	6,050
7080	Total Other Financing Sources (Uses)	200	(26,800)	(21,000)	5,800
1200	Net Change in Fund Balances	(124,376)	(322,376)	(342,965)	(20,589)
0100	Fund Balance - September 1 (Beginning)	2,598,589	2,598,589	2,598,589	-
3000	Fund Balance - August 31 (Ending)	\$ 2,474,213	\$ 2,276,213	\$ 2,255,624	\$ (20,589)

HOOKS 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, 2015

EXHIBIT G-6

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000030129%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 804,787
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,339,554
Total	<u>\$ 4,144,341</u>
District's Covered-Employee Payroll	\$ 5,726,778
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	14.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-7

	<u>2015</u>
Contractually Required Contribution	\$ 76,385
Contribution in Relation to the Contractually Required Contribution	(76,385)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 5,726,778
Contributions as a Percentage of Covered-Employee Payroll	1.33%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

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

COMBINING SCHEDULES

HOOKS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 26,202	\$ -	\$ -
1240	Receivables from Other Governments	7,687	7,310	-	26,748
1000	Total Assets	<u>\$ 7,687</u>	<u>\$ 33,512</u>	<u>\$ -</u>	<u>\$ 26,748</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 7,687	\$ 7,179	\$ -	\$ 75
2170	Due to Other Funds	-	-	-	26,673
2000	Total Liabilities	<u>7,687</u>	<u>7,179</u>	<u>-</u>	<u>26,748</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	26,333	-	-
3000	Total Fund Balances	<u>-</u>	<u>26,333</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,687</u>	<u>\$ 33,512</u>	<u>\$ -</u>	<u>\$ 26,748</u>

410 State Textbook Fund	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ (13,961)	\$ -	\$ 12,241
13,961	-	55,706
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,947</u>
\$ -	\$ -	\$ 14,941
-	-	26,673
<u>-</u>	<u>-</u>	<u>41,614</u>
-	-	26,333
-	-	26,333
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,947</u>

HOOKS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning
REVENUES:					
570	Total Local and Intermediate Sources	\$ -	\$ 69,368	\$ -	\$ -
580	State Program Revenues	-	7,140	-	-
590	Federal Program Revenues	154,301	296,551	29,862	502,433
5020	Total Revenues	154,301	373,059	29,862	502,433
EXPENDITURES:					
Current:					
001	Instruction	146,381	-	-	155,208
001	Instructional Resources and Media Services	7,800	-	-	-
001	Curriculum and Instructional Staff Development	120	-	-	360
002	Instructional Leadership	-	-	-	178,493
002	School Leadership	-	-	29,862	-
003	Health Services	-	-	-	121
003	Student (Pupil) Transportation	-	-	-	28,084
003	Food Services	-	359,336	-	-
004	General Administration	-	-	-	140,167
005	Facilities Maintenance and Operations	-	11,320	-	-
005	Data Processing Services	-	110	-	-
6030	Total Expenditures	154,301	370,766	29,862	502,433
1200	Net Change in Fund Balance	-	2,293	-	-
0100	Fund Balance - September 1 (Beginning)	-	24,040	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 26,333	\$ -	\$ -

410 State Textbook Fund	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 69,368
87,453	21,538	116,131
-	13,778	996,925
<u>87,453</u>	<u>35,316</u>	<u>1,182,424</u>
87,453	30,019	419,061
-	-	7,800
-	-	480
-	1,467	179,960
-	-	29,862
-	-	121
-	-	28,084
-	-	359,336
-	3,830	143,997
-	-	11,320
-	-	110
<u>87,453</u>	<u>35,316</u>	<u>1,180,131</u>
-	-	2,293
-	-	24,040
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,333</u>

REQUIRED T.E.A. SCHEDULES

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.290000	0.15000	118,371,570
2008	1.040000	0.15000	119,480,000
2009	1.040000	0.23500	130,100,392
2010	1.040000	0.22000	133,306,508
2011	1.040000	0.22000	138,357,372
2012	1.040000	0.22000	144,105,488
2013	1.170000	0.09000	145,521,855
2014	1.170000	0.09000	150,885,092
2015 (School year under audit)	1.170000	0.24000	151,004,406
100 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 107,954	\$ -	\$ 7,038	\$ 454	\$ (14,536)	\$ 85,926
18,575	-	1,227	143	(340)	16,866
18,245	-	1,279	184	(324)	16,458
19,656	-	2,052	464	(313)	16,827
24,379	-	2,576	545	(415)	20,843
25,901	-	3,512	743	(607)	21,040
32,717	-	4,236	896	(388)	27,197
50,463	-	14,357	1,104	(384)	34,618
105,604	-	42,823	3,294	(3,023)	56,464
-	2,129,162	1,607,771	329,793	(62,964)	128,634
<u>\$ 403,494</u>	<u>\$ 2,129,162</u>	<u>\$ 1,686,870</u>	<u>\$ 337,620</u>	<u>\$ (83,295)</u>	<u>\$ 424,872</u>

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data			Actual Amounts	Variance With	
Control	Budgeted Amounts		(GAAP BASIS)	Final Budget	
Codes	Original	Final		Positive or	
				(Negative)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 71,200	\$ 71,200	\$ 69,368	\$ (1,832)
5800	State Program Revenues	6,500	6,500	7,140	640
5900	Federal Program Revenues	268,000	304,000	296,551	(7,449)
5020	Total Revenues	345,700	381,700	373,059	(8,641)
EXPENDITURES:					
0035	Food Services	335,027	365,027	359,336	5,691
0051	Facilities Maintenance and Operations	7,100	13,100	11,320	1,780
0053	Data Processing Services	300	300	110	190
6030	Total Expenditures	342,427	378,427	370,766	7,661
1100	Excess of Revenues Over Expenditures	3,273	3,273	2,293	(980)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	500	-	(500)
1200	Net Change in Fund Balances	3,773	3,773	2,293	(1,480)
0100	Fund Balance - September 1 (Beginning)	24,040	24,040	24,040	-
3000	Fund Balance - August 31 (Ending)	\$ 27,813	\$ 27,813	\$ 26,333	\$ (1,480)

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 359,500	\$ 346,500	\$ 347,895	\$ 1,395
5800 State Program Revenues	337,000	325,000	324,267	(733)
5020 Total Revenues	696,500	671,500	672,162	662
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	400,000	400,000	400,000	-
0072 Interest on Long Term Debt	294,267	294,267	294,267	-
0073 Bond Issuance Cost and Fees	1,500	1,500	1,500	-
6030 Total Expenditures	695,767	695,767	695,767	-
1100 Excess (Deficiency) of Revenues Over Expenditures	733	(24,267)	(23,605)	662
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	25,000	24,000	(1,000)
1200 Net Change in Fund Balances	733	733	395	(338)
0100 Fund Balance - September 1 (Beginning)	3,043	3,043	3,043	-
3000 Fund Balance - August 31 (Ending)	\$ 3,776	\$ 3,776	\$ 3,438	\$ (338)

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
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

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, and the aggregate remaining fund information of Hooks Independent School District (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hooks Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

December 9, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Hooks Independent School District's (the District) compliance with the types of compliance requirements described in the *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, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hooks 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

December 9, 2015

**HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Hooks Independent School District was an unqualified 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 instances of noncompliance material to the financial statements of the Hooks Independent School District were disclosed during the audit.
- d. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the report on internal control over compliance required by OMB Circular A-133.
- e. The type of report the auditor issued on compliance for major programs was an unqualified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under Section 510(a) of OMB Circular A-133.
- g. The program tested as major programs was:
 - Title IV, Pt B - 21st Century Community Learning
 - CFDA# 84.287C
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Hooks 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 required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

No findings required to be reported.

**HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015**

There were no prior year audit findings or questioned costs.

**HOOKS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015**

There were no current year audit findings or questioned costs.

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-61010109902	\$ 152,310
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-61010109902	7,687
Total CFDA Number 84.010A			159,997
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	14-695021710003	491,248
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	16-6950197110014	26,748
Total CFDA Number 84.287C			517,996
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501019902	30,960
Total Passed Through State Department of Education			\$ 708,953
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 708,953
U.S. DEPARTMENT OF LABOR			
<u>Passed Through the Texas Workforce Commission</u>			
WIA Dislocated Workers Formula Grants	17.278	0715ATP000	\$ 11,951
Temporary Asst Needy Families	93.558	0715ATP000	1,827
Total Passed Through the Texas Workforce Commission			\$ 13,778
TOTAL U.S. DEPARTMENT OF LABOR			\$ 13,778
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	\$ 59,541
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	5,942
Total CFDA Number 10.553			65,483
*National School Lunch Program - Cash Assistance	10.555	N/A	169,650
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	16,930
Total CFDA Number 10.555			186,580
Total Child Nutrition Cluster			252,063
Child & Adult Care Food Program - Cash Assistance	10.558	N/A	44,488
Total Passed Through the State Department of Agriculture			\$ 296,551
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 296,551
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,019,282

*Clustered Programs as Required by Compliance Supplement June 2015

See Notes to Supplementary Schedule of Expenditures of Federal Awards

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015**

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
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.

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Center for Public Company Audit Firms
Member of AICPA Governmental Audit Quality Center

December 9, 2015

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, Texas 75561

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District for the year ended August 31, 2015. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. Hooks Independent School District implemented a new policy under Governmental Accounting Standards Board (GASB) Number 68 *Accounting and Reporting for Pensions* to assume its proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas (TRS) in the current year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of state funding. Management's estimate of state funding was based on the latest version of the Texas Education Agency's Summary of Finance and the state funding template prepared by the District's personnel. We evaluated the key factors and assumptions used to develop the estimate of state funding in determining that it was reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

In addition, we did identify uncorrected misstatements of the financial statements for the current year in the General Fund. There were unrecorded accounts payables for monthly utility services and other payables of \$26,111 with corresponding increase in expenditures; and Shared Service Arrangements – Special Education unrecorded liability amount of \$7,427 with corresponding increase in expenditures. We did identify uncorrected misstatements of the financial statements for the prior year in the General Fund. There were unrecorded accounts payables of \$18,031 for monthly utility services and other payables with corresponding decrease in expenditures. Management has determined that their effects are immaterial both individually and in the aggregate to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountants to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis on pages 5-11, budgetary information on page 44, schedule of the District's proportionate share of the net pension liability (TRS) on page 45, and schedule of District contribution to TRS on page 46 be presented to supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

We were engaged to report on the combining financial statements, which accompany the financial statements but not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We applied certain limited procedures to the required TEA Schedules on pages 52-55, which is certain information required to be included by the Texas Education Agency that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required TEA Schedules and do not express an opinion or provide any assurance on the required TEA Schedules.

Other Comments and Recommendations

Shared Services Arrangement (SSA) – Special Education – The District participates in a state funded SSA, which provides special education services to the member districts. During our review of the SSA - Special Education billing and related expenditures reported by the District, we noted an error in the annual billing received from the SSA – Special Education. We recommend the District's personnel request supporting documentation for future billings, then review the information for accuracy.

We would also like to express our appreciation for the cooperation and assistance received from you and from the personnel during the course of our audit.

Restriction on Use

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



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