

HAMLIN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

HAMLIN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

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HAMLIN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Hamlin Independent School District
Name of School District

Jones
County

127-903
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016, at a meeting of the Board of Trustees of such school district on the 8th day of December, 2016.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Hamlin Independent School District
Hamlin, Texas

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 Hamlin Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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 Hamlin Independent School District, as of August 31, 2016, and the respective changes in financial position and where applicable, the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9, budgetary comparison information on page 44, and the pension related information on pages 45-48 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamlin Independent School District's basic financial statements. The accompanying combining balance sheets and statements of revenues, expenditures and changes in fund balance for all nonmajor governmental funds and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of Hamlin Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss L.P.

Certified Public Accountants

Lubbock, Texas

November 18, 2016

HAMLIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Hamlin Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2016. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditors' Report. This Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$181,820 or approximately 5.4%. The District's statement of activities showed total revenues were \$5,135,026, and expenses totaled \$4,953,206.
- The District ended the year, August 31, 2016, with total net position of \$3,574,856, and unrestricted net position of \$1,650,161. The balance of cash and investments at August 31, 2016, was \$2,148,053, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.
- Total general fund expenditures were \$4,011,419 for the year ended August 31, 2016, and this compares with general fund expenditures of \$3,958,518 for the year ended August 31, 2015.
- The District's total revenues on the fund financial statements decreased from \$5,365,874 in 2014-15 to \$5,044,153 in 2015-16.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

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

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for nonmajor funds contain information about the District's individual nonmajor funds. The sections labeled Texas Education Agency 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

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. 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 statements apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

- Governmental funds – Most of the District's basic services are included 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 the fund financial statements.

- Proprietary funds – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (the District's only category of proprietary funds) report activities that provide worker's compensation insurance coverage to the District's other programs and activities.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities, as well as for a Scholarship Fund in Memory of Lou Ferguson. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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
Hamlin Independent School District
Net Position
August 31, 2016 and 2015

	August 31,	
	2016	2015
Cash and Temporary Investments	\$ 2,148,053	\$ 2,283,993
Receivables	528,110	437,691
Other Assets	47,460	47,460
Capital Assets	5,974,983	6,201,879
Total Assets	<u>\$ 8,698,606</u>	<u>\$ 8,971,023</u>
Unamortized Loss on Bond Refunding	\$ 262,900	\$ 290,183
Deferred Outflow Related to Pension Liability	367,634	59,751
Total Deferred Outflows	<u>\$ 630,534</u>	<u>\$ 349,934</u>
Current Liabilities	\$ 607,311	\$ 834,211
Long-Term Liabilities	4,276,411	4,552,717
Net Pension Liability	810,262	414,267
Total Liabilities	<u>\$ 5,693,984</u>	<u>\$ 5,801,195</u>
Deferred Inflow Related to Pension Liability	\$ 60,300	\$ 126,726
Total Deferred Inflows	<u>\$ 60,300</u>	<u>\$ 126,726</u>
Net Position		
Net Investment in Capital Assets	\$ 1,669,626	\$ 1,650,936
Restricted for Debt Service	255,069	225,961
Unrestricted Net Position	1,650,161	1,516,139
Total Net Position	<u><u>\$ 3,574,856</u></u>	<u><u>\$ 3,393,036</u></u>

Changes in Net Position

The District's net position increased during the year ended August 31, 2016. The net position increased by \$181,820 (see Table II). This increase is attributable primarily to decreases in payroll, food service, and debt payments. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,650,161 (Table I) at August 31, 2016. This compares with the District's unrestricted net position at August 31, 2015, of \$1,516,139, an increase of \$134,022.

Table II
Hamlin Independent School District
Changes in Net Position
For the Years Ended August 31, 2016 and 2015

	August 31,	
	2016	2015
Revenues:		
Program Revenues:		
Charges For Services	\$ 50,501	\$ 65,340
Operating Grants and Contributions	719,900	725,677
General Revenues:		
Maintenance and Operations Taxes	1,766,514	1,961,262
Debt Service Taxes	344,471	365,508
State Formula Aid	2,153,396	2,235,189
Investment Earnings	8,490	6,979
Miscellaneous	91,754	76,183
Total Revenue	<u>\$ 5,135,026</u>	<u>\$ 5,436,138</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 2,355,583	\$ 2,412,150
Instructional and School Leadership	343,799	334,141
Student Support Services	164,030	149,322
Student Transportation	71,983	72,890
Food Services	262,809	285,877
Extracurricular Activities	344,178	364,774
General Administration	326,379	339,499
Plant Maintenance and Data Processing	798,570	724,539
Debt Service	151,307	247,219
Payments to Member Districts/Fiscal Agents	134,568	140,480
	<u>\$ 4,953,206</u>	<u>\$ 5,070,891</u>
Increase (Decrease) in Net Position	<u>\$ 181,820</u>	<u>\$ 365,247</u>

The District's total revenues decreased from \$5,436,138 in fiscal year 2015 to \$5,135,026, a decrease of \$301,112. This decrease was attributable to decline in property values. The total expenses of the District decreased by \$117,685 from \$5,070,891 to \$4,953,206. This decrease was due to decreases in payroll, food service, and debt payments.

Other factors impacting the District's financial position include the following:

- The District increased the total property tax rate, \$0.010 cents per 100 dollars of valuation. The District is at the State maximum tax rate for maintenance and operations of \$1.17 and the I&S rate increased from \$0.215 to \$0.225. The District's appraised valuation of taxable property decreased from \$168,547,207 to \$149,481,080, a decrease of \$19,066,127 or 11.3%. This decrease is attributable to decreases in property values. The total school property taxes assessed for school year 2016 were \$2,085,261. This is a decrease of \$249,118 from the \$2,334,379 assessed in 2015.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 389.105 in 2015 to 384.450 in 2016. State revenues declined due to decreases in ADA.

Fund Balances

The District's total Governmental Funds fund balance was \$2,045,967. This fund balance is reported in the various Governmental funds as follows:

General Fund \$1,845,267. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses, and the District's Board of Trustees has committed \$900,000 for various construction projects.

Debt Service Fund \$200,700. These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issue.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. There were no individually significant amendments, while most amendments were to reclassify expenditures in various functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Financial statement footnote No. 6 discloses the capital asset activity of the District for the year ended August 31, 2016.

Debt

Financial statement footnotes No. 8 and 9 disclose the debt activity of the District for the year ended August 31, 2016.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$3,825,428 in general fund revenues for fiscal year 2016-2017. This is down \$310,297 from the \$4,135,725 actual general fund revenue for the 2015-2016 fiscal year. The primary factor for this decrease in revenues is due to decreases in property values and in ADA.

The District also budgeted \$3,996,219 in general fund expenditures for 2016-2017. This is down \$15,200 from the actual 2015-2016 general fund expenditures of \$4,011,419 and is comparable to prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Hamlin Independent School District, 450 SW Avenue F, Hamlin, Texas 79520.

BASIC FINANCIAL STATEMENTS

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2016

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	\$ 2,148,053
1220	Property Taxes - Delinquent	379,800
1230	Allowance for Uncollectible Taxes	(37,169)
1240	Due from Other Governments	185,479
1410	Prepayments	47,460
	Capital Assets:	
1510	Land	65,293
1520	Buildings and Improvements, Net	5,770,317
1530	Furniture and Equipment, Net	55,368
1540	Vehicles, Net	27,048
1550	Leased Property Under Capital Leases, Net	<u>56,957</u>
1000	Total Assets	\$ <u>8,698,606</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1701	Unamortized Loss on Bond Refunding	\$ 262,900
1705	Deferred Outflow Related to Pension Liability	<u>367,634</u>
1700	Total Deferred Outflows of Resources	\$ <u>630,534</u>
	LIABILITIES:	
2110	Accounts Payable	\$ 17,490
2140	Interest Payable	15,584
2160	Accrued Wages Payable	144,157
2200	Accrued Expenses	3,590
2300	Unearned Revenue	150,228
2501	Due Within One Year	276,262
2502	Due in More than One Year	3,911,721
2516	Unamortized Bond Premium	364,690
2540	Net Pension Liability	<u>810,262</u>
2000	Total Liabilities	\$ <u>5,693,984</u>
	DEFERRED INFLOWS OF RESOURCES:	
2605	Deferred Inflow Related to Pension Liability	\$ <u>60,300</u>
2600	Total Deferred Inflows of Resources	\$ <u>60,300</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 1,669,626
3850	Restricted for Debt Service	255,069
3900	Unrestricted Net Position	<u>1,650,161</u>
3000	Total Net Position	\$ <u><u>3,574,856</u></u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
0011	Instruction	\$ 2,338,162	\$ 455,186	\$ (1,882,976)
0012	Instructional Resources and Media Services	9,883	271	(9,612)
0013	Curriculum and Staff Development	7,538	520	(7,018)
0021	Instructional Leadership	63,141		(63,141)
0023	School Leadership	280,658	11,107	(269,551)
0031	Guidance, Counseling, and Evaluation Services	141,121	7,404	(133,717)
0033	Health Services	22,909	1,358	(21,551)
0034	Student Transportation	71,983	554	(71,429)
0035	Food Services	262,809	17,302	(40,278)
0036	Extracurricular Activities	344,178	32,149	(300,621)
0041	General Administration	326,379	11,494	(314,885)
0051	Plant Maintenance and Operations	651,804	1,050	(639,915)
0053	Data Processing Services	146,766	4,530	(142,236)
0072	Interest on Long-Term Debt	149,701		(149,701)
0073	Bond Issuance Cost and Fees	1,606		(1,606)
0093	Payments to Fiscal Agent/Member Districts	79,511		(79,511)
0099	Other Intergovernmental Charges	55,057		(55,057)
TP	Total Primary Government	\$ 4,953,206	\$ 50,501	\$ 719,900

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 1,766,514
DT	Property Taxes, Levied for Debt Service	344,471
SF	State Aid Formula Grants	2,153,396
GC	Grants and Contributions not Restricted	82,683
IE	Investment Earnings	8,490
MI	Miscellaneous Local and Intermediate Revenue	9,071
TR	Total General Revenues, Special Items, and Transfers	\$ 4,364,625
CN	Change in Net Position	\$ 181,820
NB	Net Position - Beginning	3,393,036
NE	Net Position - Ending	\$ 3,574,856

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:			
1110	Cash and Temporary Investments	\$ 1,913,165	\$ 204,991	\$ 2,118,156
1220	Property Taxes - Delinquent	322,031	57,769	379,800
1230	Allowance for Uncollectible Taxes	(33,769)	(3,400)	(37,169)
1240	Receivables from Other Governments	113,549	71,930	185,479
1260	Due from Other Funds	51,509		51,509
1410	Prepayments	47,460		47,460
1000	Total Assets	<u>\$ 2,413,945</u>	<u>\$ 331,290</u>	<u>\$ 2,745,235</u>
	LIABILITIES:			
2110	Accounts Payable	\$ 3,125	\$ 4,028	\$ 7,153
2160	Accrued Wages Payable	124,696	19,461	144,157
2170	Due to Other Funds		51,509	51,509
2200	Accrued Expenditures	2,367	1,223	3,590
2300	Unearned Revenue	150,228		150,228
2000	Total Liabilities	<u>\$ 280,416</u>	<u>\$ 76,221</u>	<u>\$ 356,637</u>
	DEFERRED INFLOWS OF RESOURCES:			
2601	Unavailable Revenue - Property Taxes	\$ 288,262	\$ 54,369	\$ 342,631
2600	Total Deferred Inflows	<u>\$ 288,262</u>	<u>\$ 54,369</u>	<u>\$ 342,631</u>
	FUND BALANCES:			
3480	Restricted - Debt Service	\$	\$ 200,700	\$ 200,700
3510	Committed - Construction	900,000		900,000
3600	Unassigned	945,267		945,267
3000	Total Fund Balances	<u>\$ 1,845,267</u>	<u>\$ 200,700</u>	<u>\$ 2,045,967</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,413,945</u>	<u>\$ 331,290</u>	<u>\$ 2,745,235</u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2016

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 2,045,967
1	The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. The net effect of this consolidation is to increase net position.	19,560
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$12,887,828, and the accumulated depreciation was (\$6,685,949). In addition, bonds payable are not due and payable in the current period and therefore are not reported as liabilities in these funds. The long-term debt was (\$4,550,943). 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.	1,650,936
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays \$75,569, debt principal payments \$86,665, recording new lease and additional debt principal (\$69,483), and lease payments \$35,872 is to increase net position.	128,623
4	Bond issuances provide current financial resources to governmental funds but does not affect the Statement of Activities. During the year, the District retired refunding bonds in the amount of \$10,000. The net effect of the bond retirement is to increase net position.	10,000
5	Current year interest accretion on capital appreciation bonds is recognized when paid in the governmental funds, but is accrued as incurred in the Statement of Activities.	(55,348)
6	Amortization of premiums on Capital Appreciation and refunding bonds \$237,515 and change in accrued interest \$365 is to increase net position.	237,880
7	The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation and loss on disposal of assets is to decrease net position.	(302,465)
8	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$810,262), a Deferred Resource Inflow related to TRS in the amount of (\$155,263), and a Deferred Resource Outflow related to TRS in the amount of \$462,597. This amounted to a decrease in net position.	(502,928)
9	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing deferred property tax revenue of \$342,631 as revenue. The effect of this reclassification is to increase net position.	<u>342,631</u>
19	Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 3,574,856</u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues:			
5700 Local and Intermediate Sources	\$ 1,809,340	\$ 359,761	\$ 2,169,101
5800 State Program Revenues	2,326,385	75,940	2,402,325
5900 Federal Program Revenues		472,727	472,727
5020 Total Revenues	<u>\$ 4,135,725</u>	<u>\$ 908,428</u>	<u>\$ 5,044,153</u>
Expenditures:			
0011 Instruction	\$ 1,795,666	\$ 348,367	\$ 2,144,033
0012 Instructional Resources and Media Services	8,966		8,966
0013 Curriculum and Staff Development	6,528	520	7,048
0021 Instructional Leadership	59,039		59,039
0023 School Leadership	253,145		253,145
0031 Guidance, Counseling, and Evaluation Services	127,444		127,444
0033 Health Services	20,841		20,841
0034 Student Transportation	124,645		124,645
0035 Food Services	5,059	254,070	259,129
0036 Extracurricular Activities	311,734		311,734
0041 General Administration	295,819		295,819
0051 Plant Maintenance and Operations	606,463		606,463
0053 Data Processing Services	134,640		134,640
0071 Principal on Long-Term Debt	122,537	33,308	155,845
0072 Interest on Long-Term Debt	4,325	296,692	301,017
0073 Bond Issuance Cost and Fees		1,606	1,606
0093 Payments to Fiscal Agents/Member Districts	79,511		79,511
0099 Other Intergovernmental Charges	55,057		55,057
6030 Total Expenditures	<u>\$ 4,011,419</u>	<u>\$ 934,563</u>	<u>\$ 4,945,982</u>
1100 Excess of Revenues Over (Under) Expenditures	<u>\$ 124,306</u>	<u>\$ (26,135)</u>	<u>\$ 98,171</u>
Other Financing Sources (Uses):			
7913 Capital Leases	\$ 61,575	\$	\$ 61,575
7915 Transfers In		36,598	36,598
8911 Transfers Out	(36,598)		(36,598)
7080 Total Other Financing Sources (Uses)	<u>\$ 24,977</u>	<u>\$ 36,598</u>	<u>\$ 61,575</u>
1200 Net Change in Fund Balance	\$ 149,283	\$ 10,463	\$ 159,746
0100 September 1 - Fund Balance	<u>1,695,984</u>	<u>190,237</u>	<u>1,886,221</u>
3000 August 31 - Fund Balance	<u>\$ 1,845,267</u>	<u>\$ 200,700</u>	<u>\$ 2,045,967</u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ 159,746

Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$302,465) exceeded capital outlays \$75,569 in the current period. (226,896)

Property Tax Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 10,336

Repayment of bond and other long-term debt principal of \$132,537 and recording of a new lease and additional debt principal (\$69,483) is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 63,054

Governmental funds report accretion of interest expense (\$55,348) when the debt is issued/paid but these amounts are deferred/accrued in the Statement of Activities. This is the amount of accretion of interest expense less the amortization of bond premiums \$237,515 and recording the change in accrued interest \$365. 182,532

Current year changes due to GASB 68 required credits to expenses in the amount of \$139,021 and debits to expenses in the amount of (\$160,707) resulting in a decrease in the change in ending net position of (\$21,686). (21,686)

Internal service funds are used by management to charge the costs of workers compensation to individual funds. The net expense of the internal service fund is reported with governmental activities (See Exhibit D-2). 14,734

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 181,820

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2016

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>29,897</u>
Total Assets	\$ <u>29,897</u>
LIABILITIES:	
Accounts Payable	\$ <u>10,337</u>
Total Liabilities	\$ <u>10,337</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>19,560</u></u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES:	
Interest Income	\$ 51
Charges to Other Funds	19,948
Total Revenues	<u>\$ 19,999</u>
OPERATING EXPENSES:	
Fixed Costs and Fees	\$ 5,265
Total Expenses	<u>\$ 5,265</u>
Change in Net Position	\$ 14,734
Net Position - September 1 (Beginning)	<u>4,826</u>
Net Position - August 31 (Ending)	<u>\$ 19,560</u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities
	<u>Internal Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Receipts from Charges to Other Funds	\$ 19,948
Cash Receipts from Interest Income	51
Cash Payments to Suppliers for Goods and Services	<u>(12,463)</u>
Net Cash Provided By Operating Activities	<u>\$ 7,536</u>
Net Increase in Cash and Cash Equivalents	\$ 7,536
Cash and Cash Equivalents at Beginning of Year	<u>22,361</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 29,897</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 14,734
Change in Payables	<u>(7,198)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 7,536</u></u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2016

	<u>Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Temporary Investments	\$ 23,251	\$ 50,741
Cash and Temporary Investments - Restricted	<u>23,251</u>	<u>50,741</u>
Total Assets	<u>\$ 23,251</u>	<u>\$ 50,741</u>
LIABILITIES:		
Due to Student Groups	<u>\$ 0</u>	<u>\$ 50,741</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 50,741</u>
NET POSITION:		
Restricted Net Position	<u><u>\$ 23,251</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Private- Purpose Trust</u>
ADDITIONS:	
Contributions:	
Gifts and Bequests	\$ <u>0</u>
Investment Earnings:	
Interest Income	\$ <u>124</u>
Total Additions	\$ <u>124</u>
DEDUCTIONS:	
Scholarships Paid	\$ <u>1,000</u>
Total Deductions	\$ <u>1,000</u>
Change in Net Position	\$ (876)
Net Position - September 1 (Beginning)	<u>24,127</u>
Net Position - August 31 (Ending)	<u>\$ 23,251</u>

The accompanying notes are an integral part of this financial statement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamlin Independent School District's (the District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. 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 entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position.

These government-wide financial statements were prepared using 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 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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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 “operating grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from local sources consist primarily of property taxes. Amounts have been recorded for property tax revenues collected through August 31, 2016. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

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

The proprietary fund and the fiduciary fund financial statements are reported using 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 related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. Interest income earned on the operating cash account is considered operating revenue. All other revenues are non-operating.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental fund:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and undesignated fund balances are considered resources available for current operations.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service and technology fund, any unused balances are returned to the grantor at the close of specified project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

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, if any, are used exclusively for child nutrition program purposes.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District, specifically for the operation of its partially-funded insurance plan for workers' compensation on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose trust fund is a scholarship fund in memory of Lou Ferguson, with annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. 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. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and work in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. 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.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board of Directors (the Board) at its regular meetings. Each amendment must have the Board's approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2016.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

F. FUND EQUITY

Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Trustees, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The Board of Trustees has adopted a minimum fund balance policy for the general fund. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 34% and the unassigned fund balance is 20% of the total operating expenditures.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, which are directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Debt Service.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

H. 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.

I. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

J. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) 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, and (9) 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; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits and investments in certificates of deposit are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2016, all of the District's investments are in certificates of deposit with its depository bank, and are completely covered by pledged securities as described in the preceding paragraph.
- c. Credit Risk – Not applicable.
- d. Interest Rate Risk – Not applicable.
- e. Foreign Currency Risk – Not applicable.

The carrying amount of the District's cash and temporary investments at August 31, 2016, approximates fair value and consisted of the following shown below:

Cash in Bank - Including Money Market Accounts	\$	1,716,348
Equity Securities (Carried at Cost) - Trust Fund		5,697
Certificate of Deposit		<u>500,000</u>
Total Cash and Investments	\$	<u><u>2,222,045</u></u>
Cash and Investments - Governmental Funds	\$	2,118,156
Cash and Investments - Internal Service Funds		<u>29,897</u>
Cash and Investments - Statement of Net Position	\$	2,148,053
Cash and Investments - Fiduciary Funds		<u>73,992</u>
Total Cash and Investments	\$	<u><u>2,222,045</u></u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible 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.

4. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2016, consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Special Revenue Funds	\$ <u>51,509</u>	\$ <u>0</u>
Special Revenue Funds		
General Fund	\$ <u>0</u>	\$ <u>51,509</u>

5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following at August 31, 2016:

Due from State	\$ 159,999
Due from Other Governments	<u>25,480</u>
Total Due from Other Governments	<u>\$ 185,479</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

	<u>9/1/2015</u>	<u>Additions/ Transfers</u>	<u>Deletions</u>	<u>8/31/2016</u>
Capital Assets:				
Land	\$ 65,293	\$	\$	\$ 65,293
Building and Improvements	11,371,241			11,371,241
Furniture and Equipment	941,782	13,994		955,776
Capital Lease Items		61,575		61,575
Vehicles	<u>509,512</u>			<u>509,512</u>
	<u>\$ 12,887,828</u>	<u>\$ 75,569</u>	<u>\$ 0</u>	<u>\$ 12,963,397</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 5,334,492	\$ 266,432	\$	\$ 5,600,924
Furniture and Equipment	886,175	14,233		900,408
Capital Lease Items		4,618		4,618
Vehicles	<u>465,282</u>	<u>17,182</u>		<u>482,464</u>
	<u>\$ 6,685,949</u>	<u>\$ 302,465</u>	<u>\$ 0</u>	<u>\$ 6,988,414</u>
	<u>\$ 6,201,879</u>	<u>\$ (226,896)</u>	<u>\$ 0</u>	<u>\$ 5,974,983</u>

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

Instruction	\$ 148,979
Instruction Resources and Media Services	623
Curriculum and Instructional Staff Development	490
Instructional Leadership	4,102
School Leadership	17,590
Guidance, Counseling, and Evaluation Services	8,855
Health Services	1,448
Student (Pupil) Transportation	8,661
Food Services	18,006
Cocurricular/Extracurricular Activities	21,661
General Administration	20,555
Plant Maintenance and Operations	42,140
Data Processing Services	9,355
	<u>\$ 302,465</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Capital assets are being depreciated using the straight line method over the following useful lives:

Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years

7. UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Governmental funds report unearned revenue and deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues and deferred inflows of resources consisted of the following at August 31, 2016:

	General Fund	Debt Service Fund	Total
Overpayment from State	\$ 150,228	\$	\$ 150,228
Unearned Revenues - Exhibit A-1 and C-1	\$ 150,228	\$ 0	\$ 150,228
Property Taxes - Delinquent	\$ 322,031	\$ 57,769	\$ 379,800
Less: Allowance for Uncollectible Taxes	(33,769)	(3,400)	(37,169)
Total Deferred Inflows - Exhibit C-1	\$ 288,262	\$ 54,369	\$ 342,631

8. LONG-TERM DEBT

General Obligation Bonds

A summary of changes in bonds payable for the year ended August 31, 2016, is as follows:

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 9/1/2015	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2016
2007 Capital						
Appreciation Bonds	N/A	\$ 70,000	\$ 41,112	\$	\$ 23,308	\$ 17,804
Accumulated Accretion	N/A		248,034	55,348	161,692	141,690
2015 Unlimited Tax						
Refunding Bonds	2.0% - 4.0%	3,765,000	3,765,000		10,000	3,755,000
		\$ 3,835,000	\$ 4,054,146	\$ 55,348	\$ 195,000	\$ 3,914,494

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

On July 24, 2007, the District issued \$3,830,000 in unlimited tax school building bonds and \$70,000 of capital appreciation bonds. The District utilized these bonds to construct a new gymnasium. The 2007 current interest bonds of \$3,830,000 were advance refunded in 2015. Interest expenditures for the 2007 capital appreciation bonds totaled \$161,692 for the year ended August 31, 2016.

On July 14, 2015, the District issued \$3,765,000 of Unlimited Tax Refunding Bonds, Series 2015 which were used to advance refund the outstanding Unlimited Tax School Building Bonds Series 2007. The bonds have an average interest rate of 3.77% with annual maturities from August 2015 through August 2032. The balance of the refunded bonds of \$3,830,000 will be paid from the escrowed funds on February 15, 2017. Interest expenditures on this bonded debt totaled \$135,000 for the year ended August 31, 2016.

Debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2017	\$ 190,000	\$ 134,800	\$ 324,800
2018	195,000	131,775	326,775
2019	205,000	125,775	330,775
2020	210,000	119,550	329,550
2021	215,000	113,175	328,175
2022-2026	1,175,000	458,875	1,633,875
2027-2032	1,745,000	216,900	1,961,900
Unaccreted CAB Appreciation	(20,506)	20,506	0
	<u>\$ 3,914,494</u>	<u>\$ 1,321,356</u>	<u>\$ 5,235,850</u>

Notes Payable

A summary of changes in notes payable for the year ended August 31, 2016, is as follows:

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 9/1/2015	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2016
HVAC Note	5.00%	\$ 501,009	\$ 166,543	\$	\$ 166,543	\$ 0
2009 Tax Maintenance Note	5.50%	340,000	160,000		160,000	0
2016 Refinanced Bank Note	4.00%	334,451		334,451	86,665	247,786
		<u>\$ 1,175,460</u>	<u>\$ 326,543</u>	<u>\$ 334,451</u>	<u>\$ 413,208</u>	<u>\$ 247,786</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

During the year ended August 31, 2016, the District refinanced its HVAC and 2009 Tax Maintenance Notes into a consolidated note from Hamlin National Bank. The note has a four year term at an annual rate of 4.00%. Interest expenditures for this note for the year ended August 31, 2016, totaled \$3,335. Note Payable debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2017	\$ 80,089	\$ 9,911	\$ 90,000
2018	83,292	6,708	90,000
2019	84,405	3,376	87,781
	<u>\$ 247,786</u>	<u>\$ 19,995</u>	<u>\$ 267,781</u>

9. OBLIGATIONS UNDER CAPITAL LEASE

A summary of the activity for the District's capital lease obligations is as follows:

Date of Issue	Description	Interest Rate	Amount Outstanding 9/1/2015	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2016
12/1/2015	2016 Girardin G5 Bus	2.680%	\$ 0	\$ 61,575	\$ 35,872	\$ 25,703

During the year, the District entered into a lease for a new Girardin bus from Santander Leasing, LLC. This lease is a six year lease originating December 2015. Payments are made annually. Payments totaling \$36,862, which included interest of \$990, were made during the year.

Future Minimum payments for this lease is as follows:

Fiscal Year Ending August 31,	
2017	\$ 6,862
2018	6,862
2019	6,862
2020	<u>6,862</u>
Total Payments	\$ 27,448
Less: Interest	<u>1,745</u>
Total Principal	<u>\$ 25,703</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

10. OPERATING LEASES

During the year 2015, the District entered into a lease agreement with Santander Bank, N.A. to lease a bus. The lease is for three years with the option to buy at fair market value of \$52,112 at the end of the lease. Payments totaling \$13,802, which included interest of \$796, were made during the year.

Future minimum rental payments for the operating lease are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2017	\$ 11,927	\$ 1,875	\$ 13,802
2018	12,225	1,577	13,802
	<u>\$ 24,152</u>	<u>\$ 3,452</u>	<u>\$ 27,604</u>

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 1,759,223	\$	\$ 341,426	\$ 2,100,649
Food Sales		17,692		17,692
Interest Income	7,672		643	8,315
Co-curricular Student Activities	31,759			31,759
Rent	1,050			1,050
Other	9,636			9,636
	<u>\$ 1,809,340</u>	<u>\$ 17,692</u>	<u>\$ 342,069</u>	<u>\$ 2,169,101</u>

12. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 and 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015 and 2014.

<u>Net Pension Liability</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability	\$ 163,887,375,172	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(128,538,706,212)	(132,779,243,085)
Net Pension Liability	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
Net Position as Percentage of Total Pension Liability	78.43%	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% (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 five 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 five 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 six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of the system during the fiscal year.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS'S unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

	Contribution Rates	
	2015	2016
Member	6.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

2015 Employer Contributions	\$	67,874
2015 Member Contributions		167,616
2015 NECE On-Behalf Contributions		142,858

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

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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was eight percent. 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 eight percent. 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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Hedge Funds (Stable Value)	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation-Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	<u>100.00%</u>		<u>8.70%</u>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (eight percent) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
HISD's Proportionate Share of the Net Pension Liability	\$ <u>1,269,528</u>	\$ <u>810,262</u>	\$ <u>427,722</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At August 31, 2016, the District reported a liability of \$810,262 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$	810,262
State's Proportionate Share that is Associated with the District		1,704,925
Total	\$	<u>2,515,187</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0022922%, which was an increase of 0.0007413% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended August 31, 2015, the District recognized pension expense of \$242,924 and revenue of \$242,924 for support provided by the State.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

At August 31, 2016, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,328	\$ (31,139)
Changes in Actuarial Assumptions	22,395	(28,907)
Difference Between Projected and Actual Investment Earnings	104,587	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	169,434	(254)
Contributions Paid to TRS Subsequent to the Measurement Date	<u>65,890</u>	
Total	<u>\$ 367,634</u>	<u>\$ (60,300)</u>

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

	<u>Pension Expense Amount</u>
2017	\$ 42,329
2018	42,329
2019	42,329
2020	73,984
2021	23,766
Thereafter	16,706

13. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participates in a public entity risk pool for its Workmen's Compensation Insurance needs that is administered by Creative Risk Funding. The agreement between the District and the pool is renewable annually on September 1. The District's maximum loss under the agreement for 2015 was set at \$9,784 for the Self Insured Retention (SIR) for specific occurrences and \$32,614 for aggregate retention. The pool is protected against unanticipated catastrophic loss by stop loss coverage provided through Safety National Casualty Corporation. The stop loss policy covers individual claims with a SIR per occurrence of \$350,000 and maximum limit to statutory. The District accounts for its costs associated with the pool through an internal service fund.

The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2016, to be \$10,337 including estimated claims incurred but not reported of \$9,509. The District has recorded claims payable at August 31, 2016, related to this liability.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

14. HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan through TRS Active Care. The District contributed \$250 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare, Part D fringe benefits and salaries amounted to \$8,456 and \$7,200 for the years ended August 31, 2016 and 2015, respectively.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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

16. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

17. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in cooperative programs for federally funded Special Education with other districts through the Tri-County Education Shared Service Arrangement (TESSA). The Stamford Independent School District is the fiscal agent for the TESSA and all financial data for TESSA is included in those statements. Funding for TESSA is obtained from the Texas Education Agency on an annual basis for the federally funded programs including the IDEA-B, Formula and Preschool Programs. These programs are accounted for under Model #1 as per the requirements established in the *Financial Accountability System Resource Guide* adopted by the Texas Education Agency for all Texas school districts. As such the fiscal agent flowed \$10,301 in IDEA-B, Formula and \$19,040 in IDEA-B, Preschool money to the District which is recorded in these statements as revenues and expenditures in Special Revenue Funds for operation of these programs.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

The District also participates in cooperative programs for state and local funded Special Education with other districts through TESSA. The Stamford Independent School District is the fiscal agent for TESSA and all financial data for TESSA is included in those statements. Funding for TESSA is obtained from the member districts on an annual basis for the state and local funded programs for special education. These programs are accounted for under Model #3 as per the requirements established in the *Financial Accountability System Resource Guide* adopted by the Texas Education Agency for all Texas school districts. As such the fiscal agent received \$79,950 in money from the District which is recorded in these statements as intergovernmental expenditures in function 93 of the General Fund for operation of the program. The District has no equity interest in TESSA, but is a voting member of SSA activities.

The District also participates in a shared services arrangement for Pregnancy Education and Parenting (PEP) through the West Central Texas SSA (WCTSSA). The Sweetwater Independent School District is the fiscal agent for the WCTSSA. Each member district is responsible for a pro rata portion of the expenditures of the PEP SSA which is funded from state and local revenues. These programs are accounted for under Model #3 as per the requirements established in the *Financial Accountability System Resource Guide* adopted by the Texas Education Agency for all Texas school districts. As such the fiscal agent received \$3,561 in money from the District which is recorded in these statements as intergovernmental expenditures in function 93 of the General Fund for operation of the program. The District has no equity interest in the PEP SSA, but is a voting member of all SSA activities.

18. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through November 18, 2016, the date which the financial statements were available for issue.

Subsequent to year end, the District entered into a capital lease for two buses. This lease has a seven year term and totals \$203,145.

REQUIRED SUPPLEMENTARY INFORMATION

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 1,713,698	\$ 1,793,698	\$ 1,809,340	\$ 15,642
5800	State Program Revenues	<u>1,859,828</u>	<u>2,421,372</u>	<u>2,326,385</u>	<u>(94,987)</u>
5020	Total Revenues	<u>\$ 3,573,526</u>	<u>\$ 4,215,070</u>	<u>\$ 4,135,725</u>	<u>\$ (79,345)</u>
Expenditures:					
0011	Instruction	\$ 1,719,509	\$ 1,801,053	\$ 1,795,666	\$ 5,387
0012	Instructional Resources and Media Services	12,000	12,000	8,966	3,034
0013	Curriculum and Instructional Staff Development	10,400	8,400	6,528	1,872
0021	Instructional Leadership	59,300	59,300	59,039	261
0023	School Leadership	255,927	257,927	253,145	4,782
0031	Guidance, Counseling, and Evaluation Services	127,680	139,680	127,444	12,236
0033	Health Services	23,027	23,027	20,841	2,186
0034	Student Transportation	123,255	135,968	124,645	11,323
0035	Food Services	5,106	5,106	5,059	47
0036	Extracurricular Activities	331,667	336,667	311,734	24,933
0041	General Administration	302,322	299,322	295,819	3,503
0051	Plant Maintenance and Operations	605,314	630,314	606,463	23,851
0053	Data Processing Services	135,408	140,408	134,640	5,768
0071	Debt Service - Principal	91,742	122,537	122,537	0
0072	Debt Service - Interest		6,067	4,325	1,742
0093	Payments to Fiscal Agents/Member Districts	79,551	79,551	79,511	40
0099	Other Intergovernmental Charges	<u>76,000</u>	<u>61,000</u>	<u>55,057</u>	<u>5,943</u>
6030	Total Expenditures	<u>\$ 3,958,208</u>	<u>\$ 4,118,327</u>	<u>\$ 4,011,419</u>	<u>\$ 106,908</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>\$ (384,682)</u>	<u>\$ 96,743</u>	<u>\$ 124,306</u>	<u>\$ 27,563</u>
Other Financing Sources (Uses):					
7913	Capital Leases	\$	\$ 61,575	\$ 61,575	\$ 0
8911	Transfers Out (Uses)	<u>(54,242)</u>	<u>(54,242)</u>	<u>(36,598)</u>	<u>17,644</u>
7080	Total Other Financing Sources (Uses)	<u>\$ (54,242)</u>	<u>\$ 7,333</u>	<u>\$ 24,977</u>	<u>\$ 17,644</u>
1200	Net Change in Fund Balance	\$ (438,924)	\$ 104,076	\$ 149,283	\$ 45,207
0100	September 1 - Fund Balance	<u>1,695,984</u>	<u>1,695,984</u>	<u>1,695,984</u>	<u>0</u>
3000	August 31 - Fund Balance	<u>\$ 1,257,060</u>	<u>\$ 1,800,060</u>	<u>\$ 1,845,267</u>	<u>\$ 45,207</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	August 31,	
	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.002292%	0.001551%
District's Proportionate Share of Net Pension Liability	\$ 810,262	\$ 414,267
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>1,704,925</u>	<u>1,699,625</u>
Total	<u>\$ 2,515,187</u>	<u>\$ 2,113,892</u>
District's Covered-Employee Payroll	\$ 2,501,734	\$ 2,880,535
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	32.39%	14.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: Only two years of data are presented in accordance with GASB 68, paragraph 138. "The information for all periods for the ten 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."

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

SCHEDULES OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	August 31,	
	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 67,874	\$ 39,319
Contribution in Relation to the Contractually Required Contribution	<u>(67,874)</u>	<u>(39,319)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 2,469,511	\$ 2,501,734
Contributions as a Percentage of Covered-Employee Payroll	2.75%	1.57%

Note: Only two years of data are presented in accordance with GASB 68, paragraph 138. "The information for all periods for the ten 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."

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Methods and Policies

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

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-3

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

Exhibit H-1

	Special Revenue Funds							Total	599 Debt Service Fund	Total Nonmajor Governmental August 31, 2016
	205 Headstart	211 ESEA I, A Improving Basic Education	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast & Lunch Program	410 State Textbook Fund	429 Other State Special Revenue Funds			
ASSETS:										
Cash and Temporary Investments	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property Taxes - Delinquent										
Allowance for Uncollectible Taxes		37,283			7,767				57,769	(3,400)
Due from Other Governments						1,400			71,930	
Total Assets	\$ 25,480	\$ 37,283	\$ 790	\$ 791	\$ 9,488	\$ 639	\$ 1,750	\$ 255,069	\$ 331,290	
LIABILITIES:										
Accounts Payable	\$ 4,437	\$ 5,833	\$ 720	\$ 722	\$ 3,389	\$ 639	\$ 1,750	\$ 4,028	\$ 4,028	\$ 4,028
Accrued Wages Payable	20,609	30,900			5,999			19,461	19,461	19,461
Due to Other Funds	434	550	70	69	100			51,509	51,509	51,509
Accrued Expenditures								1,223	1,223	1,223
Total Liabilities	\$ 25,480	\$ 37,283	\$ 790	\$ 791	\$ 9,488	\$ 639	\$ 1,750	\$ 0	\$ 76,221	\$ 76,221
DEFERRED INFLOWS OF RESOURCES:										
Unavailable Revenue - Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,369	\$ 54,369	\$ 54,369
Total Deferred Inflows	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,700	\$ 200,700	\$ 200,700
FUND BALANCES:										
Restricted for Retirement of Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fund Balances	\$ 25,480	\$ 37,283	\$ 790	\$ 791	\$ 9,488	\$ 639	\$ 1,750	\$ 255,069	\$ 331,290	\$ 331,290

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Continued)

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

	Special Revenue Funds					
	205 Headstart	211 ESEA Title I, Part A	224 IDEA - Part B Formula	225 IDEA - Part B Preschool Program	240 National School Breakfast and Lunch Program	242 Summer Feeding Program
REVENUES:						
Local and Intermediate Sources	\$	\$	\$	\$	\$ 17,692	\$
State Program Revenues					7,886	
Federal Program Revenues	87,394	130,963	10,301	19,040	190,078	1,816
Total Revenues	\$ 87,394	\$ 130,963	\$ 10,301	\$ 19,040	\$ 215,656	\$ 1,816
EXPENDITURES:						
Instruction	\$ 87,394	\$ 130,443	\$ 10,301	\$ 19,040	\$	\$
Curriculum and Instructional Staff Development		520			252,254	1,816
Food Services						
Principal on Long-Term Debt						
Interest on Long-Term Debt						
Bond Issuance Cost and Fees						
Total Expenditures	\$ 87,394	\$ 130,963	\$ 10,301	\$ 19,040	\$ 252,254	\$ 1,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (36,598)	\$ 0
OTHER FINANCING SOURCES (USES):						
Transfers In					\$ 36,598	\$
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,598	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - September 1 (Beginning)						
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Concluded)

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

	Special Revenue Funds					Total	599 Debt Service Fund	Total Nonmajor Governmental Funds
	255 ESEA II, Training and Recruitment	270 ESEA VI, Part B Rural & Low Income	410 State Textbook Fund	429 Other State Special Revenue Funds	429 Other State Special Revenue Funds			
REVENUES:								
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$
State Program Revenues			66,304	1,750		17,692	342,069	359,761
Federal Program Revenues	28,105	5,030			472,727	75,940		75,940
Total Revenues	\$ 28,105	\$ 5,030	\$ 66,304	\$ 1,750	\$ 566,359	\$ 342,069	\$	\$ 908,428
EXPENDITURES:								
Instruction	\$ 28,105	\$ 5,030	\$ 66,304	\$ 1,750	\$ 348,367	\$	\$	\$ 348,367
Curriculum and Instructional Staff Development					520			520
Food Services					254,070			254,070
Principal on Long-Term Debt					0		33,308	33,308
Interest on Long-Term Debt					0		296,692	296,692
Bond Issuance Cost and Fees					0		1,606	1,606
Total Expenditures	\$ 28,105	\$ 5,030	\$ 66,304	\$ 1,750	\$ 602,957	\$ 331,606	\$	\$ 934,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (36,598)	\$ 10,463	\$	\$ (26,135)
OTHER FINANCING SOURCES (USES):								
Transfers In					\$ 36,598			\$ 36,598
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,598	\$ 0	\$	\$ 36,598
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,463	\$	\$ 10,463
Fund Balance - September 1 (Beginning)					0	190,237		190,237
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,700	\$	\$ 200,700

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last Ten Years Ended August 31	1		2	3	10	20	31	32	40	50
	Maintenance	Debt Service								
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2016	
	Various	Various								
2007 and Prior Years	Various	Various	Various	\$ 41,525	\$	\$ 323	\$ 25	\$ (4,008)	\$ 37,169	
2008	1.17000	0.20500	82,577,309	7,660		279	49	(7)	7,325	
2009	1.17000	0.22500	105,560,810	4,403		93	18	(206)	4,086	
2010	1.17000	0.20500	133,845,015	6,261		790	138	(266)	5,067	
2011	1.17000	0.20000	151,134,924	14,998		8,074	1,380	(222)	5,322	
2012	1.17000	0.15000	158,242,950	15,013		4,624	593	(229)	9,567	
2013	1.17000	0.20000	166,427,809	24,440		5,682	971	(405)	17,382	
2014	1.17000	0.24000	154,015,149	100,256		26,579	5,452	(495)	67,730	
2015	1.17000	0.21500	168,547,207	150,323		50,463	9,273	(794)	89,793	
2016 (School Year Under Audit)	1.17000	0.22500	149,481,080		2,085,261	1,627,655	313,011	(8,236)	136,359	
1000	TOTALS			\$ 364,879	\$ 2,085,261	\$ 1,724,562	\$ 330,910	\$ (14,868)	\$ 379,800	

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
YEAR ENDED AUGUST 31, 2016

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 17,000	\$ 17,000	\$ 17,692	\$ 692
5800	State Program Revenues	1,000	1,000	7,886	6,886
5900	Federal Program Revenues	<u>154,182</u>	<u>179,182</u>	<u>190,078</u>	<u>10,896</u>
5020	Total Revenues	\$ <u>172,182</u>	\$ <u>197,182</u>	\$ <u>215,656</u>	\$ <u>18,474</u>
Expenditures:					
0035	Food Services	\$ <u>226,424</u>	\$ <u>246,424</u>	\$ <u>252,254</u>	\$ <u>(5,830)</u>
6030	Total Expenditures	\$ <u>226,424</u>	\$ <u>246,424</u>	\$ <u>252,254</u>	\$ <u>(5,830)</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (54,242)	\$ (49,242)	\$ (36,598)	\$ 12,644
Other Financing Sources:					
7915	Transfers In	<u>54,242</u>	<u>49,242</u>	<u>36,598</u>	<u>12,644</u>
1200	Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
0100	September 1 - Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2016

Data Control Codes	1 Budgeted Amounts		3	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended	Actual	
Revenues:				
5700 Local and Intermediate Sources	\$ 339,186	\$ 341,186	\$ 342,069	\$ 883
5020 Total Revenues	\$ 339,186	\$ 341,186	\$ 342,069	\$ 883
Expenditures:				
0071 Principal on Long-Term Debt	\$ 33,309	\$ 33,309	\$ 33,308	\$ 1
0072 Interest on Long-Term Debt	296,692	296,692	296,692	0
0073 Issuance Cost and Fees		2,000	1,606	394
6030 Total Expenditures	\$ 330,001	\$ 332,001	\$ 331,606	\$ 395
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 9,185	\$ 9,185	\$ 10,463	\$ 1,278
1200 Net Change in Fund Balance	\$ 9,185	\$ 9,185	\$ 10,463	\$ 1,278
0100 September 1 - Fund Balance	190,237	190,237	190,237	0
3000 August 31 - Fund Balance	\$ 199,422	\$ 199,422	\$ 200,700	\$ 1,278

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

Board of School Trustees
Hamlin Independent School District
Hamlin, Texas

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 Hamlin Independent School District (the District) as of and for the year ended August 31, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting 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 of 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

November 18, 2016

HAMLIN INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Current Year Findings –

None

Prior Year's Findings –

None

OTHER TEA REQUIRED SCHEDULE

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

**SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED AUGUST 31, 2016**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, of federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 141,690
SF11	Net Pension Assets (1920) at fiscal year end	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year end	\$ 810,262
SF13	Pension Expense (6147) at fiscal year end	\$ 21,687