

HAMLIN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014

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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, 2014, at a meeting of the Board of Trustees of such school district on the 14th day of October, 2014.

Billy Bob Reynolds
Signature of Board Secretary

Rick Rodgers
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

UNQUALIFIED OPINION 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, 2014, and 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, 2014, and the respective changes in financial position and the cash flows, where applicable, 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 and budgetary comparison information on pages 4-8 and 36, respectively, 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 the 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 non-major governmental funds, required TEA schedules, and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 October 6, 2014, on our consideration of the 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

October 6, 2014

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, 2014. 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 decreased by \$517,127 or approximately 12.9%. The District's statement of activities showed total revenues were \$5,206,930, and expenses totaled \$5,724,057.
- The District ended the year, August 31, 2014, with total net position of \$3,497,154, and unrestricted net position of \$1,548,716. The balance of cash and investments at August 31, 2014, was \$1,839,646, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.
- Total general fund expenditures were \$4,550,180 for the year ended August 31, 2014, and this compares with general fund expenditures of \$4,686,179 for the year ended August 31, 2013.
- The District's total revenues on the fund financial statements decreased from \$5,286,528 in 2012-13 to \$5,126,345 in 2013-14.

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

Changes in Net Position

The District's net position decreased during the year ended August 31, 2014. The net position decreased by \$517,127 (see Table II). This decrease is attributable primarily to a decrease in property values and the adoption of another deficit budget by the District. 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 \$1,548,716 (Table I) at August 31, 2014. This compares with the District's unrestricted net position at August 31, 2013, of \$1,787,258, a decrease of \$238,542.

Table I
Hamlin Independent School District
Net Position
August 31, 2014 and 2013

	August 31,	
	2014	2013
Cash and Temporary Investments	\$ 1,839,646	\$ 1,966,276
Receivables	417,830	277,647
Other Assets	47,460	47,460
Capital Assets	<u>6,510,866</u>	<u>6,858,302</u>
Total Assets	<u>\$ 8,815,802</u>	<u>\$ 9,149,685</u>
Current Liabilities	\$ 833,445	\$ 586,862
Long-Term Liabilities	<u>4,485,203</u>	<u>4,548,542</u>
Total Liabilities	<u>\$ 5,318,648</u>	<u>\$ 5,135,404</u>
Net Position		
Net Investment in Capital Assets	\$ 1,773,801	\$ 2,063,303
Restricted for Debt Service	174,637	163,720
Unrestricted Net Position	<u>1,548,716</u>	<u>1,787,258</u>
Total Net Position	<u>\$ 3,497,154</u>	<u>\$ 4,014,281</u>

The District's total fund financial revenues decreased from \$5,286,528 in fiscal year 2013 to \$5,126,345, a decrease of \$160,183. This decrease was due to decrease in State and Federal revenue programs. The total expenditures of the District decreased by \$661,623 from \$5,674,607 to \$5,452,375. This decrease is due to the planned operating cut backs to attempt to bring the budget back into a balanced position.

Table II
Hamlin Independent School District
Changes in Net Position
For the Years Ended August 31, 2014 and 2013

	August 31,	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program Revenues:		
Charges For Services	\$ 59,838	\$ 70,076
Operating Grants and Contributions	706,478	753,629
General Revenues:		
Maintenance and Operations Taxes	1,816,789	1,914,051
Debt Service Taxes	376,541	330,987
State Formula Aid	2,218,216	2,189,320
Investment Earnings	7,558	8,318
Miscellaneous	21,510	40,488
Total Revenue	<u>\$ 5,206,930</u>	<u>\$ 5,306,869</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 2,877,775	\$ 2,870,477
Instructional and School Leadership	380,360	387,693
Student Support Services	177,568	144,149
Student Transportation	120,091	163,928
Food Services	276,635	318,159
Extracurricular Activities	285,310	346,386
General Administration	319,293	346,091
Plant Maintenance and Data Processing	771,347	792,143
Debt Service	383,480	174,430
Payments to Member Districts/Fiscal Agents	132,198	141,026
	<u>\$ 5,724,057</u>	<u>\$ 5,684,482</u>
Increase (Decrease) in Net Position	\$ (517,127)	\$ (377,613)
Net Position - Beginning of Year	4,014,281	4,479,515
Restatement - Prior Period Debt Issuance Cost	<u> </u>	<u>(87,621)</u>
Net Position - End of Year	<u>\$ 3,497,154</u>	<u>\$ 4,014,281</u>

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

- The District increased the total property tax rate, \$0.04 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 \$0.200 to \$0.240. The District's appraised valuation of taxable property decreased from \$166,427,809 to \$154,015,149, a decrease of \$12,412,660 or 7.5%. This decrease is attributable to decline in property values. The total school property taxes assessed for school year 2014 were \$2,171,614. This is a decrease of \$108,447 from the \$2,280,061 assessed in 2013.

- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 422.113 in 2013 to 423.364 in 2014. No significant change in State Revenue based on ADA, but it did increase slightly due to decrease in property tax revenue.

Fund Balances

The District's total Governmental Funds fund balance was \$1,442,168. This fund balance is reported in the various Governmental funds as follows:

General Fund \$1,282,951. 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 \$159,217. 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, as well as budgeting for added transportation expenditures.

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, 2014.

Debt

Financial statement footnote No. 8 discloses the capital asset activity of the District for the year ended August 31, 2014.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$3,784,915 in general fund revenues for fiscal year 2014-2015. This is down \$442,282 from the \$4,228,197 actual general fund revenue for the 2013-2014 fiscal year. The primary factor for this decrease in revenues is due to loss of state revenue due to decrease in ADA.

The District also budgeted \$4,029,155 in general fund expenditures for 2014-2015. This is down \$521,025 from the actual 2013-2014 general fund expenditures of \$4,550,180 and is due to decreases in payroll expenditures.

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, 250 SW Avenue F, Hamlin, Texas 79520.

BASIC FINANCIAL STATEMENTS

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2014

<u>Data Control Codes</u>		<u>Primary Government</u>
		<u>Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	\$ 1,839,646
1220	Property Taxes - Delinquent	291,804
1230	Allowance for Uncollectible Taxes	(29,774)
1240	Due from Other Governments	155,800
1410	Prepayments	47,460
	Capital Assets:	
1510	Land	65,293
1520	Buildings and Improvements, Net	6,315,655
1530	Furniture and Equipment, Net	65,447
1540	Vehicles, Net	64,471
		<u> </u>
1000	Total Assets	\$ <u>8,815,802</u>
	LIABILITIES:	
2110	Accounts Payable	\$ 44,690
2160	Accrued Wages Payable	123,134
2200	Accrued Expenses	2,777
2300	Unearned Revenue	410,983
2501	Due Within One Year	251,861
2502	Due in More than One Year	4,361,326
2516	Unamortized Bond Premium	123,877
		<u> </u>
2000	Total Liabilities	\$ <u>5,318,648</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 1,773,801
3850	Restricted for Debt Service	174,637
3900	Unrestricted Net Position	1,548,716
		<u> </u>
3000	Total Net Position	\$ <u><u>3,497,154</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, 2014

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	\$ 2,747,545	\$	\$ 428,928	\$ (2,318,617)
0012	Instructional Resources and Media Services	119,855		4,618	(115,237)
0013	Curriculum and Staff Development	10,375		584	(9,791)
0021	Instructional Leadership	19,627			(19,627)
0023	School Leadership	360,733		16,495	(344,238)
0031	Guidance, Counseling, and Evaluation Services	154,460		7,900	(146,560)
0033	Health Services	23,108		1,380	(21,728)
0034	Student Transportation	120,091		2,121	(117,970)
0035	Food Services	276,635	27,403	213,045	(36,187)
0036	Extracurricular Activities	285,310	32,034	6,084	(247,192)
0041	General Administration	319,293		11,796	(307,497)
0051	Plant Maintenance and Operations	649,493	401	9,079	(640,013)
0053	Data Processing Services	121,854		4,448	(117,406)
0072	Interest on Long-Term Debt	382,942			(382,942)
0073	Bond Issuance Cost and Fees	538			(538)
0093	Payments to Fiscal Agent/Member Districts	81,398			(81,398)
0099	Other Intergovernmental Charges	50,800			(50,800)
TP	Total Primary Government	\$ 5,724,057	\$ 59,838	\$ 706,478	\$ (4,957,741)

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 1,816,789
DT	Property Taxes, Levied for Debt Service	376,541
SF	State Aid Formula Grants	2,218,216
GC	Grants and Contributions not Restricted	9,261
IE	Investment Earnings	7,558
MI	Miscellaneous Local and Intermediate Revenue	12,249
TR	Total General Revenues, Special Items, and Transfers	\$ 4,440,614
CN	Change in Net Position	\$ (517,127)
NB	Net Position - Beginning	4,014,281
NE	Net Position - Ending	\$ 3,497,154

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

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:			
1110	Cash and Temporary Investments	\$ 1,625,321	\$ 183,844	\$ 1,809,165
1220	Property Taxes - Delinquent	248,319	43,485	291,804
1230	Allowance for Uncollectible Taxes	(25,669)	(4,105)	(29,774)
1240	Receivables from Other Governments	86,614	69,186	155,800
1260	Due from Other Funds	71,343		71,343
1410	Prepayments	47,460		47,460
1000	Total Assets	<u>\$ 2,053,388</u>	<u>\$ 292,410</u>	<u>\$ 2,345,798</u>
	LIABILITIES:			
2110	Accounts Payable	\$ 24,291	\$ 9,072	\$ 33,363
2160	Accrued Wages Payable	110,458	12,676	123,134
2170	Due to Other Funds		71,343	71,343
2200	Accrued Expenditures	2,055	722	2,777
2300	Unearned Revenue	410,983		410,983
2000	Total Liabilities	<u>\$ 547,787</u>	<u>\$ 93,813</u>	<u>\$ 641,600</u>
	DEFERRED INFLOWS OF RESOURCES:			
2601	Unavailable Revenue - Property Taxes	\$ 222,650	\$ 39,380	\$ 262,030
2600	Total Deferred Inflows	<u>\$ 222,650</u>	<u>\$ 39,380</u>	<u>\$ 262,030</u>
	FUND BALANCES:			
3480	Restricted - Debt Service	\$	\$ 159,217	\$ 159,217
3510	Committed - Construction	900,000		900,000
3600	Unassigned	382,951		382,951
3000	Total Fund Balances	<u>\$ 1,282,951</u>	<u>\$ 159,217</u>	<u>\$ 1,442,168</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,053,388</u>	<u>\$ 292,410</u>	<u>\$ 2,345,798</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, 2014

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 1,442,168
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.	19,154
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 \$12,879,500, and the accumulated depreciation was (\$6,021,198). 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 (\$4,610,011). 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, including unamortized premiums of (\$184,988).	2,063,303
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 2014 capital outlays \$21,467 and debt principal payments \$248,132 is to increase net position.	269,599
4	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.	(251,308)
5	Amortization of premiums on Capital Appreciation bonds \$61,111 is to increase net position.	61,111
6	The 2014 depreciation expense and loss on disposal of assets increases accumulated depreciation. The net effect of the current year's depreciation and loss on disposal of assets is to decrease net position.	(368,903)
7	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 \$262,030 as revenue. The effect of this reclassification is to increase net position.	<u>262,030</u>
19	Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 3,497,154</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, 2014

<u>Data Control Codes</u>	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues:			
5700 Local and Intermediate Sources	\$ 1,802,470	\$ 389,920	\$ 2,192,390
5800 State Program Revenues	2,425,727	1,585	2,427,312
5900 Federal Program Revenues		506,643	506,643
5020 Total Revenues	<u>\$ 4,228,197</u>	<u>\$ 898,148</u>	<u>\$ 5,126,345</u>
Expenditures:			
0011 Instruction	\$ 2,263,555	\$ 300,045	\$ 2,563,600
0012 Instructional Resources and Media Services	111,845		111,845
0013 Curriculum and Staff Development	9,062	584	9,646
0021 Instructional Leadership	18,247		18,247
0023 School Leadership	336,624		336,624
0031 Guidance, Counseling, and Evaluation Services	144,096		144,096
0033 Health Services	21,570		21,570
0034 Student Transportation	112,637		112,637
0035 Food Services	5,446	251,742	257,188
0036 Extracurricular Activities	265,792		265,792
0041 General Administration	298,185		298,185
0051 Plant Maintenance and Operations	625,764		625,764
0053 Data Processing Services	113,568		113,568
0071 Principal on Long-Term Debt	66,459	180,000	246,459
0072 Interest on Long-Term Debt	25,132	169,286	194,418
0073 Bond Issuance Cost and Fees		538	538
0093 Payments to Fiscal Agents/Member Districts	81,398		81,398
0099 Other Intergovernmental Charges	50,800		50,800
6030 Total Expenditures	<u>\$ 4,550,180</u>	<u>\$ 902,195</u>	<u>\$ 5,452,375</u>
1100 Excess of Revenues Over (Under) Expenditures	<u>\$ (321,983)</u>	<u>\$ (4,047)</u>	<u>\$ (326,030)</u>
Other Financing Sources (Uses):			
7915 Transfers In	\$	\$ 15,885	\$ 15,885
8911 Transfers Out	<u>(15,885)</u>		<u>(15,885)</u>
7080 Total Other Financing Sources (Uses)	<u>\$ (15,885)</u>	<u>\$ 15,885</u>	<u>\$ 0</u>
1200 Net Change in Fund Balance	\$ (337,868)	\$ 11,838	\$ (326,030)
0100 September 1 - Fund Balance	<u>1,620,819</u>	<u>147,379</u>	<u>1,768,198</u>
3000 August 31 - Fund Balance	<u>\$ 1,282,951</u>	<u>\$ 159,217</u>	<u>\$ 1,442,168</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, 2014

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ (326,030)

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 and loss on disposal of assets (\$368,903) exceeded capital outlays \$21,467 in the current period. (347,436)

Property Tax Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 80,586

Repayment of bond and note principal of \$248,132 is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 248,132

Governmental funds report accretion of interest expense (\$251,308) 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 \$61,111. (190,197)

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). 17,818

Change in Net Position of Governmental Activities (Exhibit B-1) \$ (517,127)

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, 2014

	<u>Governmental Activities Internal Service Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>30,481</u>
Total Assets	\$ <u>30,481</u>
LIABILITIES:	
Accounts Payable	\$ <u>11,327</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>19,154</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
YEAR ENDED AUGUST 31, 2014

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Interest Income	\$ 81
Charges to Other Funds	<u>20,119</u>
Total Revenues	<u>\$ 20,200</u>
OPERATING EXPENSES	
Fixed Costs and Fees	\$ <u>2,382</u>
Total Expenses	<u>\$ 2,382</u>
Change in Net Position	\$ 17,818
Net Position - September 1 (Beginning)	<u>1,336</u>
Net Position - August 31 (Ending)	<u>\$ 19,154</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
YEAR ENDED AUGUST 31, 2014

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Receipts from Charges to Other Funds	\$ 20,119
Cash Receipts from Interest Income	81
Cash Payments to Suppliers for Goods and Services	<u>(16,177)</u>
Net Cash Provided by Operating Activities	<u>\$ 4,023</u>
Net Increase in Cash and Cash Equivalents	\$ 4,023
Cash and Cash Equivalents at Beginning of Year	<u>26,458</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 30,481</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Margin	\$ 17,818
Changes in Assets and Liabilities	
Decrease in Accounts Payable	<u>(13,795)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 4,023</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, 2014

	<u>Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Temporary Investments	\$	\$ 52,449
Cash and Temporary Investments - Restricted	<u>25,029</u>	<u> </u>
Total Assets	<u>\$ 25,029</u>	<u>\$ 52,449</u>
LIABILITIES:		
Due to Student Groups	<u>\$ 0</u>	<u>\$ 52,449</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 52,449</u>
NET POSITION:		
Restricted Net Position	<u><u>\$ 25,029</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
YEAR ENDED AUGUST 31, 2014

	<u>Private- Purpose Trust</u>
ADDITIONS:	
Contributions:	
Gifts and Bequests	\$ <u>0</u>
Investment Earnings:	
Interest Income	\$ <u>134</u>
Total Additions	\$ <u>134</u>
DEDUCTIONS:	
Scholarships Paid	\$ <u>2,000</u>
Total Deductions	\$ <u>2,000</u>
Change in Net Position	\$ (1,866)
Net Position - September 1 (Beginning)	<u>26,895</u>
Net Position - August 31 (Ending)	<u><u>\$ 25,029</u></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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Revenues from local sources consist primarily of property taxes. Amounts have been recorded for property tax revenues collected through August 31, 2014. 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.

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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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.

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 at its regular meetings. Each amendment must have Board 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 in several functions and expenditures exceeded appropriations in a single function due to this appropriation being budgeted erroneously in the General Fund.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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, 2014.

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 policy requires the unassigned fund balance at fiscal yearend to be at least 20% of the current fiscal expenditures less capital outlay and transfers out budgeted for the fund.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net position include 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 that is 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.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

H. 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.

I. 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, 2014, 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, 2014, approximates fair value and consisted of the following shown below:

Cash in Bank - Including Money Market Accounts	\$	1,411,427
Equity Securities (Carried at Cost) - Trust Fund		5,697
Certificate of Deposit		<u>500,000</u>
Total Cash and Investments	\$	<u><u>1,917,124</u></u>
Cash and Investments - Governmental Funds	\$	1,809,165
Cash and Investments - Internal Service Funds		<u>30,481</u>
Cash and Investments - Statement of Net Position	\$	1,839,646
Cash and Investments - Fiduciary Funds		<u>77,478</u>
Total Cash and Investments	\$	<u><u>1,917,124</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 10 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, 2014, 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>71,343</u>	\$ <u>0</u>
Special Revenue Funds		
General Fund	\$ <u>0</u>	\$ <u>71,343</u>

5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following at August 31, 2014:

Due from State	\$ 134,558
Due from Other Governments	<u>21,242</u>
Total Due from Other Governments	<u>\$ 155,800</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2014, was as follows:

	<u>9/1/2013</u>	<u>Additions/ Transfers</u>	<u>Deletions</u>	<u>8/31/2014</u>
Capital Assets:				
Land	\$ 65,293	\$	\$	\$ 65,293
Building and Improvements	11,371,241			11,371,241
Furniture and Equipment	912,355	21,467		933,822
Vehicles	530,611		21,099	509,512
	<u>\$ 12,879,500</u>	<u>\$ 21,467</u>	<u>\$ 21,099</u>	<u>\$ 12,879,868</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 4,751,730	\$ 303,856	\$	\$ 5,055,586
Furniture and Equipment	845,207	23,168		868,375
Vehicles	424,261	23,041	2,261	445,041
	<u>\$ 6,021,198</u>	<u>\$ 350,065</u>	<u>\$ 2,261</u>	<u>\$ 6,369,002</u>
	<u>\$ 6,858,302</u>	<u>\$ (328,598)</u>	<u>\$ 18,838</u>	<u>\$ 6,510,866</u>

Depreciation expense and loss on disposal of assets was charged to functions of the primary government as follows:

Instruction	\$ 193,843
Instruction Resources and Media Services	8,457
Curriculum and Instructional Staff Development	729
Instructional Leadership	1,380
School Leadership	25,454
Guidance, Counseling, and Evaluation Services	10,896
Health Services	1,631
Student (Pupil) Transportation	8,517
Food Services	19,447
Cocurricular/Extracurricular Activities	20,098
General Administration	22,547
Plant Maintenance and Operations	47,317
Data Processing Services	8,587
	<u>\$ 368,903</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, 2014:

	General Fund	Debt Service Fund	Total
Overpayment from State	\$ 410,983	\$	\$ 410,983
Unearned Revenues - Exhibit A-1 and C-1	<u>\$ 410,983</u>	<u>\$ 0</u>	<u>\$ 410,983</u>
Property Taxes - Delinquent	\$ 248,319	\$ 43,485	\$ 291,804
Less: Allowance for Uncollectible Taxes	<u>(25,669)</u>	<u>(4,105)</u>	<u>(29,774)</u>
Total Deferred Inflows - Exhibit C-1	<u>\$ 222,650</u>	<u>\$ 39,380</u>	<u>\$ 262,030</u>

8. LONG-TERM DEBT

General Obligation Bonds

A summary of changes in bonds payable for the year ended August 31, 2014, is as follows:

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 8/31/2013	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2014
2002 Unlimited Tax Refunding Bonds	1.8% - 4.1%	\$ 1,575,000	\$ 180,000	\$	\$ 180,000	\$ 0
2007 Unlimited Tax School Building Bonds	4.2% - 4.375%	3,830,000	3,830,000			3,830,000
2007 Capital Appreciation Bonds	N/A	70,000	70,000			70,000
Accumulated Accretion	N/A		65,204	251,308		316,512
		<u>\$ 5,475,000</u>	<u>\$ 4,145,204</u>	<u>\$ 251,308</u>	<u>\$ 180,000</u>	<u>\$ 4,216,512</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

On December 5, 2002, the District issued \$1,575,000 in unlimited tax refunding bonds. The District used the bonds to execute a current refunding of the outstanding 1994 Series School Building Bonds of \$1,615,000. Interest expenditures for bonded debt for the year ended August 31, 2014, totaled \$3,600.

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. Interest expenditures for bonded debt for the year ended August 31, 2014, totaled \$165,686.

Debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2015	\$ 180,000	\$ 165,686	\$ 345,686
2016	185,000	165,686	350,686
2017	180,000	165,686	345,686
2018	185,000	165,686	350,686
2019	195,000	153,821	348,821
2020-2024	1,105,000	634,543	1,739,543
2025-2029	1,370,000	368,818	1,738,818
2030-2032	975,000	65,297	1,040,297
Unaccreted CAB Appreciation	(158,488)	158,488	0
	<u>\$ 4,216,512</u>	<u>\$ 2,043,711</u>	<u>\$ 6,260,223</u>

Notes Payable

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 8/31/2013	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2014
HVAC Note	5.00%	\$ 501,009	\$ 236,807	\$	\$ 35,132	\$ 201,675
2009 Tax Maintenance Note	5.50%	340,000	228,000		33,000	195,000
		<u>\$ 841,009</u>	<u>\$ 464,807</u>	<u>\$ 0</u>	<u>\$ 68,132</u>	<u>\$ 396,675</u>

During the year ended August 31, 2006, the District obtained a note from Hamlin National Bank to finance the District's new HVAC System. The note has a 14-year term at an annual rate of 5.00%. Interest expenditures for this note for the year ended August 31, 2014, totaled \$11,826.

During the year ended August 31, 2009, the District issued a \$340,000 tax maintenance note for various district maintenance projects. The note has a 10-year term at an annual rate of 5.50%. Interest expenditures for this note for the year ended August 31, 2014, totaled \$11,633.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note Payable debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2015	\$ 71,861	\$ 19,860	\$ 91,721
2016	75,731	16,009	91,740
2017	79,668	11,983	91,651
2018	83,701	7,749	91,450
2019	85,714	3,309	89,023
	<u>\$ 396,675</u>	<u>\$ 58,910</u>	<u>\$ 455,585</u>

9. OPERATING LEASES

During the year 2013, the District entered into a lease agreement with Sovereign Bank to lease a bus. The lease is for three years with the option to buy at fair market value of \$51,000 at the end of the lease. For the year ended August 31, 2014, lease expenditures approximated \$13,839 including interest of \$1,920.

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

Fiscal Year Ending August 31,	Principal	Interest	Total
2015	\$ 12,229	\$ 1,610	\$ 13,839

10. 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	\$ 1,751,624	\$	\$ 361,121	\$ 2,112,745
Food Sales		28,258		28,258
Interest Income	7,017		541	7,558
Co-curricular Student Activities	31,198			31,198
Rent	401			401
Other	12,230			12,230
	<u>\$ 1,802,470</u>	<u>\$ 28,258</u>	<u>\$ 361,662</u>	<u>\$ 2,192,390</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

11. DEFINED BENEFIT PENSION PLAN

Plan Description – All employees of the District employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, participate in the Teacher Retirement System of Texas (TRS), a cost sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of the Texas Constitution and Texas Government Code. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling TRS at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publication heading.

Funding Policy – State law provides for fiscal years 2012, 2013, and 2014 a state contribution rate of 6.8% and a member contribution rate of 6.4%. In certain instances the District is required to make all or a portion of the State's 6.8% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to state funding policy. State contributions TRS made on behalf of the District's employees for the years ended August 31, 2012, 2013, and 2014 were \$178,888, \$182,974, and \$195,876, respectively. The amounts contributed by the State are reflected in the financial statements in the general fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24. The District paid additional state contributions for the years ended August 31, 2012, 2013, and 2014, in the amounts of \$13,420, \$30,454, and \$32,782, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and those salaries funded from federal grants, equal to the required contributions for each year. Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$14,477, \$11,250, and \$7,834 for the year ended August 31, 2012, 2013, and 2014, respectively.

The payroll for employees covered by the System for the years ended August 31, 2014, was \$2,880,535. The District's total payroll was \$3,162,621.

12. 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 2014 was set at \$10,185 for the Self Insured Retention (SIR) for specific occurrences and \$33,949 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 \$250,000 and maximum limit to statutory. The District accounts for its costs associated with the pool through an internal service fund.

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2014, to be \$11,327 including estimated claims incurred but not reported of \$9,723. The District has recorded claims payable at August 31, 2014, related to this liability.

13. HEALTH CARE COVERAGE

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan through TRS Active Care. The District contributed \$225 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.

14. 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.

15. LITIGATION

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

16. 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 SSA 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 \$33,603 in IDEA-B, Formula and \$6,581 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.

The District also participates in cooperative programs for state and local 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 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*

HAMLIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

adopted by the Texas Education Agency for all Texas school districts. As such the fiscal agent received \$77,153 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 \$4,245 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.

17. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through October 6, 2014, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED AUGUST 31, 2014

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts			Actual	
	Original	Amended			
Revenues:					
5700	Local and Intermediate Sources	\$ 1,826,234	\$ 1,826,234	\$ 1,802,470	\$ (23,764)
5800	State Program Revenues	<u>2,365,918</u>	<u>2,365,918</u>	<u>2,425,727</u>	<u>59,809</u>
5020	Total Revenues	\$ <u>4,192,152</u>	\$ <u>4,192,152</u>	\$ <u>4,228,197</u>	\$ <u>36,045</u>
Expenditures:					
0011	Instruction	\$ 2,216,298	\$ 2,251,298	\$ 2,263,555	\$ (12,257)
0012	Instructional Resources and Media Services	118,186	113,686	111,845	1,841
0013	Curriculum and Instructional Staff Development	4,100	9,100	9,062	38
0021	Instructional Leadership	18,750	18,750	18,247	503
0023	School Leadership	339,505	338,005	336,624	1,381
0031	Guidance, Counseling, and Evaluation Services	115,956	145,956	144,096	1,860
0033	Health Services	20,282	21,782	21,570	212
0034	Student Transportation	163,038	126,538	112,637	13,901
0035	Food Services	6,500	6,500	5,446	1,054
0036	Extracurricular Activities	275,093	267,093	265,792	1,301
0041	General Administration	295,269	298,269	298,185	84
0051	Plant Maintenance and Operations	649,539	631,539	625,764	5,775
0053	Data Processing Services	113,954	113,954	113,568	386
0071	Debt Service - Principal	68,132	68,132	66,459	1,673
0072	Debt Service - Interest	25,133	25,133	25,132	1
0093	Payments to Fiscal Agents/Member Districts	81,500	81,500	81,398	102
0099	Other Intergovernmental Charges	<u>65,000</u>	<u>59,000</u>	<u>50,800</u>	<u>8,200</u>
6030	Total Expenditures	\$ <u>4,576,235</u>	\$ <u>4,576,235</u>	\$ <u>4,550,180</u>	\$ <u>26,055</u>
1100	Excess of Revenues Over (Under) Expenditures	\$ <u>(384,083)</u>	\$ <u>(384,083)</u>	\$ <u>(321,983)</u>	\$ <u>62,100</u>
Other Financing Sources (Uses):					
8911	Transfers Out (Uses)	\$ <u>(63,740)</u>	\$ <u>(49,355)</u>	\$ <u>(15,885)</u>	\$ <u>33,470</u>
7080	Total Other Financing Sources (Uses)	\$ <u>(63,740)</u>	\$ <u>(49,355)</u>	\$ <u>(15,885)</u>	\$ <u>33,470</u>
1200	Net Change in Fund Balance	\$ (447,823)	\$ (433,438)	\$ (337,868)	\$ 95,570
0100	September 1 - Fund Balance	<u>1,620,819</u>	<u>1,620,819</u>	<u>1,620,819</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u>1,172,996</u>	\$ <u>1,187,381</u>	\$ <u>1,282,951</u>	\$ <u>95,570</u>

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-4

HAMLIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

Exhibit H-1

	Special Revenue Funds							Total
	205	211	224	240	255	270	599	
Headstart	ESEA I, A Improving Basic Education	IDEA - Part B Formula	National Breakfast & Lunch Program	ESEA II, A Training & Recruiting	ESEA VI, B Rural & Low Income	Total	Debt Service Fund	Total Nonmajor Governmental August 31, 2014
ASSETS:								
Cash and Temporary Investments	\$ 18,851	\$ 669	\$ 8,684	\$	\$	\$ 28,204	\$ 155,640	\$ 183,844
Property Taxes - Delinquent						0	43,485	43,485
Allowance for Uncollectible Taxes						0	(4,105)	(4,105)
Due from Other Governments	11,929	38,452	6,660	1,350	7,218	65,609	3,577	69,186
Total Assets	<u>\$ 30,780</u>	<u>\$ 38,452</u>	<u>\$ 15,344</u>	<u>\$ 1,350</u>	<u>\$ 7,218</u>	<u>\$ 93,813</u>	<u>\$ 198,597</u>	<u>\$ 292,410</u>
LIABILITIES:								
Accounts Payable	\$	\$ 64	\$ 9,008	\$	\$	\$ 9,072	\$	\$ 9,072
Accrued Wages Payable	2,688	3,150	6,229			12,676		12,676
Due to Other Funds	27,829	34,946		1,350	7,218	71,343		71,343
Accrued Expenditures	263	292	107			722		722
Total Liabilities	<u>\$ 30,780</u>	<u>\$ 38,452</u>	<u>\$ 15,344</u>	<u>\$ 1,350</u>	<u>\$ 7,218</u>	<u>\$ 93,813</u>	<u>\$ 0</u>	<u>\$ 93,813</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	\$ 0	\$ 39,380	\$ 39,380
Total Deferred Inflows	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,380</u>	<u>\$ 39,380</u>
FUND BALANCES:								
Restricted for Retirement of Long-Term Debt	\$	\$	\$	\$	\$	\$ 0	\$ 159,217	\$ 159,217
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 159,217</u>	<u>\$ 159,217</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 30,780</u>	<u>\$ 38,452</u>	<u>\$ 15,344</u>	<u>\$ 1,350</u>	<u>\$ 7,218</u>	<u>\$ 93,813</u>	<u>\$ 198,597</u>	<u>\$ 292,410</u>

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, 2014

	205	211	224	225	240	242
	Headstart	ESEA Title I, Part A	IDEA - Part B Formula	IDEA - Part B Preschool	National School Breakfast and Lunch Program	Summer Feeding Program
REVENUES:						
Local and Intermediate Sources	\$	\$	\$	\$	\$ 28,258	\$
State Program Revenues					1,241	
Federal Program Revenues	75,531	149,550	32,183	5,852	203,235	3,123
Total Revenues	\$ 75,531	\$ 149,550	\$ 32,183	\$ 5,852	\$ 232,734	\$ 3,123
EXPENDITURES:						
Instruction	\$ 75,531	\$ 148,966	\$ 32,183	\$ 5,852	\$	\$
Curriculum and Instructional Staff Development		584				
Food Services					248,619	3,123
Principal on Long-Term Debt						
Interest on Long-Term Debt						
Bond Issuance Cost and Fees						
Total Expenditures	\$ 75,531	\$ 149,550	\$ 32,183	\$ 5,852	\$ 248,619	\$ 3,123
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (15,885)	\$ 0
OTHER FINANCING SOURCES (USES):						
Transfers In					\$ 15,885	
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,885	\$ 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, 2014

	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				
REVENUES:							
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$
State Program Revenues			344	28,258	1,585	361,662	389,920
Federal Program Revenues	29,951	7,218		506,643			1,585
Total Revenues	<u>\$ 29,951</u>	<u>\$ 7,218</u>	<u>\$ 344</u>	<u>\$ 536,486</u>	<u>\$</u>	<u>\$ 361,662</u>	<u>\$ 898,148</u>
EXPENDITURES:							
Instruction	\$	\$	\$	\$	\$	\$	\$
Curriculum and Instructional Staff Development	29,951	7,218	344	300,045	584		300,045
Food Services				251,742			584
Principal on Long-Term Debt				0		180,000	251,742
Interest on Long-Term Debt				0		169,286	180,000
Bond Issuance Cost and Fees				0		538	169,286
Total Expenditures	<u>\$ 29,951</u>	<u>\$ 7,218</u>	<u>\$ 344</u>	<u>\$ 552,371</u>	<u>\$</u>	<u>\$ 349,824</u>	<u>\$ 902,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ (15,885)	\$	\$ 11,838	\$ (4,047)
OTHER FINANCING SOURCES (USES):							
Transfers In				15,885			15,885
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 15,885	\$	\$ 0	\$ 15,885
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$	\$ 11,838	\$ 11,838
Fund Balance - September 1 (Beginning)				0		147,379	147,379
Fund Balance - August 31 (Ending)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>	<u>\$ 159,217</u>	<u>\$ 159,217</u>

**HAMLIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014**

Exhibit J-1

Last Ten Years Ended August 31	1	2	3	10	20	31	32	40	50										
										Maintenance	Tax Rates	Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2013	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2014	
2005 and Prior Years	Various	Various	Various	\$ 35,917	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2006	1.50000	0.10760	72,502,900	7,282		84	6	(256)	6,936										
2007	1.37000	0.11190	78,080,159	9,662		85	7	(234)	9,336										
2008	1.17000	0.20500	82,577,309	8,878		300	53	(225)	8,300										
2009	1.17000	0.22500	105,560,810	6,941		593	114	(278)	5,956										
2010	1.17000	0.20500	133,845,015	12,841		2,709	475	(219)	9,438										
2011	1.17000	0.20000	151,134,924	31,276		9,188	1,571	(373)	20,144										
2012	1.17000	0.15000	158,242,950	35,130		5,543	711	(493)	28,383										
2013	1.17000	0.20000	166,427,809	65,198		15,700	2,684	(1,448)	45,366										
2014 (School Year Under Audit)	1.17000	0.24000	154,015,149		2,171,614	1,690,892	346,850	(5,702)	128,170										
1000	TOTALS			\$ 213,125	\$ 2,171,614	\$ 1,725,273	\$ 352,487	\$ (15,175)	\$ 291,804										

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COSTS FOR 2015-2016
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2014

Function 41 and Related Function 53 - General Administration

Account Number	1 702 School Board	2 703 Tax Collection	3 701 Supt.'s Office	4 750 Indirect Cost	5 720 Direct Cost	6 Other Miscellaneous	7 Total
611X - 6146	\$	\$	\$ 222,619	\$	\$	\$	\$ 222,619
6149							0
6211			4,620		14,571		19,191
6212				19,500			19,500
6213		10,327					10,327
621X			732				732
6220							0
6230							0
6240							0
6250							0
6260					9,669		9,669
6290							0
6320							0
6330							0
63XX		1,886	3,734				5,620
6410	445		883				1,328
6420	3,508						3,508
6430	2,714						2,714
6490	1,006		1,971				2,977
6500							0
6600							0
6000	\$ <u>7,673</u>	\$ <u>12,213</u>	\$ <u>234,559</u>	\$ <u>19,500</u>	\$ <u>24,240</u>	\$ <u>0</u>	\$ <u>298,185</u>

Total Expenditures/Expenses for the General and Special Revenue Funds (Exhibit C-3) (9) \$ 5,102,551

Less: Deduction of Unallowable Costs

FISCAL YEAR

Capital Outlay (6600) (Only Funds 100-199/200-499)	(10)	\$ 10,042
Total Debt and Lease (6500) (Only Funds 100-199/200-499)	(11)	\$ 91,590
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 615,722
Food (Function 35, 6341 and 6499)	(13)	\$ 106,378
Stipends (6413)	(14)	\$ 0
Column 4 (above) - Total Indirect Cost		\$ 19,500
Subtotal		\$ 843,232
Net Allowed Direct Costs		\$ 4,259,319

CUMULATIVE

Total Cost of Building before Depreciation (1520)	(15)	\$ 11,371,241
Historical Cost of Building over 50 years old	(16)	\$ 512,565
Amount of Federal Money in Building Cost (Net of Above)	(17)	\$ 460,446
Total Cost of Furniture and Equipment before Depreciation (1530 and 1540)	(18)	\$ 1,443,333
Historical Cost of Furniture and Equipment over 16 years old	(19)	\$ 337,438
Amount of Federal Money in Furniture and Equipment (Net of Above)	(20)	\$ 0

(8) Note A: No amounts in Function 53 or Function 99 expenditures are included in this report on administrative costs.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		3 Actual	Variance With Final Budget Favorable (Unfavorable)
	1 Original	2 Amended		
Revenues:				
5700 Local and Intermediate Sources	\$ 31,010	\$ 31,010	\$ 28,258	\$ (2,752)
5800 State Program Revenues	1,000	1,000	1,241	241
5900 Federal Program Revenues	<u>181,300</u>	<u>181,300</u>	<u>203,235</u>	<u>21,935</u>
5020 Total Revenues	\$ <u>213,310</u>	\$ <u>213,310</u>	\$ <u>232,734</u>	\$ <u>19,424</u>
Expenditures:				
0035 Food Services	\$ <u>262,665</u>	\$ <u>262,665</u>	\$ <u>248,619</u>	\$ <u>14,046</u>
6030 Total Expenditures	\$ <u>262,665</u>	\$ <u>262,665</u>	\$ <u>248,619</u>	\$ <u>14,046</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (49,355)	\$ (49,355)	\$ (15,885)	\$ 33,470
Other Financing Sources:				
7915 Transfers In	<u> </u>	<u>49,355</u>	<u>15,885</u>	<u>33,470</u>
1200 Net Change in Fund Balance	\$ (49,355)	\$ 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>(49,355)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		3 Actual	Variance With Final Budget Favorable (Unfavorable)	
	1 Original	2 Amended			
Revenues:					
5700	Local and Intermediate Sources	\$ 361,427	\$ 361,427	\$ 361,662	\$ 235
5020	Total Revenues	\$ 361,427	\$ 361,427	\$ 361,662	\$ 235
Expenditures:					
0071	Principal on Long-Term Debt	\$ 180,000	\$ 180,000	\$ 180,000	\$ 0
0072	Interest on Long-Term Debt	169,287	169,287	169,286	1
0073	Issuance Cost and Fees	1,800	1,800	538	1,262
6030	Total Expenditures	\$ 351,087	\$ 351,087	\$ 349,824	\$ 1,263
1200	Net Change in Fund Balance	\$ 10,340	\$ 10,340	\$ 11,838	\$ 1,498
0100	September 1 - Fund Balance	147,379	147,379	147,379	0
3000	August 31 - Fund Balance	\$ 157,719	\$ 157,719	\$ 159,217	\$ 1,498

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2014, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamlin Independent School 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2014-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamlin Independent School 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*.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 6, 2014

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB A-133**

Board of School Trustees
Hamlin Independent School District
Hamlin, Texas

Report on Compliance for Each Major Federal Program

We have audited Hamlin Independent School District's (the District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 6, 2014

FEDERAL FINANCIAL ASSISTANCE SECTION

HAMLIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2014

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs. Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

HAMLIN INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

B. Section II – Findings Related to the Financial Statements

2014-01

Material Weakness in Controls

Criteria: Procedures should be in place to make sure all disbursements from activity funds have support and are approved before payment is made.

Condition: During our audit, we noted several disbursements that did not have supporting documentation or appropriate approval for disbursements from activity funds.

Cause: Procedures were not being performed to match all supporting documentation and appropriate approvals before checks were disbursed from activity funds.

Effect: Lack of control procedures in this area can lead to fraudulent disbursement of funds from activity funds.

Recommendation: Implement procedures to centralize all activity fund activity with means to match all supporting documentation and appropriate approvals before checks are disbursed from activity funds.

View of Responsible Officials: See corrective action plan.

C. Section III – Findings and Questioned Costs Related to the Federal Awards

The audit disclosed no findings required to be reported.

HAMLIN INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS & CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014**

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

Corrective Action Plan

2014-01

Responsible Party: Brock Cartwright, Superintendent

Corrective Action: To centralize all activity fund accounting in the business office, including handling of receipts and disbursements. To implement procedures to match all supporting documentation and appropriate approvals before checks are disbursed.

Expected Completion Date: Immediately

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency</u>			
ESEA Title I, Part A - Improving Basic Programs	84.010A	14610101127903	\$ <u>149,550</u>
IDEA - Part B, Formula	84.027	14660001127906	\$ <u>32,183</u>
IDEA - Part B, Preschool	84.173	14661001127906	\$ <u>5,852</u>
ESEA Title VI, Part B - Rural & Low Income	84.358A	S358A135674	\$ <u>7,218</u>
ESEA Title II, Part A - Teacher and Principal Training	84.367A	14694501127903	\$ <u>29,951</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>224,754</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<u>Passed through Region 14 Education Service Center</u>			
Headstart	93.600	06CH7002	\$ <u>75,531</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>75,531</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency</u>			
National School Lunch Program (240)*	10.555	N/A	\$ 126,719
School Breakfast Program (240)*	10.553	N/A	76,516
Summer Feeding Program (242)*	10.559	N/A	<u>3,123</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>206,358</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>506,643</u>

*Clustered programs are required by Compliance Supplement.

HAMLIN INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hamlin Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

HAMLIN INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

**SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED AUGUST 31, 2014**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	Yes
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end.	\$ 316,512

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

October 6, 2014

Board of School Trustees
Hamlin Independent School District
Hamlin, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Independent School District (the District) for the year ended August 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 13, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hamlin Independent School District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was depreciation. Management's estimate of the depreciation is based on industry accepted guidelines. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense at the government-wide level in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of Board of School Trustees and management of Hamlin Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants