

GATESVILLE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the year ended
AUGUST 31, 2016

GATESVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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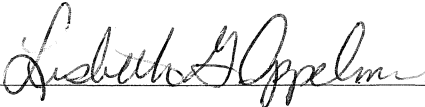
CERTIFICATE OF BOARD

Gatesville Independent School District
Name of School District

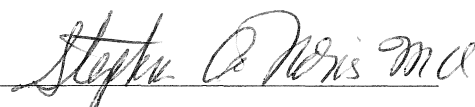
Coryell
County

050902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 17th day of November, 2016.



Signature of Board Secretary



Signature of Board President

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

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LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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KILLEEN • COPPERAS COVE • TEMPLE

Member of
*American Institute & Texas Society of
Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Gatesville Independent School District
Gatesville, Texas 76528

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gatesville Independent School District (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Gatesville Independent School District as of August 31, 2016, and the respective changes in financial position for the year then ended in accordance 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, the budgetary statement (G-1) and the TRS Schedules (G-6 and G-7) are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of

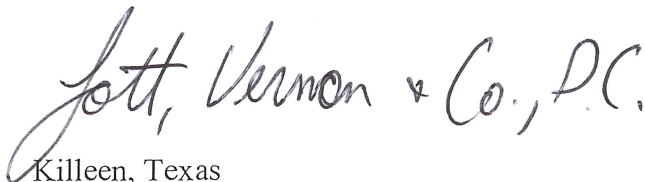
additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Killeen, Texas
November 3, 2016

Management's Discussion and Analysis Gatesville Independent School District

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

Using this annual report

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

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

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who

share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities 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. The District's net position (the difference between assets and liabilities and deferred inflows of resources) provides 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, one 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESEA, Title I, Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental type funds.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$35.1 million to \$38.5 million. 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 \$16.2 million at August 31, 2016.

Table I
Gatesville Independent School District
Net Position

	<u>2015</u>	<u>2016</u>	<u>% Change</u>
Current and Other Assets	\$ 23,432,578	\$ 19,826,386	-15.390%
Capital and Non-current Assets	35,002,414	39,296,653	12.268%
Total Assets	<u>\$ 58,434,992</u>	<u>\$ 59,123,039</u>	1.177%
Deferred Outflow Related to TRS	\$ 400,725	\$ 2,379,879	0.000%
Current Liabilities	\$ 3,388,834	\$ 1,211,341	-64.255%
Long Term Liabilities	19,901,715	21,570,190	8.384%
Total Liabilities	<u>\$ 23,290,549</u>	<u>\$ 22,781,531</u>	-2.186%
Deferred Inflows Related to TRS	359,732	271,801	0.000%
Total Deferred Inflows of Resouces	<u>\$ 359,732</u>	<u>\$ 271,801</u>	-24.443%
Net Position			
Net Investment in Capital Assets	\$ 16,841,042	\$ 21,677,987	28.721%
Restricted	427,948	515,610	20.484%
Unrestricted	17,916,446	16,255,989	-9.268%
Total Net Position	<u><u>\$ 35,185,436</u></u>	<u><u>\$ 38,449,586</u></u>	9.277%

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance, reported a combined fund balance of \$18.3 million, a decrease of \$1.5 million over the prior year. This decrease is primarily attributable to the \$1.7 million in expended bond funds for completion of the new Elementary campus during the fiscal year ended August 31, 2016. In addition, the District expended \$2.5 million in general fund balance toward the cost of various capital projects in fiscal year 2016.

Over the course of the year, the Board of Trustees amended the District's budget several times. These amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August of 2016). The second category includes amendments to reallocate funds from functions having favorable variances to functions with budget overruns. The third category was to accommodate capital expenditures for various capital projects throughout the District.

Capital Assets

At the end of 2016, the District had \$39.3 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's fiscal year 2016 major additions include \$1.7 million towards completion of the new Elementary School (project cost to date is \$19.4 million); \$1.6 million for

the remodeling of the High School Auditorium (total project cost is \$1.9 million); \$290 thousand to remodel the Junior High Library; \$200 thousand for six separate capital projects throughout the district; \$180 thousand to install WIFI capability district-wide; \$130 thousand to purchase one new school bus and several other vehicles; \$80 thousand for new band and dazler uniforms. In addition, the District was gifted the old Hillside Nursing Home property, valued at just under \$1 million. Additional information about the District's capital assets is presented in Note III, F of the financial statements.


At year-end, the District's remaining principal obligation on the \$17.9 million in bonds used to fund the new Elementary School is \$17.2 million. The District's general obligation bond rating continues to carry the highest rating possible, according to national rating agencies. More detailed information about the District's long-term liabilities is presented in Note III, G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

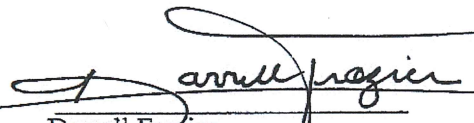
The District's elected and appointed officials considered many factors when setting the fiscal year 2017 budget and tax rates. These factors include the economy, projected enrollment, taxpayer burden, and the possibility of legislative changes. No change was made to the Interest and Sinking tax rate of 13.7 cents. No change was made to the Maintenance and Operations tax rate of \$1.04. The District's combined tax rate in support of the 2017 budget is now set at \$1.177.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administration office, at Gatesville Independent School District, 311 South Lovers Lane, Gatesville, Texas.



Eric Penrod
Superintendent



Darrell Frazier
Chief Financial Officer (CFO)

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 18,465,936
1220 Property Taxes Receivable (Delinquent)	356,172
1230 Allowance for Uncollectible Taxes	(52,747)
1240 Due from Other Governments	1,052,059
1290 Other Receivables, net	4,966
Capital Assets:	
1510 Land	841,055
1520 Buildings, Net	37,388,111
1530 Furniture and Equipment, Net	1,067,487
1000 Total Assets	59,123,039
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to Pensions	2,379,879
1700 Total Deferred Outflows of Resources	2,379,879
LIABILITIES	
2110 Accounts Payable	227,898
2150 Payroll Deductions & Withholdings	(1,727)
2160 Accrued Wages Payable	915,721
2190 Due to Student Groups	2,240
2200 Accrued Expenses	19,225
2300 Unearned Revenue	47,984
Noncurrent Liabilities	
2501 Due Within One Year	684,732
2502 Due in More Than One Year	17,231,254
2540 Net Pension Liability (District's Share)	3,654,204
2000 Total Liabilities	22,781,531
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to Pensions	271,801
2600 Total Deferred Inflows of Resources	271,801
NET POSITION	
3200 Net Investment in Capital Assets	21,677,987
3850 Restricted for Debt Service	515,610
3900 Unrestricted	16,255,989
3000 Total Net Position	\$ 38,449,586

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,313,257	\$ 12,150	\$ 1,339,204	\$ (11,961,903)
12 Instructional Resources and Media Services	486,472	-	49,215	(437,257)
13 Curriculum and Staff Development	353,042	-	55,901	(297,141)
21 Instructional Leadership	82,346	-	4,348	(77,998)
23 School Leadership	1,473,514	-	72,505	(1,401,009)
31 Guidance, Counseling and Evaluation Services	669,503	-	49,999	(619,504)
32 Social Work Services	27,798	-	-	(27,798)
33 Health Services	274,937	-	15,305	(259,632)
34 Student (Pupil) Transportation	889,178	75,214	28,833	(785,131)
35 Food Services	1,609,586	510,190	968,618	(130,778)
36 Extracurricular Activities	1,337,393	208,237	29,375	(1,099,781)
41 General Administration	820,562	15,829	38,271	(766,462)
51 Facilities Maintenance and Operations	2,356,077	54,960	59,679	(2,241,438)
52 Security and Monitoring Services	103,170	-	57	(103,113)
53 Data Processing Services	469,146	-	15,095	(454,051)
61 Community Services	6,534	-	282	(6,252)
72 Debt Service - Interest on Long Term Debt	513,999	-	-	(513,999)
73 Debt Service - Bond Issuance Cost and Fees	1,000	-	-	(1,000)
81 Capital Outlay	1,028	-	-	(1,028)
93 Payments related to Shared Services Arrangements	502,036	-	-	(502,036)
99 Other Intergovernmental Charges	135,829	-	-	(135,829)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 25,426,407</u>	<u>\$ 876,580</u>	<u>\$ 2,726,687</u>	<u>(21,823,140)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		6,890,380
DT	Property Taxes, Levied for Debt Service		909,229
GC	Grants and Contributions not Restricted		16,121,368
IE	Investment Earnings		79,058
MI	Miscellaneous Local and Intermediate Revenue		1,087,255
TR	Total General Revenues		<u>25,087,290</u>
CN	Change in Net Position		3,264,150
NB	Net Position - Beginning		<u>35,185,436</u>
NE	Net Position--Ending		<u>\$ 38,449,586</u>

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 17,566,520	\$ 899,416	\$ 18,465,936
1220 Property Taxes - Delinquent	320,410	35,762	356,172
1230 Allowance for Uncollectible Taxes (Credit)	(47,063)	(5,684)	(52,747)
1240 Receivables from Other Governments	972,700	79,359	1,052,059
1260 Due from Other Funds	6,148	-	6,148
1290 Other Receivables	4,966	-	4,966
1000 Total Assets	<u>\$ 18,823,681</u>	<u>\$ 1,008,853</u>	<u>\$ 19,832,534</u>
LIABILITIES			
2110 Accounts Payable	\$ 169,607	\$ 58,291	\$ 227,898
2150 Payroll Deductions and Withholdings Payable	(1,727)	-	(1,727)
2160 Accrued Wages Payable	857,782	57,939	915,721
2170 Due to Other Funds	-	5,628	5,628
2190 Due to Student Groups	2,240	-	2,240
2200 Accrued Expenditures	16,012	3,213	19,225
2300 Unearned Revenues	11,325	36,659	47,984
2000 Total Liabilities	<u>1,055,239</u>	<u>161,730</u>	<u>1,216,969</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	273,346	30,078	303,424
2600 Total Deferred Inflows of Resources	<u>273,346</u>	<u>30,078</u>	<u>303,424</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,220	2,220
3470 Capital Acquisition and Contractual Obligation	-	199,281	199,281
3480 Retirement of Long-Term Debt	-	485,532	485,532
3490 Other Restricted Fund Balance	-	25,266	25,266
Committed Fund Balance:			
3510 Construction	2,500,000	-	2,500,000
3545 Other Committed Fund Balance	2,000,000	-	2,000,000
Assigned Fund Balance:			
3550 Construction	2,000,000	-	2,000,000
3590 Other Assigned Fund Balance	-	104,746	104,746
3600 Unassigned Fund Balance	10,995,096	-	10,995,096
3000 Total Fund Balances	<u>17,495,096</u>	<u>817,045</u>	<u>18,312,141</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,823,681</u>	<u>\$ 1,008,853</u>	<u>\$ 19,832,534</u>

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

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

Total Fund Balances - Governmental Funds	\$ 18,312,141
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$53,117,936 and the accumulated depreciation was \$18,115,523. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	35,002,413
2 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2016 capital outlays is to increase net position.	5,180,094
3 Current year deletions are not recognized as an expense in fund financial statements. The net effect of these reclassifications and recognitions is to decrease net position.	(4,144)
4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(881,710)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$3,654,204, a Deferred Resource Inflow related to TRS in the amount of \$271,801 and a Deferred Resource Outflow related to TRS in the amount of \$2,379,879. This amounted to a decrease in net position.	(1,546,126)
6 Long term debt issued by governmental activities and capital leases are not a current liability and therefore not reported as long term debt on the fund financial statements. The net effect of recording beginning of the year values for all long term debt outstanding is to decrease net position.	(18,725,746)
7 Lease payments are expenditures in the governmental funds but are treated as reductions of lease payables in the government-wide financial statements. The net effect of reducing lease payables is to increase net positions.	28,528
8 Long term debt payments are expenditures in the governmental financial statements, but are treated as reductions of long term debt on the government-wide financial statements. The net effect of reducing long term debt is to increase net position.	780,000
9 Property taxes are recognized as revenue in the governmental financial statements when collected, but recognized on the government-wide financials statements in the year levied. The net effect of the difference in property tax revenue recognize is to increase net position.	303,424
10 Other miscellaneous differences in accounting treatments between the governmental financial statements and the government-wide financial statements resulted in an increase to net position.	712
19 Net Position of Governmental Activities	<u>\$ 38,449,586</u>

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,256,677	\$ 1,604,058	\$ 8,860,735
5800 State Program Revenues	15,860,606	710,744	16,571,350
5900 Federal Program Revenues	440,325	1,443,840	1,884,165
5020 Total Revenues	<u>23,557,608</u>	<u>3,758,642</u>	<u>27,316,250</u>
EXPENDITURES:			
Current:			
0011 Instruction	11,726,554	673,092	12,399,646
0012 Instructional Resources and Media Services	400,484	29,814	430,298
0013 Curriculum and Instructional Staff Development	293,897	48,993	342,890
0021 Instructional Leadership	78,769	-	78,769
0023 School Leadership	1,404,568	-	1,404,568
0031 Guidance, Counseling and Evaluation Services	622,894	17,452	640,346
0032 Social Work Services	27,671	127	27,798
0033 Health Services	263,644	-	263,644
0034 Student (Pupil) Transportation	863,598	-	863,598
0035 Food Services	65,083	1,502,305	1,567,388
0036 Extracurricular Activities	1,108,697	130,784	1,239,481
0041 General Administration	769,817	8,334	778,151
0051 Facilities Maintenance and Operations	2,349,392	-	2,349,392
0052 Security and Monitoring Services	103,130	-	103,130
0053 Data Processing Services	589,962	-	589,962
0061 Community Services	6,168	-	6,168
Debt Service:			
0071 Principal on Long Term Debt	33,023	665,000	698,023
0072 Interest on Long Term Debt	-	625,736	625,736
0073 Bond Issuance Cost and Fees	-	1,000	1,000
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,111,760	1,626,567	3,738,327
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	502,036	-	502,036
0099 Other Intergovernmental Charges	135,829	-	135,829
6030 Total Expenditures	<u>23,456,976</u>	<u>5,329,204</u>	<u>28,786,180</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,632</u>	<u>(1,570,562)</u>	<u>(1,469,930)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	6,984	-	6,984
7915 Transfers In	-	58,890	58,890
8911 Transfers Out (Use)	(58,890)	-	(58,890)
7080 Total Other Financing Sources (Uses)	<u>(51,906)</u>	<u>58,890</u>	<u>6,984</u>
1200 Net Change in Fund Balances	48,726	(1,511,672)	(1,462,946)
0100 Fund Balance - September 1 (Beginning)	<u>17,446,370</u>	<u>2,328,717</u>	<u>19,775,087</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,495,096</u>	<u>\$ 817,045</u>	<u>\$ 18,312,141</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(1,462,946)
Current year capital outlays payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2016 capital outlays is to increase net position.		5,180,094
Current year deletions are not recognized as an expense in the fund financial statements. The effect of these reclassifications and recognitions is to decrease net position.		(4,144)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(881,710)
Current year lease payments are expenditures in the governmental funds but are treated as reductions of lease payables in the government-wide financial statements. The net effect of reducing lease payables is to increase to net position.		28,528
Long term debt payments are expenditures in the governmental funds, but are treated as reductions of long term debt on the Statement of Net Position. The net effect of reducing long term debt is to increase net position.		780,000
The implementation of GASB 68 required that certain expenditures be recorded as deferred resource outflows. Contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$314,636. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY 2016 were \$799,765 for pension expense from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$73,979. This caused a net decrease in the change in net position of \$725,786. The impact of all of these is to decrease the change in net position.		(411,150)
Property taxes are recognized as revenue in the governmental funds when collected, but recognized in the government-wide financial statements in the year levied. The net effect of the difference in property tax revenue recognized is to increase net position.		34,766
Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include disposal of capital assets, eliminating interfund transactions, and reclassifying the proceeds of bond sales. The net effect of these reclassifications and eliminations is to increase net position.		712
Change in Net Position of Governmental Activities	\$	3,264,150

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

EXHIBIT E-1

	836-849 Investment Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 242,451
Restricted Assets	304,702	-
Total Assets	304,702	\$ 242,451
LIABILITIES		
Accounts Payable	-	\$ 3,682
Due to Other Funds	-	520
Due to Student Groups	-	238,249
Total Liabilities	-	\$ 242,451
NET POSITION		
Unrestricted Net Position	304,702	
Total Net Position	\$ 304,702	

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	836-849 Investment Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 106,443
Total Additions	106,443
DEDUCTIONS:	
Other Operating Costs	137,900
Total Deductions	137,900
Change in Net Position	(31,457)
Total Net Position -September 1 (Beginning)	339,159
Prior Period Adjustment - See Note Q	(3,000)
Total Net Position - August 31 (Ending)	\$ 304,702

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 61, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Gatesville Independent School District nonfiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The fund activity is segregated into the following categories: invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Revenue is considered *available* when it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, user fees, and interest associated with the current fiscal period are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

The District reports the following major governmental fund:

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

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Project Funds** – The District accounts for resources accumulated and payments made to improve district facilities on a project basis. Financial resources can be used for construction, renovations or repairs that are consistent with a recognized green building rating system.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

Fiduciary Funds:

4. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District’s Private Purpose Trust fund is the Scholarship fund.
5. **Agency Fund** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s agency fund is Student Activities.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. *Deposits and Investments*

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

Investments for the government are reported at fair value. The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due/to from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business –type activities are reported in the government-wide financial statements as “internal balances.”

Material advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 15% of outstanding property taxes at August 31, 2016.

Property taxes are levied as of October 1 on property values assessed 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 tax bill and are delinquent if not paid before February 1 of the following year. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

3. *Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	39
Portable Buildings	39
Vehicles	7
Furniture & Equipment	3-7

4. *Restricted Assets*

Certain assets of the Scholarship Fund are classified as restricted net position because their use is restricted by applicable contract covenants. As of August 31, 2016, the amount of \$304,702 is restricted for this purpose.

5. *Pensions*

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

6. *Long Term Obligations*

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums and discounts. Bond issuance costs are reported as deferred and amortized over the term of the related debt.

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

7. *Fund Equity*

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are constrained for specific purposes by providers such as grantors, bond holders, or higher levels of government. Committed fund balances are constrained to specific purposes by the Board. Assigned fund balances are amounts the District intends to use for specific purposes as expressed by the Board or authorized administrators.

8. *Data Control Codes*

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

9. *Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2016 will change.

10. *Fund Balance Classifications*

The difference between assets and liabilities in the governmental fund balance sheets shall be organized into the following classifications:

Nonspendable – Not in a spendable form, such as inventory, or required to be maintained intact such as the principal of a permanent fund.

Restricted – Resources that are subject to constraints that are either imposed by law through constitutional provisions or enabling legislation, or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – Amounts that can only be used for specific purposes determined by formal approval of the Board. These amounts shall not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts.

Assigned – Amounts that the District intends to use for a specific purpose and are neither restricted nor committed. The intent to assign amounts for a specific purpose shall be expressed by either the Board or the Superintendent.

Unassigned – The residual classification for the general fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

11. *Use of Restricted, Committed, Assigned, and Unassigned Assets*

When the District incurs an expense for which it may use either restricted, committed, assigned, or unassigned assets, the District shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

12. *Minimum Fund Balance*

The unassigned fund balance of the general fund shall not be less than two months of the projected budgeted expenditures for the current year.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G1 and the other two reports are in Exhibits J4 and J5.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year to fund positions that were filled during the year and other unanticipated costs.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

B. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended August 31, 2016, the district did not have excess of expenditures over appropriations at the functional level.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledged approved securities are waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2016, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$18,465,936 and the bank balance was \$19,314,864. The District's cash deposits during the year ended August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements are mentioned in the previous paragraphs. As noted above, the District is not exposed to custodial credit risk due to deposits being covered by FDIC insurance and pledged securities held in the name of the District.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District's investments that are held by an outside party are fully insured and backed by the U.S. Government and, registered in the name of the District. Therefore, the District is not exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days.

Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the District's investments are explicitly guaranteed by the U.S. government or invested in an external investment pool and therefore, not exposed to concentration risk.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

External Investment Pools:

The District uses the following external investment pools:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Tex Pool	\$ 672,537	42

TexPool

The Texas Local Government Investment Pool (TexPool) was organized in 1989 and is the largest and oldest local government investment pool in the State of Texas. TexPool is governed by and complies with the Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act (the “Act”), Chapter 2256, of the Texas Government Code.

The Comptroller of Public Accounts (the “Comptroller”) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust company (the “Trust Company”), which operates TexPool. The Comptroller and the Trust Company have contracted with Federated Investors, Inc. (“Federated”) to provide administrative and investment services to TexPool under the Comptroller’s oversight. State Street Bank serves as custodian to TexPool.

In addition, the Comptroller has established the TexPool Investment Advisory Board (the “Board”) composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise TexPool. The board advises on TexPool’s Investment Policy and approves the management fee structure.

TexPool is rated AAAM by Standard & Poors, the highest rating possible. The primary objectives of TexPool are the preservation and safety of principal; liquidity; and yield. It seeks to maintain a stable \$1.00 net asset value per share and states its investments at amortized cost. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government Securities, and AAA-rated no-load money market mutual funds.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

B. Receivables

Receivables as of year-end for the District's individual major, non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables:	General	Other	Total
Taxes	\$ 320,410	\$ 35,762	\$ 356,172
Foundation payments	972,700	-	972,700
Grants	-	79,359	79,359
Gross Receivables	1,293,110	115,121	1,408,231
Less: Allowance for uncollectibles	(47,063)	(5,684)	(52,747)
Net Total Receivables	\$ 1,246,047	\$ 109,437	\$ 1,355,484

C. Deferred Revenues

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 273,346	\$ -	\$ 30,078	\$ 303,424
Total Deferred Revenue	273,346	-	30,078	303,424
Grants and Gifts	-	2,694	-	2,694
Child Nutrition Receipts	-	33,965	-	33,965
Other	11,325	-	-	11,325
Total Unearned Revenue	11,325	36,659	-	47,984
Total Deferred Revenues & Unearned Revenues	\$ 284,671	\$ 36,659	\$ 30,078	\$ 351,408

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

D. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through TEA and are reported on the financial statements as Due from Other Governments.

Fund	State Entitlements	Inter- governmental	Totals
General	\$ 972,700	\$ -	\$ 972,700
Nonmajor and other funds	-	79,359	79,359
 Total	\$ 972,700	\$ 79,359	\$ 1,052,059

E. *Inter-fund Balances and Transfers*

Inter-fund balances are created when there are transactions that span more than one fund and cash is not transferred between the funds at that time. Inter-fund balances resulted from the time lag between the dates that 1) inter-fund goods and services are provided on reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Inter-fund balances at August 31, 2016 consisted of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund:		
Non-major Governmental Funds	\$ 6,148	\$ -
Total General Fund	6,148	-
Non-major Governmental Funds:		
General Fund	-	5,628
Total Non-major Governmental Funds	-	5,628
Fiduciary Funds:		
General Fund	-	520
Total Fiduciary Funds	-	520
Total	\$ 6,148	\$ 6,148

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

Inter-fund transfers for the year ended August 31, 2016, consisted of the following amounts:

Transfers to National Breakfast & Lunch Program:	
General Fund	\$ 58,890
Total Transfers	\$ 58,890

F. CAPITAL ASSET ACTIVITY

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

	Beginning Balance 8/31/2015	Primary Government		Ending Balance 8/31/2016
		Additions	Retirements	
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 583,305	\$ 257,750	\$ -	\$ 841,055
Construction in Progress	17,977,511	3,299,159	(21,276,670)	-
Total Capital Assets, not being depreciated:	18,560,816	3,556,909	(21,276,670)	841,055
Capital Assets, being depreciated:				
Buildings	30,656,084	22,446,171	-	53,102,255
Machinery and Equipment	3,901,036	453,684	(439,233)	3,915,487
Total Capital Assets, being depreciated	34,557,120	22,899,855	(439,233)	57,017,742
Less Accumulated Depreciations For:				
Buildings	(15,074,849)	(639,295)	-	(15,714,144)
Machinery and Equipment	(3,040,674)	(242,415)	435,089	(2,848,000)
Total Accumulated Depreciation	(18,115,523)	(881,710)	435,089	(18,562,144)
Total Capital Assets, being depreciated, net	16,441,597	22,018,145	(4,144)	38,455,598
Governmental Activities Capital Assets, net	\$35,002,413	\$25,575,054	\$(21,280,814)	\$39,296,653

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 467,579
Instructional Resources & Media Services	41,700
Curriculum & Instructional Staff Development	1,587
School Leadership	8,526
Guidance, Counseling & Evaluation Services	584
Health Services	523
Student (Pupil) Transportation	120,028
Food Services	21,620
Extracurricular Activities	162,850
General Administration	14,979
Facilities Maintenance and Operations	13,419
Data Processing Services	28,315
Total Depreciation Expense	<u>\$ 881,710</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

G. Long-term Debt

Bonds Payable

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

Description	Interest Rate	Amounts Original Issue	Interest Current Year	Payable	Issued	Retired	Interest Accretion	Payable	Amounts Due Within One Year
				Amounts Outstanding 8/31/2015				Amounts Outstanding 8/31/2016	
<i>Bonds</i>									
Unlimited Tax School Building Bonds, Series 2013	1.3% - 3.22%	\$ 9,589,718	\$ 224,901	\$ 9,500,000	\$ -	\$ 585,000	\$ -	\$ 8,915,000	\$ 600,000
Unlimited Tax School Building Bonds, Series 2014	3% - 4%	8,351,898	285,835	8,200,000	-	-	-	8,200,000	-
Unlimited Tax School Building Bonds, Series 2014 Capital Appreciation Bonds	.07% - 1.67%	751,338	-	764,277	-	195,000	8,045	577,322	55,000
Premium on Bonds		-	-	139,926	-	9,277	-	130,649	-
Total Bonds Payable		\$ 18,692,954	\$ 510,736	\$ 18,604,203	\$ -	\$ 789,277	\$ 8,045	\$ 17,822,971	\$ 655,000
<i>Capital Lease</i>									
De Lage Landen Public Finance. LLC	4.1404%								
23 Xerox Copiers		148,915	4,495	121,543	-	28,528	-	93,015	29,732
		<u>\$ 18,841,869</u>	<u>\$ 515,231</u>	<u>\$ 18,725,746</u>	<u>\$ -</u>	<u>\$ 817,805</u>	<u>\$ 8,045</u>	<u>\$ 17,915,986</u>	<u>\$ 684,732</u>

Debt obligations are paid from Debt Service Fund and are serviced by property tax and state revenues.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

Debt service requirements are as follows:

Year Ending August 31,	General Obligations		Total Requirements
	Principal	Interest	
2017	655,000	635,924	1,290,924
2018	655,000	635,736	1,290,736
2019	650,000	643,986	1,293,986
2020	835,000	456,844	1,291,844
2021	855,000	439,826	1,294,826
2022	870,000	421,033	1,291,033
2023	890,000	400,533	1,290,533
2024	915,000	377,494	1,292,494
2025	940,000	351,731	1,291,731
2026	970,000	323,837	1,293,837
2027	1,000,000	293,689	1,293,689
2028	1,030,000	261,070	1,291,070
2029	1,065,000	226,237	1,291,237
2030	1,100,000	189,660	1,289,660
2031	1,140,000	151,580	1,291,580
2032	1,180,000	112,140	1,292,140
2033	1,220,000	71,340	1,291,340
2034	1,265,000	25,300	1,290,300
Total	\$ 17,235,000	\$6,017,960	\$ 23,252,960

In December 2013 and January 2014, the District issued Unlimited Tax School Building Bonds, Series 2013 and 2014 totaling \$17,900,000. These Series 2013 and 2014 were issued to fund the construction, renovations, acquisition and equipment of school buildings in the District. A portion of the Series 2014 bonds were premium capital appreciation bonds. These obligations have par values of \$751,338 and maturity values of \$785,000. The interest on these obligations will be paid upon maturity at fiscal years ending August 31, 2016 through August 31, 2019. The accreted values of these bonds at August 31, 2016, are \$577,322 which has been recorded in the government-wide financial statements.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Administration has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

Debt Service requirements for capital lease:

Years Ending August 31,

	Principal	Interest	Total Requirements
2017	29,732	3,291	33,023
2018	30,987	2,036	33,023
2019	32,296	727	33,023
Total	\$ 93,015	\$ 6,054	\$ 99,069

H. Operating Leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2016 as follows:

Years Ending August 31,	
2017	3,120
2018	2,730
2019	1,560
2020	780
Total Minimum Rentals	\$ 8,190
Rental Expenditures for year ended August 31, 2016	\$ 48,189

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2016, the District had no liability for accrued sick leave or vacation leave.

J. DEFINED BENEFIT PENSION PLAN

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

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

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Pension Plan Fiduciary Net Position. Detail information about TRS’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. This report may be obtained online at [www.trs.tx.gov/pages/about archive_caftr.aspx](http://www.trs.tx.gov/pages/about_archive_caftr.aspx); by writing TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

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

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

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

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.70%	7.20%
Non-Employer Contributions Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
District's 2016 Employer Contributions		\$ 306,099
District's 2016 Member Contributions		\$ 1,004,371
District's 2016 NECE On-Behalf Contributions		\$ 807,707

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None.
Ad hoc post-employment benefit changes	None.

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

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's Proportionate share of the Net Pension Liability	\$ 5,725,449	\$ 3,654,204	\$ 1,928,986

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At August 31, 2016, the District reported a liability of \$ 3,654,204 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District, the State support, and the total portion of the net pension liability that was associated with the District is as follows:

District's Proportionate share of the Collective Net Pension Liability	\$ 3,654,204
States's Proportionate share that is Associated with the District	<u>9,639,477</u>
Total	<u><u>\$ 13,293,681</u></u>

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

At August 31, 2015, the employer's proportion of the collective net pension liability was .0103376% which was an increase of .0059351% from its proportion measured as of August 31, 2014.

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

For the year ended August 31, 2015, the District recognized pension expense of \$991,516 and revenue of \$991,516 for support provided by the State.

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

Economic Assumptions

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 15,126	\$ 140,434
Changes in Actual Assumptions	63,572	130,366
Differences Between Projected and Actual Investment Earnings	630,380	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,356,165	1,001
Contributions Paid to TRS Subsequent to the Measurement Date	314,636	-
Total	\$ 2,379,879	\$ 271,801

The \$314,636 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balance of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended June 30:	
2017	\$ 334,752
2018	334,752
2019	334,752
2020	424,608
2021	198,677
Thereafter	165,901

K. Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$361 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the insurer are available for the year ended December 31, 2015, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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L. Retiree Health Plan

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

Funding Policy Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rates was 1.00%, the active school employee contribution rate was 0.65% of public school payroll. With school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care on behalf of District employees were \$139,497, \$135,609 and \$135,615 respectively, the active member contributions were \$90,673, \$88,145, and \$88,151 respectively, and the school district's contributions were \$76,723, \$74,585, and \$74,589 respectively, which equaled the required contributions each year.

Medicare Part D – On Behalf Payments Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2009, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, Texas Public School Retired Employee Group Insurance Program (TRS-Care) receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$53,391, \$39,235, and \$35,001 were recognized for the years ended August 31, 2016, 2015 and 2014 respectively, as equal revenues and expenditures.

M. Self-Funded Workers' Compensation

On September 1, 2005, the District joined a workers' compensation self-insurance joint fund with other districts pursuant to Texas Labor Code CH, 504 (Workers' Compensation Insurance Coverage for Employees of Political Subdivisions) and Texas Government Code Ch. 791 (the inter-local Cooperation Act). The District has adopted a three-year participation requirement. Claims Administrative Services, Inc., through its actuarial review of the workers' compensation self-funded program, projected an undiscounted liability of \$33,164 as of August 31, 2016 and \$26,744 as of August 31, 2015. Claims administration is provided by Claims Administrative Services, Inc. Stop-loss coverage was in effect for annual aggregate claims exceeding \$53,459. The District incurred claims against the stop loss coverage in fiscal year 2014.

The claims liability for workers' compensation self-funding of \$33,164 includes incurred but not reported claims in the amount of \$39,768 as of August 31, 2016. The difference represents claims against the stop loss fund. This liability reported in the fund at August 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is reasonably probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such compliance factors as inflation, changes in legal doctrine, and damage awards, the process

GATESVILLE INDEPENDENT SCHOOL DISTRICT

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used in computing the liability does not result in necessarily in an exact amount. The liability recorded was the undiscounted estimate of the actuary.

Changes in the workers' compensation claims liability amounts are presented below:

	Primary Government			
	Beginning of Fiscal Year Liability	Change in Provision for Insured Events	Claim Payments	Ending of Fiscal Year Liability
2006 - Claims Liability	\$ 2,141	\$ (272)	\$ 66	\$ 1,803
2007 - Claims Liability	975	(374)	158	443
2008 - Claims Liability	1,803	(272)	43	1,488
2009 - Claims Liability	1,193	(250)	32	911
2010 - Claims Liability	2,241	(616)	24	1,601
2011 - Claims Liability	5,450	(993)	93	4,364
2012 - Claims Liability	16	-	-	16
2013 - Claims Liability	1	-	-	1
2014 - Claims Liability	-	-	-	-
2015 - Claims Liability	12,923	(389)	6,959	5,575
2016 - Claims Liability	-	26,594	9,632	16,962
Total	\$ 26,743	\$ 23,428	\$ 17,007	\$ 33,164

N. Commitments and Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the 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.

O. Shared Service Arrangements

The District participates in a Shared Services Arrangement for Special Education Services with the following districts:

McGregor ISD	Oglesby ISD
Moody ISD	Gatesville ISD
Crawford ISD	

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

The district does not account for revenue or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, the Heart of Texas Co-op, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The District also participates in two Shared Service Arrangements with Education Service Center, Region XII, for Title I, Part C Migrant education and Title III, Part A LEP.

P. Revenue From Local and Intermediate Sources

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

	General	Capital Projects	National Breakfast and Lunch Program	Debt Services	Other Special Revenue Funds	Investment Trust Fund	Total
Property Taxes	\$ 6,842,466	\$ -	\$ -	\$ 898,794	\$ -	\$ -	\$ 7,741,260
Penalties, Interest and Other Tax- related income	82,258	-	-	10,055	-	-	92,313
Investment Income	74,397	840	-	2,910	911	2,003	81,061
Food Sales	-	-	504,254	-	-	-	504,254
Student Activities	127,708	-	6,301	-	42,941	-	176,950
Gifts and Bequests	-	-	-	-	72,229	104,440	176,669
Rent	5,493	-	-	-	-	-	5,493
Athletic Activities	112,460	-	-	-	-	-	112,460
Other	11,895	12,576	-	-	52,247	-	76,718
Total	<u>\$ 7,256,677</u>	<u>\$ 13,416</u>	<u>\$ 510,555</u>	<u>\$ 911,759</u>	<u>\$ 168,328</u>	<u>\$ 106,443</u>	<u>\$ 8,967,178</u>

Q. Prior Period Adjustment – Restatement of Fiduciary Net Position

Fiduciary Net Position as of August 31, 2015 as reported in last year’s Exhibit E-1 and E-2 of the audit report was overstated by \$3,000. Subsequent to the issuance of the August 31, 2015 report, it was determined that several scholarship payments totaling \$3,000 issued in late August had been recorded in the wrong fiscal year.

Beginning Net Postion	\$ 339,159
Prior Period Adjustment	<u>(3,000)</u>
Beginning Net Position, as Restated	<u>\$ 336,159</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

R. Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. It identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributes that present value to periods of employee service. It addresses the recognition and disclosure requirements for employers with liabilities (payables) associated with postemployment benefits other than pensions.

REQUIRED SUPPLEMENTAL INFORMATION

GATESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 7,083,833	\$ 7,083,833	\$ 7,256,677	\$ 172,844
5800	State Program Revenues	15,471,699	15,471,699	15,860,606	388,907
5900	Federal Program Revenues	301,000	301,000	440,325	139,325
5020	Total Revenues	22,856,532	22,856,532	23,557,608	701,076
EXPENDITURES:					
Current:					
0011	Instruction	11,879,848	11,879,848	11,726,554	153,294
0012	Instructional Resources and Media Services	421,841	421,841	400,484	21,357
0013	Curriculum and Instructional Staff Development	310,265	310,265	293,897	16,368
0021	Instructional Leadership	84,134	84,134	78,769	5,365
0023	School Leadership	1,433,750	1,433,750	1,404,568	29,182
0031	Guidance, Counseling and Evaluation Services	623,350	623,350	622,894	456
0032	Social Work Services	28,726	28,726	27,671	1,055
0033	Health Services	267,882	267,882	263,644	4,238
0034	Student (Pupil) Transportation	1,055,484	1,055,484	863,598	191,886
0035	Food Services	83,042	83,042	65,083	17,959
0036	Extracurricular Activities	1,223,095	1,223,095	1,108,697	114,398
0041	General Administration	781,719	781,719	769,817	11,902
0051	Facilities Maintenance and Operations	2,608,479	2,608,479	2,349,392	259,087
0052	Security and Monitoring Services	109,780	109,780	103,130	6,650
0053	Data Processing Services	641,687	641,687	589,962	51,725
0061	Community Services	7,750	7,750	6,168	1,582
Debt Service:					
0071	Principal on Long Term Debt	33,025	33,025	33,023	2
Capital Outlay:					
0081	Facilities Acquisition and Construction	2,212,895	2,212,895	2,111,760	101,135
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	505,000	505,000	502,036	2,964
0099	Other Intergovernmental Charges	137,500	137,500	135,829	1,671
6030	Total Expenditures	24,449,252	24,449,252	23,456,976	992,276
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,592,720)	(1,592,720)	100,632	1,693,352
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	2,500	6,984	4,484
8911	Transfers Out (Use)	(192,890)	(195,390)	(58,890)	136,500
7080	Total Other Financing Sources (Uses)	(192,890)	(192,890)	(51,906)	140,984
1200	Net Change in Fund Balances	(1,785,610)	(1,785,610)	48,726	1,834,336
0100	Fund Balance - September 1 (Beginning)	17,446,370	17,446,370	17,446,370	-
3000	Fund Balance - August 31 (Ending)	\$ 15,660,760	\$ 15,660,760	\$ 17,495,096	\$ 1,834,336

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

EXHIBIT G-6

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0103376%	0.0044025%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,654,204	\$ 1,175,969
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,639,477	8,647,433
Total	<u>\$ 13,293,681</u>	<u>\$ 9,823,402</u>
District's Covered-Employee Payroll	\$ 13,560,970	\$ 13,561,556
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	26.95%	8.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 314,636	\$ 306,099
Contribution in Relation to the Contractually Required Contribution	314,636	306,099
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 13,949,595	\$ 13,560,970
Contributions as a Percentage of Covered-Employee Payroll	2.26%	2.26%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

COMBINING SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

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

Data Control Codes	211 ESEA I, A Improving Basic Program	- 240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
ASSETS				
1110	\$ -	\$ 68,984	\$ -	\$ 130
1220	-	-	-	-
1230	-	-	-	-
1240	26,539	37,568	2,628	3,120
1000	<u>\$ 26,539</u>	<u>\$ 106,552</u>	<u>\$ 2,628</u>	<u>\$ 3,250</u>
LIABILITIES				
2110	\$ -	\$ 38,224	\$ -	\$ -
2160	24,190	30,785	-	2,964
2170	-	3,000	2,628	-
2200	2,349	578	-	286
2300	-	33,965	-	-
2000	<u>26,539</u>	<u>106,552</u>	<u>2,628</u>	<u>3,250</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	-	-
3470	-	-	-	-
3480	-	-	-	-
3490	-	-	-	-
Assigned Fund Balance:				
3590	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 26,539</u>	<u>\$ 106,552</u>	<u>\$ 2,628</u>	<u>\$ 3,250</u>

289 Summer School LEP Program	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 State Special Revenue Funds	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grnts & Gifts	482 Gatesville ISD Education Foundation
\$ 2,220	\$ -	\$ 26,456	\$ 700	\$ 104,746	\$ 6,233	\$ 3,473	\$ 1,661
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	9,504	-	-	-	-	-
<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 35,960</u>	<u>\$ 700</u>	<u>\$ 104,746</u>	<u>\$ 6,233</u>	<u>\$ 3,473</u>	<u>\$ 1,661</u>
\$ -	\$ -	\$ 20,067	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,694	-
-	-	20,067	-	-	-	2,694	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,220	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	15,893	700	-	6,233	779	1,661
-	-	-	-	104,746	-	-	-
<u>2,220</u>	<u>-</u>	<u>15,893</u>	<u>700</u>	<u>104,746</u>	<u>6,233</u>	<u>779</u>	<u>1,661</u>
<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 35,960</u>	<u>\$ 700</u>	<u>\$ 104,746</u>	<u>\$ 6,233</u>	<u>\$ 3,473</u>	<u>\$ 1,661</u>

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

Data Control Codes	483 Fuel Up to Play 60	Total Nonmajor Special Revenue Funds	599 Debt Service	620 New Elementary Construction	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 214,603	\$ 485,532	\$ 199,281
1220	Property Taxes - Delinquent	-	-	35,762	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	(5,684)	-
1240	Receivables from Other Governments	-	79,359	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 293,962</u>	<u>\$ 515,610</u>	<u>\$ 199,281</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 58,291	\$ -	\$ -
2160	Accrued Wages Payable	-	57,939	-	-
2170	Due to Other Funds	-	5,628	-	-
2200	Accrued Expenditures	-	3,213	-	-
2300	Unearned Revenues	-	36,659	-	-
2000	Total Liabilities	<u>-</u>	<u>161,730</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	30,078	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>30,078</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	2,220	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	199,281
3480	Retirement of Long-Term Debt	-	-	485,532	-
3490	Other Restricted Fund Balance	-	25,266	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	104,746	-	-
3000	Total Fund Balances	<u>-</u>	<u>132,232</u>	<u>485,532</u>	<u>199,281</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 293,962</u>	<u>\$ 515,610</u>	<u>\$ 199,281</u>

621 Capital Projects	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 199,281	\$ 899,416
-	-	35,762
-	-	(5,684)
-	-	79,359
<u>\$ -</u>	<u>\$ 199,281</u>	<u>\$ 1,008,853</u>
\$ -	\$ -	\$ 58,291
-	-	57,939
-	-	5,628
-	-	3,213
-	-	36,659
<u>-</u>	<u>-</u>	<u>161,730</u>
-	-	30,078
<u>-</u>	<u>-</u>	<u>30,078</u>
-	-	2,220
-	199,281	199,281
-	-	485,532
-	-	25,266
-	-	104,746
<u>-</u>	<u>199,281</u>	<u>817,045</u>
<u>\$ -</u>	<u>\$ 199,281</u>	<u>\$ 1,008,853</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 510,555	\$ -	\$ -
5800 State Program Revenues	-	7,423	-	-
5900 Federal Program Revenues	415,903	925,437	34,942	66,445
5020 Total Revenues	<u>415,903</u>	<u>1,443,415</u>	<u>34,942</u>	<u>66,445</u>
EXPENDITURES:				
Current:				
0011 Instruction	347,323	-	17,440	49,837
0012 Instructional Resources and Media Services	29,814	-	-	-
0013 Curriculum and Instructional Staff Development	30,599	-	50	16,441
0031 Guidance, Counseling and Evaluation Services	-	-	17,452	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	1,502,305	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	8,167	-	-	167
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>415,903</u>	<u>1,502,305</u>	<u>34,942</u>	<u>66,445</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(58,890)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	58,890	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

289 Summer School LEP Program	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 State Special Revenue Funds	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grnts & Gifts	482 Gatesville ISD Education Foundation
\$ -	\$ -	\$ -	\$ -	\$ 133,355	\$ -	\$ 1,900	\$ 33,073
-	379	240,023	700	-	-	-	-
1,113	-	-	-	-	-	-	-
<u>1,113</u>	<u>379</u>	<u>240,023</u>	<u>700</u>	<u>133,355</u>	<u>-</u>	<u>1,900</u>	<u>33,073</u>
-	-	226,028	-	-	-	-	32,464
-	-	-	-	-	-	-	-
-	1,403	500	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	127	-	-
-	-	-	-	128,884	-	1,900	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>1,403</u>	<u>226,528</u>	<u>-</u>	<u>128,884</u>	<u>127</u>	<u>1,900</u>	<u>32,464</u>
1,113	(1,024)	13,495	700	4,471	(127)	-	609
-	-	-	-	-	-	-	-
<u>1,113</u>	<u>(1,024)</u>	<u>13,495</u>	<u>700</u>	<u>4,471</u>	<u>(127)</u>	<u>-</u>	<u>609</u>
1,107	1,024	2,398	-	100,275	6,360	779	1,052
<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 15,893</u>	<u>\$ 700</u>	<u>\$ 104,746</u>	<u>\$ 6,233</u>	<u>\$ 779</u>	<u>\$ 1,661</u>

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

Data Control Codes	483 Fuel Up to Play 60	Total Nonmajor Special Revenue Funds	599 Debt Service	620 New Elementary Construction
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 678,883	\$ 911,759	\$ 13,416
5800 State Program Revenues	-	248,525	462,219	-
5900 Federal Program Revenues	-	1,443,840	-	-
5020 Total Revenues	<u>-</u>	<u>2,371,248</u>	<u>1,373,978</u>	<u>13,416</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	673,092	-	-
0012 Instructional Resources and Media Services	-	29,814	-	-
0013 Curriculum and Instructional Staff Development	-	48,993	-	-
0031 Guidance, Counseling and Evaluation Services	-	17,452	-	-
0032 Social Work Services	-	127	-	-
0035 Food Services	-	1,502,305	-	-
0036 Extracurricular Activities	-	130,784	-	-
0041 General Administration	-	8,334	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	665,000	-
0072 Interest on Long Term Debt	-	-	625,736	-
0073 Bond Issuance Cost and Fees	-	-	1,000	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	14,399	14,399	-	1,497,168
6030 Total Expenditures	<u>14,399</u>	<u>2,425,300</u>	<u>1,291,736</u>	<u>1,497,168</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,399)	(54,052)	82,242	(1,483,752)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	58,890	-	-
1200 Net Change in Fund Balance	(14,399)	4,838	82,242	(1,483,752)
0100 Fund Balance - September 1 (Beginning)	<u>14,399</u>	<u>127,394</u>	<u>403,290</u>	<u>1,683,033</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 132,232</u>	<u>\$ 485,532</u>	<u>\$ 199,281</u>

621 Capital Projects	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 13,416	\$ 1,604,058
-	-	710,744
-	-	1,443,840
-	13,416	3,758,642
-	-	673,092
-	-	29,814
-	-	48,993
-	-	17,452
-	-	127
-	-	1,502,305
-	-	130,784
-	-	8,334
-	-	665,000
-	-	625,736
-	-	1,000
115,000	1,612,168	1,626,567
115,000	1,612,168	5,329,204
(115,000)	(1,598,752)	(1,570,562)
-	-	58,890
(115,000)	(1,598,752)	(1,511,672)
115,000	1,798,033	2,328,717
\$ -	\$ 199,281	\$ 817,045

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REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.088000	508,174,808
2009	1.040000	0.088000	551,713,500
2010	1.040000	0.088000	554,910,952
2011	1.040000	0.088000	562,942,781
2012	1.040000	0.088000	574,211,808
2013	1.040000	0.088000	596,434,450
2014	1.040000	0.088000	612,208,439
2015	1.040000	0.137000	650,051,513
2016 (School year under audit)	1.040000	0.137000	666,030,436
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 25,482	\$ -	\$ 1,868	\$ 103	\$ (4,073)	\$ 19,438
11,806	-	78	7	(56)	11,665
17,713	-	78	7	(56)	17,572
16,351	-	1,160	98	480	15,573
19,726	-	6,509	551	3,954	16,620
21,271	-	13,884	1,175	11,173	17,385
26,623	-	18,132	1,534	12,799	19,756
45,210	-	28,276	2,393	13,926	28,467
127,729	-	83,806	11,040	18,158	51,041
-	7,839,179	6,774,702	892,437	(13,385)	158,655
<u>\$ 311,911</u>	<u>\$ 7,839,179</u>	<u>\$ 6,928,493</u>	<u>\$ 909,345</u>	<u>\$ 42,920</u>	<u>\$ 356,172</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 477,338	\$ 477,338	\$ 510,555	\$ 33,217
5800	State Program Revenues	7,500	7,500	7,423	(77)
5900	Federal Program Revenues	893,548	893,548	925,437	31,889
5020	Total Revenues	1,378,386	1,378,386	1,443,415	65,029
EXPENDITURES:					
0035	Food Services	1,573,776	1,573,776	1,502,305	71,471
6030	Total Expenditures	1,573,776	1,573,776	1,502,305	71,471
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(195,390)	(195,390)	(58,890)	136,500
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	195,390	195,390	58,890	(136,500)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

GATESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 899,553	\$ 899,553	\$ 911,759	\$ 12,206
5800 State Program Revenues	433,364	433,364	462,219	28,855
5020 Total Revenues	1,332,917	1,332,917	1,373,978	41,061
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	1,291,736	665,000	665,000	-
0072 Interest on Long Term Debt	-	625,736	625,736	-
0073 Bond Issuance Cost and Fees	-	1,000	1,000	-
6030 Total Expenditures	1,291,736	1,291,736	1,291,736	-
1200 Net Change in Fund Balances	41,181	41,181	82,242	41,061
0100 Fund Balance - September 1 (Beginning)	403,290	403,290	403,290	-
3000 Fund Balance - August 31 (Ending)	\$ 444,471	\$ 444,471	\$ 485,532	\$ 41,061

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FEDERAL AWARDS SECTION

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LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Gatesville Independent School District
Gatesville, TX 76528

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Gatesville Independent School District (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2016.

Internal Control over Financial Reporting

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

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

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

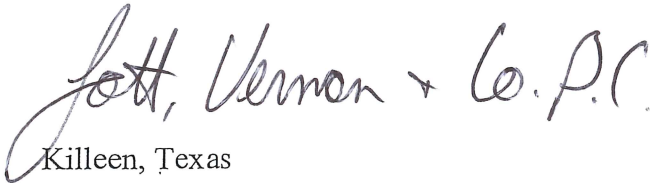
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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.



Killeen, Texas
November 3, 2016



LOTT, VERNON & COMPANY, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Gatesville Independent School District
Gatesville, Texas 76528

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited the Gatesville Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District's compliance with those

requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

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

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jett, Vernon & Co., P.C.

Killeen, Texas
November 3, 2016

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

I. Summary of Auditors' Results

A. Financial Statements

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

B. Federal Awards

Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
---	------------

Any audit finding disclosed that are required to be reported in accordance with Uniform Guidance?	No
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Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
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Auditee qualified as low risk auditee?	Yes
--	-----

Pass-through entity for applicable programs:	Texas Education Agency
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GATESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016
(continued)

II. Financial Statement Findings

Significant Deficiencies:

None.

III. Federal Award Findings or Questioned Costs

<u>Program</u>	<u>Findings/ Noncompliance</u>	<u>Questioned Costs</u>
	NONE	

GATESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS AND
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2016

Prior Year Findings and Questioned Costs:

There were no prior findings or questioned costs relative to Federal Awards.

Corrective Action Plan:

No corrective action plan was required.

GATESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2016

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
DIRECT PROGRAMS			
Impact Aid - P.L. 107-110	84.041A	33050902	\$ 142,883
Impact Aid - P.L. 107-110	84.041B	33050902	<u>\$ 11,385</u>
TOTAL DIRECT PROGRAMS			<u>\$ 154,268</u>
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
ESEA Title I Part A	84.010A	16610101050902	415,903
Vocational Education- Basic Grant	84.048A	16420006050902	34,942
ESEA Title II, Part A, Teacher & Principal Training	84.367A	16694501050902	66,445
Summer School LEP	84.369A	69551302	<u>1,113</u>
TOTAL PASS THROUGH PROGRAMS			<u>\$ 518,403</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 672,671</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
National School Lunch Program*	10.555	71301601	662,043
National School Lunch Program (Donated Commodities)*	10.555	N/A	91,082
National School Breakfast Program*	10.553	71401601	<u>172,313</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 925,438</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 1,598,109</u></u>

* Indicates a major program

**GATESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016**

1. For all Federal programs, the District utilizes the fund types specified by the Texas Education Agency in the Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General Fund, Special Revenue Fund or a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Uniform Guidance.
4. The disbursement of funds received under the various federal and state grant programs requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits would become a liability of the general fund. However, in the opinion of management any potential disallowed claims, if any, would not have a material effect on the financial statements or on the overall financial position of the District at August 31, 2016.