

**GEORGETOWN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2017**



GEORGETOWN INDEPENDENT SCHOOL DISTRICT

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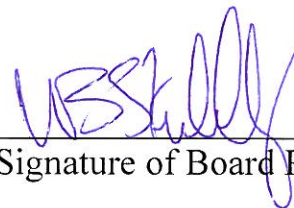
CERTIFICATE OF BOARD

<u>Georgetown Independent School District</u> Name of School District	<u>Williamson</u> County	<u>246904</u> Co.-Dist. Number
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We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) 5 approved 0 disapproved for the year ended June 30, 2017 at a meeting of the Board of Trustees of such school district on the 16th day of October, 2017.



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.)

FINANCIAL SECTION



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Georgetown Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 2017, 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.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 schedule of the District's proportionate share of the net pension liability, the schedule of District contributions, and notes to the required supplementary information on pages 5 through 12, 46, 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide 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 fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
October 16, 2017

GEORGETOWN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Georgetown Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2017 was approximately \$83.3 million.
- The fund balance for the General Fund at June 30, 2017 was approximately \$26.9 million, an increase of approximately \$0.8 million from the prior year. The increase was primarily due to an increase in property tax revenue from an increase in assessed property values.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements 2.) fund financial statements and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements include governmental activities and business-type activities. Governmental activities distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges. The governmental activities of the District include the education of District students and the programs necessary to support such education. Business-type activities include services related to the District's concession stand program and the related costs to operate the program.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net position of governmental activities. There is a reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 17.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison statements have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements and Schedules section of this report.

Proprietary Funds - The District maintains an enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to the Basic Financial Statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2017, total combined net position was \$83,287,196 an increase of \$8,044,095 as compared to net position for the year ended June 30, 2016.

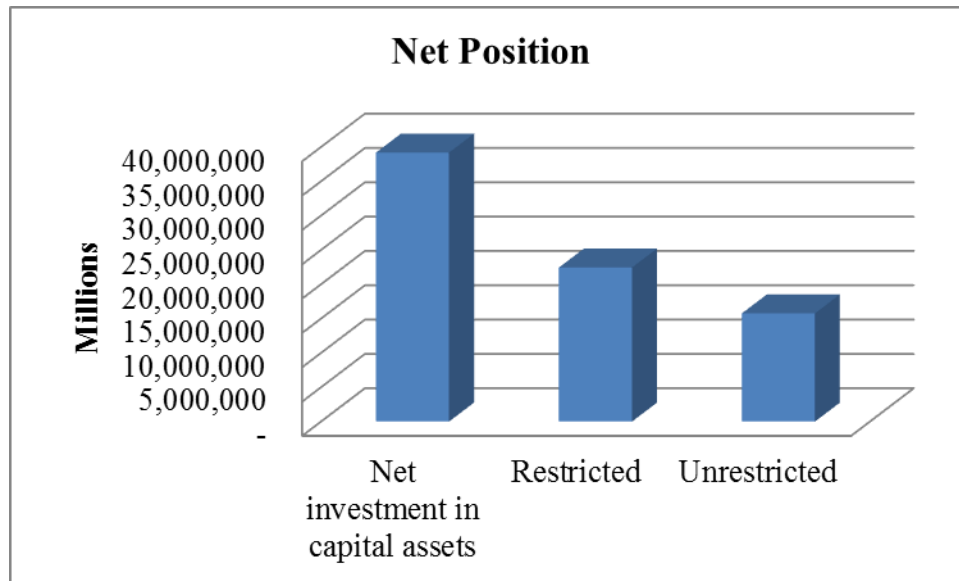
Net position for the year ended June 30, 2017 as compared to the year ended June 30, 2016 can be presented as follows:

**Georgetown Independent School District's
Net Position**

	Governmental Activities as of	
	June 30, 2016	June 30, 2017
Current assets:		
Cash and temporary investments	\$ 194,276,751	\$ 174,088,757
Property taxes, net	2,617,737	2,763,846
Due from other governments	6,972,723	2,276,616
Other receivables and inventory	318,709	186,739
Prepaid items	258	258
Total current assets	204,186,178	179,316,216
Non-current assets -		
Capital assets, net of accumulated depreciation	255,189,542	328,603,837
Total assets	\$ 459,375,720	\$ 507,920,053
Deferred outflows of resources:		
Deferred charges on bond refundings	\$ 5,162,909	\$ 4,431,836
Deferred outflows related to pension liability	10,366,807	9,059,393
Total deferred outflows of resources	15,529,716	13,491,229
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,837,372	\$ 25,089,456
Bonds payable	13,170,000	11,360,000
Bond interest payable	5,103,669	5,488,799
Unearned revenue	484,289	464,992
Due to fiduciary funds	805,114	1,228,845
Total current liabilities	31,400,444	43,632,092
Long-term liabilities:		
Bonds payable	345,829,150	371,788,411
Accretion payable	335,399	344,665
Net pension liability	20,570,875	21,144,860
Total long-term liabilities	366,735,424	393,277,936
Total liabilities	\$ 398,135,868	\$ 436,910,028
Deferred inflows of resources-		
Deferred inflows related to pension liability	\$ 1,526,467	\$ 1,219,100
Net position:		
Net investment in capital assets	\$ 39,211,359	\$ 47,182,382
Restricted	20,295,701	21,018,979
Unrestricted	15,736,041	15,080,793
Total net position	\$ 75,243,101	\$ 83,282,154

	Business-Type Activities as of	
	June 30, 2016	June 30, 2017
Current assets-		
Cash and temporary investments	\$ -	\$ 5,042
Total current assets	-	5,042
Net position-		
Unrestricted	\$ -	5,042
Total net position	\$ -	\$ 5,042

The District has unrestricted net position of \$15,085,835 as of June 30, 2017. For the year ended June 30, 2017, restricted net position increased by \$723,278 and unrestricted net position decreased by \$650,206.



Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or federal grant requirements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

Governmental activities increased the District's net position by \$8,039,053 during the year ended June 30, 2017. Business-type activities increased the District's net position by \$5,042 during the year ended June 30, 2017. Key elements of this increase are as follows:

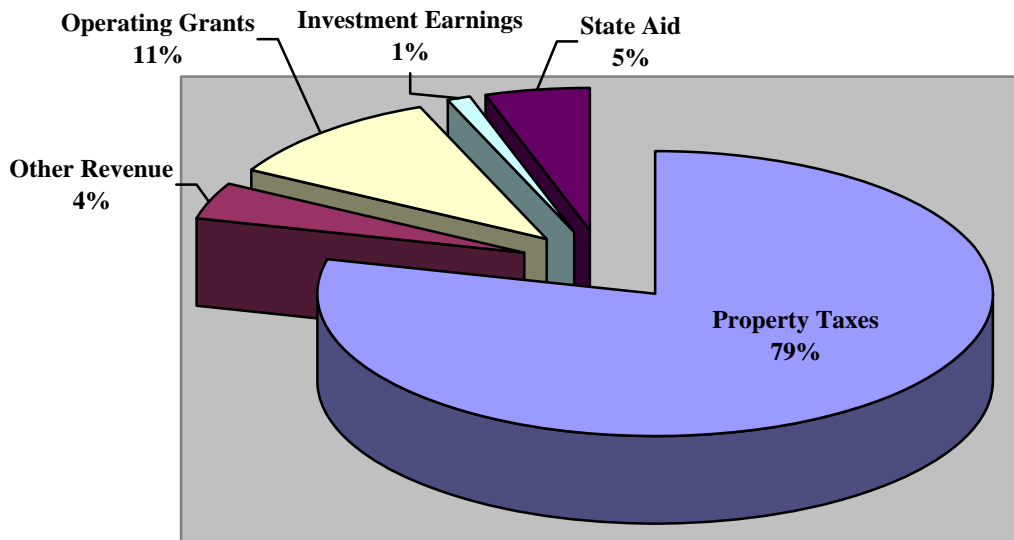
**Georgetown Independent School District's
Changes in Net Position**

	Governmental Activities as of	
	June 30, 2016	June 30, 2017
Revenues:		
Program Revenues:		
Charges for services	\$ 3,476,057	\$ 3,714,525
Operating grants and contributions	17,807,324	15,949,170
General Revenues:		
Property taxes	100,123,858	112,011,854
State aid - formula grants	12,533,809	6,882,079
Investment earnings	462,276	1,466,402
Miscellaneous	347,390	1,188,556
Total Revenues	<u>134,750,714</u>	<u>141,212,586</u>
Expenses:		
Instruction and instructional resources	64,670,124	65,046,658
Curriculum, instructional and school leadership	10,524,003	11,170,197
Student support services	9,694,272	10,454,650
Food services	6,274,654	6,224,215
Extracurricular activities	4,189,600	4,269,581
General administration	3,409,523	3,927,512
Support services	14,487,145	14,452,629
Community services	675,862	706,856
Debt service	10,120,697	12,581,622
Other	1,353,479	4,339,613
Total Expenses	<u>125,399,359</u>	<u>133,173,533</u>
Change in Net Position	9,351,355	7,850,381
Net Position Beginning	65,891,746	75,243,101
Net Position Ending	<u>\$ 75,243,101</u>	<u>\$ 83,282,154</u>

	Governmental Activities as of	
	June 30, 2016	June 30, 2017
Revenues-		
Program Revenues-		
Charges for services	\$ -	\$ 119,096
Total Revenues	<u>-</u>	<u>119,096</u>
Expenses-		
Extracurricular activities	-	114,054
Total Expenses	<u>-</u>	<u>114,054</u>
Change in Net Position	-	5,042
Net Position Beginning	-	-
Net Position Ending	<u>\$ -</u>	<u>\$ 5,042</u>

Property taxes revenues increased from the prior year primarily due to an increase in property values for the 2016 tax year. Overall property taxes account for 79% of the District’s revenue sources while State funding represents 5%. Operating grants account for 11% of revenue sources.

Revenue by Type



House Bill 1, which passed during the final special legislative session in 2005, changed the way school districts receive revenue from both state and local sources. Property tax rates were “bought down” for two years and replaced with a combination of business franchise taxes and an increase in the tobacco tax. Districts that had reached the \$1.50 M&O tax rate cap, were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District’s Board has exercised that option.

State funding is based upon a combination of Weighted Average Daily Attendance (“WADA”) and property values. The State has mandated that a district’s property value per WADA is limited to \$514,000 under Tier I, Level 1 funding and \$319,500 under Tier II, Level 2 funding. When values exceed these amounts, a district must share its wealth with the State to equalize access to revenue. Chapter 41 is a reference in the Texas Education Code that defines a school district which has property wealth per WADA that is above the state funding formula threshold. The District’s property value per WADA is \$532,497 and is subject to Chapter 41 recapture payment to the State.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$150,814,018. Of this amount \$21,043,607 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$25,903 in General Fund fund balance is nonspendable due to being in the form of prepaid items and inventory. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenses. As a measure of the General Fund’s liquidity, unassigned fund balance represents 21% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$25,936,684, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$97,295,120, which represents funds remaining from the District’s bond sales. These funds are restricted for the construction and renovation of school buildings and purchase of equipment and land.

Budgetary Highlights

Differences between the original General Fund operating budget and the final amended budget or actual amounts can be briefly summarized as follows:

- Several expenditure functions were below final budgeted amounts due to effective spending controls, utility management, and payroll costs that fell below expectations.
- Revenues were lower than final budgeted amounts due to a decrease in state aid caused by adjustments to the transportation allotment for the prior school year.

Capital Assets and Debt Administration:

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$328,603,837 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, and furniture and equipment.

**Georgetown Independent School District
Capital Assets
(Net of accumulated depreciation)**

Land	\$ 13,212,083
Construction in progress	90,705,257
Buildings and improvements	219,958,676
Furniture and equipment	<u>4,727,821</u>
Total	<u><u>\$ 328,603,837</u></u>

Additional information on the District’s capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$349,840,000. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor’s Rating Services and Moody’s Investors Services have provided bond ratings ranging from AA- to AAA and Aa1 to Aaa, respectively, to the District’s outstanding debt obligations.

Additional information on the District’s long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year’s Budgets and Rates

The District is located in the City of Georgetown, Texas, with a population larger than 63,000. The District is a diversified agricultural and manufacturing area located in central Williamson County, approximately 25 miles north of Austin, covering an area of approximately 180 square miles. Georgetown is also home to Southwestern University, one of the most prestigious liberal arts colleges in the Southwest.

The District's elected officials considered many factors when setting the fiscal year 2016-2017 budget and tax rates. One of the significant factors was the 12.5% increase in property values creating \$9.7 million in new taxes, thus resulting in a state aid decrease of \$5.4 million. With the continued increases in property values, the amount of Chapter 41 recapture payment to the State increased by \$3.2 million.

The District's Debt Service Fund continues to improve due to increasing property values above expectations. The local voters approved a \$160.6 million bond issue in November 2015 and construction projects began during the 2016-2017 school year on the fourth Middle School, New Purl Elementary School, renovations to Tippit Middle School and Georgetown High School, land acquisitions, roof, HVAC, energy management upgrades, athletic turf replacements, technology and infrastructure, campus security upgrades and school bus purchases. In February 2017, the Board approved the issuance of the remaining bond authorization which totaled \$38.4 million in bonds.

The District invested funds in daily liquidity local government investment pools and a money market demand account. The priority of the District in this interest rate environment and volatile market was safety of principal and liquidity.

For budget purposes, the 2016-2017 tax rate was \$1.409 (\$1.08 for maintenance and operations and \$0.329 for debt service) which was an increase of 1.1 cents on the debt service tax rate. The District gave a pay increase of 2% of midpoint for staff for 2016-2017. The employer insurance contribution remained at \$4,092 per year for all employees participating in the health insurance program.

The District expects an increase of over 11.4% or \$987 million in taxable value for the 2017 tax year. The large growth in tax collections means the District will see a significant increase in state recapture payment for the 2017-2018 fiscal year. The local property tax revenue will continue to rise by almost \$10 million.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

BASIC FINANCIAL STATEMENTS

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and temporary investments	\$ 174,088,757	5,042	174,093,799
Receivables:			
Property taxes - delinquent	2,820,251	-	2,820,251
Allowance for uncollectible taxes	(56,405)	-	(56,405)
Due from other governments	2,276,616	-	2,276,616
Other	109,310	-	109,310
Inventory	77,429	-	77,429
Prepaid items	258	-	258
Capital assets (net of accumulated depreciation):			
Land	13,212,083	-	13,212,083
Construction in progress	90,705,257	-	90,705,257
Buildings and improvements	219,958,676	-	219,958,676
Furniture and equipment	4,727,821	-	4,727,821
Total assets	507,920,053	5,042	507,925,095
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on bond refundings	4,431,836	-	4,431,836
Pension contributions after measurement date	1,637,303	-	1,637,303
Deferred outflows related to pension liability	7,422,090	-	7,422,090
Total deferred outflows of resources	13,491,229	-	13,491,229
LIABILITIES:			
Current liabilities:			
Accounts payable	16,391,346	-	16,391,346
Payroll deductions and withholdings payable	62,394	-	62,394
Accrued wages payable	8,635,716	-	8,635,716
Bond interest payable	5,488,799	-	5,488,799
Bonds payable	11,360,000	-	11,360,000
Due to fiduciary funds	1,228,845	-	1,228,845
Unearned revenue	464,992	-	464,992
Noncurrent liabilities:			
Bonds payable	371,788,411	-	371,788,411
Accretion payable	344,665	-	344,665
Net pension liability	21,144,860	-	21,144,860
Total liabilities	436,910,028	-	436,910,028
DEFERRED INFLOWS OF RESOURCES-			
Deferred inflows related to pension liability	1,219,100	-	1,219,100
NET POSITION:			
Net investment in capital assets	47,182,382	-	47,182,382
Restricted for:			
Debt service	20,834,211	-	20,834,211
Food service	184,768	-	184,768
Unrestricted	15,080,793	5,042	15,085,835
Total net position	\$ 83,282,154	5,042	83,287,196

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 63,735,706	1,079,443	8,353,300	(54,302,963)	-	(54,302,963)
Instructional resources and media services	1,310,952	-	57,567	(1,253,385)	-	(1,253,385)
Curriculum and staff development	2,020,903	68,223	492,020	(1,460,660)	-	(1,460,660)
Instructional leadership	2,376,344	-	220,146	(2,156,198)	-	(2,156,198)
School leadership	6,772,950	-	577,395	(6,195,555)	-	(6,195,555)
Guidance, counseling, and evaluation services	4,119,284	118	533,552	(3,585,614)	-	(3,585,614)
Social work services	282,452	-	105,381	(177,071)	-	(177,071)
Health services	1,258,708	-	117,104	(1,141,604)	-	(1,141,604)
Student transportation	4,794,206	-	218,936	(4,575,270)	-	(4,575,270)
Food services	6,224,215	1,858,305	3,786,764	(579,146)	-	(579,146)
Extracurricular activities	4,269,581	384,209	110,070	(3,775,302)	-	(3,775,302)
General administration	3,927,512	323,709	179,081	(3,424,722)	-	(3,424,722)
Facilities maintenance and operations	11,556,028	-	483,125	(11,072,903)	-	(11,072,903)
Security and monitoring services	332,486	-	276	(332,210)	-	(332,210)
Data processing services	2,564,115	-	85,716	(2,478,399)	-	(2,478,399)
Community services	706,856	518	180,201	(526,137)	-	(526,137)
Debt service	12,581,622	-	443,848	(12,137,774)	-	(12,137,774)
Capital outlay	79,665	-	4,688	(74,977)	-	(74,977)
Contracted instructional services between public schools	3,305,453	-	-	(3,305,453)	-	(3,305,453)
Payments to juvenile justice alternative education programs	218,151	-	-	(218,151)	-	(218,151)
Other intergovernmental charges	736,344	-	-	(736,344)	-	(736,344)
Total governmental activities	\$ 133,173,533	3,714,525	15,949,170	(113,509,838)	-	(113,509,838)
Business-type activities-						
Extracurricular activities	\$ 114,054	119,096	-	-	5,042	5,042
Total business-type activities	\$ 114,054	119,096	-	-	5,042	5,042
Total primary government	\$ 133,287,587	3,833,621	15,949,170	(113,509,838)	5,042	(113,504,796)
General revenues:						
Property taxes levied for general purposes				\$ 85,848,250	-	85,848,250
Property taxes levied for debt service				26,163,604	-	26,163,604
State aid-formula grants				6,882,079	-	6,882,079
Investment earnings				1,466,402	-	1,466,402
Miscellaneous				1,188,556	-	1,188,556
Total general revenues				121,548,891	-	121,548,891
Change in net position				8,039,053	5,042	8,044,095
Net position - beginning				75,243,101	-	75,243,101
Net position - ending				\$ 83,282,154	5,042	83,287,196

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and temporary investments	\$ 36,139,324	25,743,073	112,152,737	53,623	174,088,757
Receivables:					
Property taxes - delinquent	2,177,231	643,020	-	-	2,820,251
Allowance for uncollectible taxes	(43,545)	(12,860)	-	-	(56,405)
Due from other governments	1,109,380	-	-	1,167,236	2,276,616
Due from other funds	781,723	72,207	116,182	1,113,281	2,083,393
Other	102,602	-	1,170	5,538	109,310
Inventory	25,645	-	-	51,784	77,429
Prepaid items	258	-	-	-	258
Total assets	<u>\$ 40,292,618</u>	<u>26,445,440</u>	<u>112,270,089</u>	<u>2,391,462</u>	<u>181,399,609</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 1,089,769	6,248	14,974,969	320,360	16,391,346
Payroll deductions and withholdings payable	62,394	-	-	-	62,394
Accrued wages payable	8,060,825	-	-	574,891	8,635,716
Due to other funds	2,414,333	116,182	-	781,723	3,312,238
Unearned revenue	413,208	-	-	51,784	464,992
Total liabilities	<u>12,040,529</u>	<u>122,430</u>	<u>14,974,969</u>	<u>1,728,758</u>	<u>28,866,686</u>
Deferred inflows of resources -					
Deferred revenue - property taxes	1,332,579	386,326	-	-	1,718,905
Fund balances:					
Nonspendable:					
Inventory	25,645	-	-	-	25,645
Prepaid items	258	-	-	-	258
Restricted for:					
Debt service	-	25,936,684	-	-	25,936,684
Authorized construction	-	-	97,295,120	-	97,295,120
Food service	-	-	-	184,768	184,768
Committed to-					
Campus activities	-	-	-	373,185	373,185
Assigned to:					
Local grants	-	-	-	47,396	47,396
SSA - JJAEP	-	-	-	57,355	57,355
Land and capital improvements	5,850,000	-	-	-	5,850,000
Unassigned	21,043,607	-	-	-	21,043,607
Total fund balances	<u>26,919,510</u>	<u>25,936,684</u>	<u>97,295,120</u>	<u>662,704</u>	<u>150,814,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,292,618</u>	<u>26,445,440</u>	<u>112,270,089</u>	<u>2,391,462</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 328,603,837
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,718,905
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(383,148,411)
Less: Deferred charges on refundings	4,431,836
Interest payable	(5,488,799)
Accretion payable	(344,665)
Net pension liability	(21,144,860)
Pension contributions after measurement date	1,637,303
Deferred outflows related to pension liability	7,422,090
Deferred inflows related to pension liability	(1,219,100)
Net position of governmental activities	<u>\$ 83,282,154</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 88,150,962	26,228,109	1,079,321	3,737,730	119,196,122
State program revenues	11,342,280	443,848	4,688	824,255	12,615,071
Federal program revenues	1,497,124	-	-	7,265,053	8,762,177
Total revenues	<u>100,990,366</u>	<u>26,671,957</u>	<u>1,084,009</u>	<u>11,827,038</u>	<u>140,573,370</u>
EXPENDITURES:					
Current:					
Instruction	52,678,235	-	-	4,685,180	57,363,415
Instructional resources and media services	1,013,509	-	-	-	1,013,509
Curriculum and staff development	1,501,655	-	-	493,594	1,995,249
Instructional leadership	2,218,050	-	-	117,755	2,335,805
School leadership	6,211,991	-	-	226,219	6,438,210
Guidance, counseling, and evaluation services	3,691,963	-	-	357,033	4,048,996
Social work services	185,442	-	-	91,743	277,185
Health services	1,156,150	-	-	49,318	1,205,468
Student transportation	4,171,700	-	667,477	-	4,839,177
Food services	-	-	-	5,563,371	5,563,371
Extracurricular activities	3,155,691	-	-	-	3,155,691
General administration	3,780,508	-	-	41,394	3,821,902
Facilities maintenance and operations	11,552,211	-	-	-	11,552,211
Security and monitoring services	332,332	-	-	-	332,332
Data processing services	2,580,103	-	-	2,520	2,582,623
Community services	525,282	-	-	149,076	674,358
Debt service	-	26,451,132	356,270	-	26,807,402
Facilities acquisition and construction	1,299,368	-	79,391,127	-	80,690,495
Contracted instructional services between public schools	3,305,453	-	-	-	3,305,453
Payments to juvenile justice alternative education programs	218,151	-	-	-	218,151
Other intergovernmental charges	736,344	-	-	-	736,344
Total expenditures	<u>100,314,138</u>	<u>26,451,132</u>	<u>80,414,874</u>	<u>11,777,203</u>	<u>218,957,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>676,228</u>	<u>220,825</u>	<u>(79,330,865)</u>	<u>49,835</u>	<u>(78,383,977)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of property	22,286	-	-	-	22,286
Transfers in	-	-	-	10,226	10,226
Insurance recovery	78,723	-	-	-	78,723
Issuance of bonds	-	734,464	34,270,536	-	35,005,000
Premium on sale of bonds	-	-	4,497,391	-	4,497,391
Transfers out	(10,226)	-	-	-	(10,226)
Total other financing sources, net	<u>90,783</u>	<u>734,464</u>	<u>38,767,927</u>	<u>10,226</u>	<u>39,603,400</u>
Net change in fund balances	767,011	955,289	(40,562,938)	60,061	(38,780,577)
Fund balances - beginning	26,152,499	24,981,395	137,858,058	602,643	189,594,595
Fund balances - ending	<u>\$ 26,919,510</u>	<u>25,936,684</u>	<u>97,295,120</u>	<u>662,704</u>	<u>150,814,018</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances-total governmental funds	\$ (38,780,577)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	82,029,282
Depreciation expense	(8,598,252)
Disposal of capital assets	(16,735)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	255,978
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(39,502,391)
Repayment of bond principal	13,170,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	(387,011)
Amortization of bond premiums	2,183,130
Amortization of deferred charges on bond refundings	(731,073)
Change in accretion payable	(9,266)
Pension contributions made during the measurement year	1,781,393
Change in pension contributions made after the measurement date	149,956
Proportionate share of collective pension expense	(2,355,378)
Adjustment for ending deferred inflows and outflows related to net pension liability	(1,150,003)
Change in net position of governmental activities	<u>\$ 8,039,053</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 87,374,720	87,728,720	88,150,962	422,242
State program revenues	10,576,732	11,471,732	11,342,280	(129,452)
Federal program revenues	1,240,000	1,940,000	1,497,124	(442,876)
Total revenues	<u>99,191,452</u>	<u>101,140,452</u>	<u>100,990,366</u>	<u>(150,086)</u>
EXPENDITURES:				
Current:				
Instruction	53,725,486	53,030,109	52,678,235	351,874
Instructional resources and media services	1,033,608	1,045,034	1,013,509	31,525
Curriculum and staff development	1,397,049	1,617,120	1,501,655	115,465
Instructional leadership	2,066,022	2,372,522	2,218,050	154,472
School leadership	6,243,512	6,295,972	6,211,991	83,981
Guidance, counseling, and evaluation services	3,744,275	3,811,960	3,691,963	119,997
Social work services	302,740	238,740	185,442	53,298
Health services	1,141,569	1,220,656	1,156,150	64,506
Student transportation	3,702,872	4,422,772	4,171,700	251,072
Extracurricular activities	3,135,532	3,340,949	3,155,691	185,258
General administration	3,228,403	3,904,290	3,780,508	123,782
Facilities maintenance and operations	11,606,341	11,805,804	11,552,211	253,593
Security and monitoring services	317,500	354,871	332,332	22,539
Data processing services	2,548,069	2,760,892	2,580,103	180,789
Community services	532,477	572,627	525,282	47,345
Facilities acquisition and construction	-	1,299,368	1,299,368	-
Contracted instructional services between public schools	3,516,997	3,516,997	3,305,453	211,544
Payments to juvenile justice alternative education programs	250,000	218,200	218,151	49
Other intergovernmental charges	729,000	740,000	736,344	3,656
Total expenditures	<u>99,221,452</u>	<u>102,568,883</u>	<u>100,314,138</u>	<u>2,254,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,000)</u>	<u>(1,428,431)</u>	<u>676,228</u>	<u>2,104,659</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	30,000	30,000	22,286	(7,714)
Insurance recovery	-	50,000	78,723	28,723
Transfers out	-	-	(10,226)	(10,226)
Total other financing sources, net	<u>30,000</u>	<u>80,000</u>	<u>90,783</u>	<u>10,783</u>
Net change in fund balance	-	(1,348,431)	767,011	2,115,442
Fund balance - beginning	26,152,499	26,152,499	26,152,499	-
Fund balance - ending	<u>\$ 26,152,499</u>	<u>24,804,068</u>	<u>26,919,510</u>	<u>2,115,442</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2017

	Business-type Activities- Nonmajor Enterprise Fund
ASSETS-	
Cash	\$ 5,042
Total assets	<u>\$ 5,042</u>
NET POSITION-	
Unrestricted	\$ 5,042
Total net position	<u>\$ 5,042</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2017

	Business-type Activities- Nonmajor Enterprise Fund
Operating revenues-	
Concession services	<u>\$ 119,096</u>
Operating expenses:	
Payroll costs	15,370
Contracted services	57,838
Supplies and materials	<u>40,846</u>
Total expenses	<u>114,054</u>
Change in net position	5,042
Total net position--beginning	<u>-</u>
Total net position--ending	<u><u>\$ 5,042</u></u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
June 30, 2017

	Business-type Activities- Nonmajor Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 119,096
Payments to suppliers	(98,684)
Payments to employees	(15,370)
	5,042
Net cash provided by operating activities	5,042
Net increase in cash	5,042
Cash - beginning of the year	-
Cash - end of the year	\$ 5,042
Reconciliation of operating income to net cash provided by operating activities-	
Operating income	\$ 5,042
Net cash provided by operating activities	\$ 5,042

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

ASSETS:

Cash and temporary investments	\$ 9,612
Due from other funds	<u>1,228,845</u>
Total assets	<u><u>\$ 1,238,457</u></u>

LIABILITIES:

Accounts payable	<u>\$ 1,238,457</u>
Total liabilities	<u><u>\$ 1,238,457</u></u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Georgetown Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 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 revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues, interest income, and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Enterprise Fund is a proprietary fund used to account for the services of the Districts concession stand program.

Fiduciary Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for the District's concession stand program. Operating expenses include extracurricular activity expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 20 and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at June 30, 2017 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in external investment pools and a money market account. External investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, and the money market account is also recognized at amortized cost. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 39 years, furniture and equipment - 5 to 7 years.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

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

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

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.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 and Note 12 for additional information on deferred inflows and outflows of resources.

Statement of Cash Flows - For purposes of the statement of cash flows of the Enterprise Fund, the District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also 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 attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended June 30, 2018.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

2. DEPOSITS, SECURITIES AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Guaranteed investment contracts
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2017, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$1,564,640 and the bank balance was \$3,979,982.

The District's deposits with financial institutions at June 30, 2017 and during the year ended June 30, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: First Texas Bank, Frost Bank and East West Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$21,189,424.
- c) Largest cash, savings and time deposit combined account balance amounted to \$20,531,239 and occurred during the month of June 2017.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$513,486.

Investments held at June 30, 2017 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool/TexPool Prime	\$ 163,357,809	1	AAAm
Lone Star	111,941	1	AAAm
Money market account-			
East West Bank - MM	<u>9,069,021</u>	1	N/A
Total	<u>\$ 172,538,771</u>		

The District had investments in two external local government investment pools at June 30, 2017: Texas Local Governmental Investment Pool (“TexPool”) and Lone Star Investment Pool (“Lone Star”). Although TexPool and Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Credit Risk - At June 30, 2017, investments were included in local government investment pools and a money market account in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2017, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At June 30, 2017, 95% of the District's investments were in local government investment pools and 5% was in a money market account.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires the District to monitor interest rate risk using weighted average maturity and specific identification. Maturities of any individual investment owned by the District should not exceed one year from the time of purchase unless the Board specifically authorizes a longer maturity for a given investment, within legal limits. The District considers the holdings in the local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2017, the District was not exposed to significant interest rate risk.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2016, upon which the October 2016 levy was based, was \$8,384,248,027. The District levied taxes based on a combined tax rate of \$1.409 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. During the year ended June 30, 2017, the District was required to pay \$3,305,453 to purchase attendance credits to equalize its wealth per weighted average daily attendance (“WADA”). This purchase of WADA was made to the TEA and was incorporated into the District’s budget.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2017.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 1,109,380	-	1,109,380
Federal and state grants	-	1,167,236	1,167,236
Total	\$ 1,109,380	1,167,236	2,276,616

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 781,723
Debt Service Fund	General Fund	72,207
Capital Projects Fund	Debt Service Fund	116,182
Nonmajor Governmental Funds	General Fund	1,113,281
Fiduciary Fund	General Fund	1,228,845
Total		\$ 3,312,238

During the year, the General Fund transferred \$10,226 to the Nonmajor Governmental Funds to supplement revenue received in the current year.

6. UNEARNED REVENUE

At June 30, 2017, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ 413,208	51,784	464,992

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,912,715	1,299,368	-	13,212,083
Construction in progress	13,066,094	79,965,749	(2,326,586)	90,705,257
Total capital assets, not being depreciated	24,978,809	81,265,117	(2,326,586)	103,917,340
Capital assets, being depreciated:				
Buildings and improvements	309,968,596	1,152,334	-	311,120,930
Furniture and equipment	10,897,464	1,938,417	(16,735)	12,819,146
Total capital assets being depreciated	320,866,060	3,090,751	(16,735)	323,940,076
Less accumulated depreciation for:				
Buildings and improvements	(83,440,792)	(7,721,462)	-	(91,162,254)
Furniture and equipment	(7,214,535)	(876,790)	-	(8,091,325)
Total accumulated depreciation	(90,655,327)	(8,598,252)	-	(99,253,579)
Total capital assets, being depreciated, net	230,210,733	(5,507,501)	(16,735)	224,686,497
Governmental activities capital assets, net	\$ 255,189,542	75,757,616	(2,343,321)	328,603,837

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 5,364,519
Instructional resources and media services	275,020
School leadership	188,805
Health services	26,684
Student transportation	665,028
Food services	660,844
Extracurricular activities	1,112,464
General administration	52,817
Facilities maintenance and operations	193,326
Data processing services	38,853
Community services	19,892
Total depreciation expense - governmental activities	<u>\$ 8,598,252</u>

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on refundings	<u>\$ 5,162,909</u>	<u>-</u>	<u>(731,073)</u>	<u>4,431,836</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 328,005,000	35,005,000	(13,170,000)	349,840,000
Premiums on bonds	<u>30,994,150</u>	<u>4,497,391</u>	<u>(2,183,130)</u>	<u>33,308,411</u>
Total debt payable - principal	358,999,150	39,502,391	(15,353,130)	383,148,411
Accretion on capital appreciation bonds	<u>335,399</u>	<u>9,266</u>	<u>-</u>	<u>344,665</u>
Total debt payable	<u>\$ 359,334,549</u>	<u>39,511,657</u>	<u>(15,353,130)</u>	<u>383,493,076</u>

Bonded debt consists of the following at June 30, 2017:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-17	Due Within One Year
2010	5-19-10	\$ 1,830,000	2022	2.00 - 3.38%	\$ 1,025,000	\$ 195,000
2011	1-27-11	88,325,000	2035	2.00 - 5.00%	84,280,000	1,590,000
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	1,590,000	305,000
2012	8-3-15 (remarket)	17,125,000	2035	2.00 - 8.00%	16,970,000	-
2013-A	2-20-13	61,195,000	2026	1.00 - 5.00%	56,490,000	6,045,000
2013-B	2-20-13	12,555,000	2020	0.44 - 3.00%	4,650,000	1,505,000
2013-C	12-18-13	18,365,000	2035	3.50 - 6.50%	18,365,000	-
2015	7-23-15	5,000,000	2019	1.50 - 2.25%	1,005,000	500,000
2016-A	2-4-16	90,715,000	2040	3.00 - 5.00%	90,715,000	1,220,000
2016-B	2-25-16	39,745,000	2042	2.50 - 8.00%	39,745,000	-
2017	2-23-17	35,005,000	2035	2.00 - 5.00%	35,005,000	-
Total		<u>\$ 396,880,000</u>			<u>\$ 349,840,000</u>	<u>\$ 11,360,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for tax year 2016 was \$0.329.

On February 23, 2017, the District issued \$35,005,000 in Unlimited Tax School Building Bonds, Series 2017, for the acquisition, construction, renovation and equipment of school facilities in the District, including the purchase of school sites and school buses, to fund capitalized interest on the bonds, and to pay costs of issuance of the bonds. The net proceeds of \$39,146,683 (after payment of \$355,709 in underwriting fees, insurance, and other issuance costs) were used for the following: \$38,400,000 was invested by the District to fund future construction and \$746,683 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2017, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 11,360,000	13,428,414	24,788,414
2019	12,310,000	13,214,638	25,524,638
2020	12,760,000	12,984,201	25,744,201
2021	11,340,000	12,542,000	23,882,000
2022	14,325,000	12,404,669	26,729,669
2023 - 2027	57,680,000	51,746,975	109,426,975
2028 - 2032	78,095,000	36,842,931	114,937,931
2033 - 2037	80,395,000	16,923,525	97,318,525
2038 - 2042	71,575,000	41,738,250	113,313,250
Total	<u>\$ 349,840,000</u>	<u>211,825,603</u>	<u>561,665,603</u>

The outstanding Series 2012 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

The Series 2012 Bonds are variable interest bonds and will bear interest at a per annum rate of 2.00% from August 1, 2015 through July 31, 2018. Thereafter, the District expects that the bonds will be remarketed and will bear interest at a term rate determined by the remarketing agent as provided in the bond order.

The Series 2016-B Bonds are variable interest bonds and will bear interest at a per annum rate of 2.00% through July 31, 2020. Thereafter, the bonds will bear interest at a rate or rates determined by the remarketing agent as provided in the bond order.

As of June 30, 2017, all general obligation bonds authorized by the voters of the District have been issued.

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or the Chief Financial Officer.

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

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2017, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 85,329,631	25,992,799	-	-	111,322,430
Food service	-	-	-	1,858,305	1,858,305
Investment income	249,316	137,765	1,079,321	-	1,466,402
Penalties, interest, and other tax related income	335,942	97,504	-	-	433,446
Tuition and fees from patrons	435,344	-	-	-	435,344
Co-curricular student activities	384,209	-	-	-	384,209
Other	1,416,520	41	-	1,879,45	3,295,896
Total	\$ 88,150,962	26,228,109	1,079,321	3,737,730	119,196,122

12. DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

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, in which 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 GAA established the employer contribution rates for fiscal years 2016 and 2017.

	<u>2016</u>	<u>2017</u>
Contribution Rates:		
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 District Contributions		\$ 1,927,773
2017 Member Contributions		\$ 5,228,052
2017 NECE On-behalf Contributions		\$ 4,464,889

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 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 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.
- 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.

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

- When employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily 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 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
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%
Hedge Funds (Stable Value)	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.

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 2016 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	\$ 32,725,120	\$ 21,144,860	\$ 11,322,458

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

At June 30, 2017, the District reported a liability of \$21,144,860 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 21,144,860
State's proportionate share that is associated with the District	<u>43,883,561</u>
Total	<u>\$ 65,028,421</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0560% which was a decrease of 0.0022% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended June 30, 2017, the District recognized pension expense of \$3,501,805 and revenue of \$4,554,067 for support provided by the State.

At June 30, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 331,547	\$ 631,373
Changes in actuarial assumptions	644,457	586,107
Difference between projected and actual investment earnings	1,790,503	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,655,583	1,620
Contributions paid to TRS subsequent to the measurement date	<u>1,637,303</u>	<u>-</u>
Total	<u>\$ 9,059,393</u>	<u>\$ 1,219,100</u>

The \$1,637,303 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 June 30, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended June 30:	
2018	\$ 1,108,060
2019	1,108,060
2020	2,250,130
2021	1,020,308
2022	661,484
Thereafter	54,948

13. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended June 30, 2017, reimbursements of \$210,649 were received by TRS and allocated to the District.

14. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS 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 Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2017.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	.65%	\$ 451,132	1.0%	\$ 694,049	.55%	\$ 381,727
2016	.65%	430,788	1.0%	662,751	.55%	364,513
2015	.65%	416,759	1.0%	641,168	.55%	352,643

15. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2017, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

16. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) to operate a Juvenile Justice Alternative Education Program (“JJAEP”) in compliance with the Texas Education Code, Section 37.011 for the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund, SSA- JJAEP. Contributions from the SSA are summarized below:

Round Rock ISD	\$ 428,015
Georgetown ISD	218,151
Leander ISD	210,524
Taylor ISD	143,099
Hutto ISD	54,351
Liberty Hill ISD	43,893
Jarrell ISD	26,841
Florence ISD	23,340
Thrall ISD	<u>1,272</u>
Total	<u>\$ 1,149,486</u>

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2017, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At June 30, 2017, the District is also committed under construction contracts with a remaining balance of \$95,613,350.

18. SUBSEQUENT EVENT

On August 1, 2017, the District remarketed \$29,370,000 of its Series 2016-B Bonds in order to lower its overall debt service requirements. Due to the remarketing, the District will achieve an average annual savings of \$959,100 in each of the 2017-18, 2018-19 and 2019-20 fiscal years. As part of the remarketing, the District made a principal prepayment of \$10,000,000 on its Series 2016-B Bonds.

**REQUIRED
SUPPLEMENTARY INFORMATION**

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
6/30/2017**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	\$ 0.0560%	0.0582%	0.0349%	0.0349%
District's proportionate share of the net pension liability	21,144,860	20,570,875	9,315,328	11,438,456
State's proportionate share of the net pension liability associated with the District	<u>43,883,561</u>	<u>42,337,506</u>	<u>36,251,770</u>	<u>44,500,569</u>
Total	<u>\$ 65,028,421</u>	<u>62,908,381</u>	<u>45,567,098</u>	<u>55,939,025</u>
District's covered-employee payroll (for Measurement Year)	\$ 66,607,159	64,530,870	62,196,419	59,984,509
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.75%	31.88%	14.98%	19.07%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	92.75%	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions
Teacher Retirement System of Texas
Last 10 Fiscal Years

	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,927,773	\$ 1,762,541	\$ 1,584,974	\$ 866,551	\$ 765,336
Contributions in relation to the contractual required contributions	<u>1,927,773</u>	<u>1,762,541</u>	<u>1,584,974</u>	<u>866,551</u>	<u>765,336</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 69,404,876	66,275,061	64,116,844	61,800,442	60,202,270
Contributions as a percentage of covered payroll	2.78%	2.66%	2.47%	1.40%	1.27%
	2012	2011	2010	2009	2008
Contractually required contributions	\$ 838,979	\$ 1,042,257	\$ 924,823	\$ 814,736	\$ 715,611
Contributions in relation to the contractual required contributions	<u>838,979</u>	<u>1,042,257</u>	<u>924,823</u>	<u>814,736</u>	<u>715,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 63,495,301	68,245,394	65,925,611	62,127,279	58,418,811
Contributions as a percentage of covered payroll	1.32%	1.53%	1.40%	1.31%	1.22%

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2017

1. CHANGE IN ASSUMPTIONS

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	211	224	225	226	240	244	255	263
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States High Cost Pool	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants
Assets:								
Cash and temporary investments	\$ -	-	-	-	1,500	-	-	-
Receivables:								
Due from other governments	398,191	361,916	4,803	38,569	82,461	41,680	18,057	12,541
Due from other funds	-	-	-	-	439,697	-	-	-
Other	-	-	-	-	5,538	-	-	-
Inventory	-	-	-	-	51,784	-	-	-
Total assets	<u>\$ 398,191</u>	<u>361,916</u>	<u>4,803</u>	<u>38,569</u>	<u>580,980</u>	<u>41,680</u>	<u>18,057</u>	<u>12,541</u>
Liabilities and fund balances:								
Liabilities:								
Accounts payable	\$ 14,921	1,561	-	-	120,868	4,608	207	3,844
Accrued wages payable	91,871	124,164	2,122	-	223,560	-	-	2,684
Due to other funds	291,399	236,191	2,681	38,569	-	37,072	17,850	6,013
Unearned revenue	-	-	-	-	51,784	-	-	-
Total liabilities	<u>398,191</u>	<u>361,916</u>	<u>4,803</u>	<u>38,569</u>	<u>396,212</u>	<u>41,680</u>	<u>18,057</u>	<u>12,541</u>
Fund balances:								
Restricted	-	-	-	-	184,768	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 398,191</u>	<u>361,916</u>	<u>4,803</u>	<u>38,569</u>	<u>580,980</u>	<u>41,680</u>	<u>18,057</u>	<u>12,541</u>

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2017

	289	385	397	410	429	459	461	498	499	
	Grants for State Assessments and Related Activities	State Supplemental Visually	Advanced Placement	State Instructional Materials	Other State	SSA JJAEP	Campus Activity	KLE Blended Learning Grant	Local Grants	Total Special Revenue Funds
Assets:										
Cash and temporary investments	\$ -	-	-	-	-	-	-	18,762	33,361	53,623
Receivables:										
Due from other governments	-	3,203	-	46,008	159,807	-	-	-	-	1,167,236
Due from other funds	-	-	-	109,537	-	173,066	390,981	-	-	1,113,281
Other	-	-	-	-	-	-	-	-	-	5,538
Inventory	-	-	-	-	-	-	-	-	-	51,784
Total assets	<u>\$ -</u>	<u>3,203</u>	<u>-</u>	<u>155,545</u>	<u>159,807</u>	<u>173,066</u>	<u>390,981</u>	<u>18,762</u>	<u>33,361</u>	<u>2,391,462</u>
Liabilities and fund balances:										
Liabilities:										
Accounts payable	\$ -	149	-	155,545	-	662	17,796	-	199	320,360
Accrued wages payable	-	-	-	-	10,913	115,049	-	4,528	-	574,891
Due to other funds	-	3,054	-	-	148,894	-	-	-	-	781,723
Unearned revenue	-	-	-	-	-	-	-	-	-	51,784
Total liabilities	<u>-</u>	<u>3,203</u>	<u>-</u>	<u>155,545</u>	<u>159,807</u>	<u>115,711</u>	<u>17,796</u>	<u>4,528</u>	<u>199</u>	<u>1,728,758</u>
Fund balances:										
Restricted	-	-	-	-	-	-	-	-	-	184,768
Committed	-	-	-	-	-	-	373,185	-	-	373,185
Assigned	-	-	-	-	-	57,355	-	14,234	33,162	104,751
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,355</u>	<u>373,185</u>	<u>14,234</u>	<u>33,162</u>	<u>662,704</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>3,203</u>	<u>-</u>	<u>155,545</u>	<u>159,807</u>	<u>173,066</u>	<u>390,981</u>	<u>18,762</u>	<u>33,361</u>	<u>2,391,462</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2017

	211	224	225	226	240	244	255	263	289
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States High Cost Pool	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	Grants for State Assessments and Related Activities
Revenues:									
Local and intermediate sources	\$ -	-	-	-	1,858,306	-	-	-	-
State program revenues	-	-	-	-	24,643	-	-	-	-
Federal program revenues	1,485,340	1,484,085	14,079	38,569	3,762,121	97,332	199,944	171,934	11,649
Total revenues	1,485,340	1,484,085	14,079	38,569	5,645,070	97,332	199,944	171,934	11,649
Expenditures:									
Instruction	1,182,138	1,106,804	14,079	38,569	-	74,201	12,410	68,185	11,649
Curriculum and staff development	101,173	6,659	-	-	-	-	187,534	103,307	-
Instructional leadership	91,533	3,091	-	-	-	23,131	-	-	-
School leadership	-	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	314,493	-	-	-	-	-	-	-
Social work services	15,400	-	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-	-	-
Food services	-	-	-	-	5,563,371	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-
Community services	95,096	53,038	-	-	-	-	-	442	-
Total expenditures	1,485,340	1,484,085	14,079	38,569	5,563,371	97,332	199,944	171,934	11,649
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	81,699	-	-	-	-
Other Financing Sources-									
Transfers in	-	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	81,699	-	-	-	-
Fund balances - beginning	-	-	-	-	103,069	-	-	-	-
Fund balances - ending	\$ -	-	-	-	184,768	-	-	-	-

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2017

	385	397	410	429	459	461	498	499	
	State Supplemental Visually	Advanced Placement	State Instructional Materials	Other State	SSA JJAEP	Campus Activity	KLE Blended Learning	Local Grants	Total Special Revenue Funds
Revenues:									
Local and intermediate sources	\$ -	-	-	-	1,149,487	565,123	100,000	64,814	3,737,730
State program revenues	3,203	10,350	595,049	191,010	-	-	-	-	824,255
Federal program revenues	-	-	-	-	-	-	-	-	7,265,053
Total revenues	3,203	10,350	595,049	191,010	1,149,487	565,123	100,000	64,814	11,827,038
Expenditures:									
Instruction	3,203	-	595,049	173,282	783,741	530,790	19,897	71,183	4,685,180
Curriculum and staff development	-	10,350	-	17,728	974	-	65,869	-	493,594
Instructional leadership	-	-	-	-	-	-	-	-	117,755
School leadership	-	-	-	-	226,219	-	-	-	226,219
Guidance, counseling and evaluation services	-	-	-	-	42,426	-	-	114	357,033
Social work services	-	-	-	-	76,343	-	-	-	91,743
Health services	-	-	-	-	49,318	-	-	-	49,318
Food services	-	-	-	-	-	-	-	-	5,563,371
General administration	-	-	-	-	25,000	16,394	-	-	41,394
Data processing services	-	-	-	-	2,520	-	-	-	2,520
Community services	-	-	-	-	-	-	-	500	149,076
Total expenditures	3,203	10,350	595,049	191,010	1,206,541	547,184	85,766	71,797	11,777,203
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(57,054)	17,939	14,234	(6,983)	49,835
Other Financing Sources-									
Transfers in	-	-	-	-	-	10,226	-	-	10,226
Net change in fund balance	-	-	-	-	(57,054)	28,165	14,234	(6,983)	60,061
Fund balances - beginning	-	-	-	-	114,409	345,020	-	40,145	602,643
Fund balances - ending	\$ -	-	-	-	57,355	373,185	14,234	33,162	662,704

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 26,385,676	26,032,133	26,228,109	195,976
State program revenues	-	443,543	443,848	305
Total revenues	<u>26,385,676</u>	<u>26,475,676</u>	<u>26,671,957</u>	<u>196,281</u>
EXPENDITURES-				
Debt service	<u>26,443,865</u>	<u>26,458,865</u>	<u>26,451,132</u>	<u>7,733</u>
Total expenditures	<u>26,443,865</u>	<u>26,458,865</u>	<u>26,451,132</u>	<u>7,733</u>
Excess (deficiency) of revenues over (under) expenditures	(58,189)	16,811	220,825	204,014
OTHER FINANCING SOURCES-				
Issuance of bonds	<u>-</u>	<u>735,000</u>	<u>734,464</u>	<u>(536)</u>
Net change in fund balance	(58,189)	751,811	955,289	203,478
Fund balance - beginning	<u>24,981,395</u>	<u>24,981,395</u>	<u>24,981,395</u>	<u>-</u>
Fund balance - ending	<u>\$ 24,923,206</u>	<u>25,733,206</u>	<u>25,936,684</u>	<u>203,478</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 1,831,281	1,833,781	1,858,306	24,525
State program revenues	24,861	24,861	24,643	(218)
Federal program revenues	3,796,635	3,796,635	3,762,121	(34,514)
Total revenues	<u>5,652,777</u>	<u>5,655,277</u>	<u>5,645,070</u>	<u>(10,207)</u>
EXPENDITURES-				
Food services	<u>5,652,777</u>	<u>5,655,277</u>	<u>5,563,371</u>	<u>91,906</u>
Total expenditures	<u>5,652,777</u>	<u>5,655,277</u>	<u>5,563,371</u>	<u>91,906</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>81,699</u>	<u>81,699</u>
Fund balance - beginning	<u>103,069</u>	<u>103,069</u>	<u>103,069</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 103,069</u></u>	<u><u>103,069</u></u>	<u><u>184,768</u></u>	<u><u>81,699</u></u>

OTHER SCHEDULES

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2017

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2016	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2017
	Maintenance	Debt Service							
2008 and prior	Various	Various	\$ -	\$ 209,250	-	46,641	11,436	(40,904)	110,269
2009	1.0400	0.2500	5,121,312,943	47,562	-	4,174	1,003	(629)	41,756
2010	1.0400	0.2500	5,222,131,705	88,316	-	4,572	1,099	-	82,645
2011	1.0400	0.2500	5,301,848,322	102,801	-	720	173	(21,468)	80,440
2012	1.0400	0.3180	5,478,150,116	118,501	-	10,317	3,155	(713)	104,316
2013	1.0800	0.3180	5,758,004,414	127,052	-	(72,834)	(21,446)	(109,783)	111,549
2014	1.0800	0.3180	6,009,212,317	151,917	-	(91,317)	(26,888)	(149,288)	120,834
2015	1.0800	0.3180	6,715,741,558	233,612	-	(89,687)	(26,408)	(195,739)	153,968
2016	1.0800	0.3180	7,468,411,433	1,592,149	-	944,206	278,016	(191,107)	178,820
2017	1.0800	0.3290	8,384,248,027	-	111,522,848	84,664,156	25,791,211	768,173	1,835,654
Totals				\$ 2,671,160	111,522,848	85,420,948	26,011,351	58,542	2,820,251

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of June 30, 2017

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 344,665
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 21,144,860
SF13	Pension Expense (6147) at fiscal year-end.	\$ 3,501,805

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS’ 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**

The Board of Trustees of
Georgetown Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 16, 2017.

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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

“A Registered Investment Advisor”

This firm is not a CPA firm

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
October 16, 2017



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees of
Georgetown Independent School District:

Report on Compliance for the Major Federal Program

We have audited Georgetown 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 the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

Opinion on the 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 its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the Schedule of Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Maxwell Locke + Ritter LLP

Austin, Texas
October 16, 2017

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	16610101246904	\$ 77,913
Title I Grants to Local Educational Agencies	84.010A	16610103246904	4,048
Title I Grants to Local Educational Agencies	84.010A	17610101246904	1,305,413
Title I Grants to Local Educational Agencies	84.010A	17610103246904	97,966
Total CFDA 84.010A			1,485,340
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027A	166600012469046000	43,354
Special Education Grants to States	84.027A	176600012469046000	1,440,731
Special Education Grants to States (High Cost Pool)	84.027A	176600062469046680	38,569
Total CFDA 84.027A			1,522,654
Special Education Preschool Grants	84.173A	166610012469046000	362
Special Education Preschool Grants	84.173A	176610012469046000	13,717
Total CFDA 84.173A			14,079
Total Special Education Cluster			
			1,536,733
Career and Technical Education - Basic Grants to States	84.048A	17420006246904	97,332
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	16694501246904	27,428
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	17694501246904	172,516
Total CFDA 84.367A			199,944
English Language Acquisition State Grants	84.365A	17671001246904	171,934
Grants for State Assessments and Related Activities	84.369A	69551502	11,649
Total Passed Through Texas Education Agency			3,502,932
<u>Passed Through Williamson County Tax Assessor-</u>			
Impact Aid	84.041	(1)	20,913
TOTAL DEPARTMENT OF EDUCATION			
			3,523,845
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Child Nutrition Cluster:</u>			
<u>Passed Through Texas Education Agency:</u>			
National School Lunch Program	10.555	71301601	392,814
National School Lunch Program	10.555	71301701	1,746,402
School Breakfast Program	10.553	71401601	166,194
School Breakfast Program	10.553	71401701	704,662
Total CFDA 10.553			870,856
Total Passed Through Texas Education Agency			3,010,072
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash assistance - Food Distribution Program	10.555	01148	326,897
Total CFDA 10.555			2,466,113
Total Child Nutrition Cluster			
			3,336,969
<u>Passed Through Texas Department of Agriculture:</u>			
Child and Adult Care Food Program	10.558	01148	422,652
State Administrative Expenses for Child Nutrition	10.560	55168246	2,380
Total Passed Through Texas Department of Agriculture			425,032
TOTAL DEPARTMENT OF AGRICULTURE			
			3,762,001
TOTAL EXPENDITURES OF FEDERAL AWARDS			
			\$ 7,285,846

(1) - Federal funds received in lieu of taxes.

The accompanying notes are an integral part of this schedule.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Georgetown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

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

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

FEDERAL AWARDS

Internal control over major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal program-

Title I Grants to Local Educational Agencies

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal program-

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

There was one finding required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2017. There were two findings required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2016. See Summary Schedule of Prior Audit Findings for current status of these findings.

Findings Relating to Internal Control over Financial Reporting and Compliance in Accordance with *Government Auditing Standards*:

2017-001

- Criteria: The District must expend at least 58% of the Foundation School Program (“FSP”) funding allotment received for direct costs related to career and technical education programs.
- Condition /Context: The District’s direct expenditures for career and technical education programs during the year ended June 30, 2017 totaled only 55% of the FSP funding allotment received.
- Effect: Noncompliance with spending requirements for school district FSP funding allotments formulated by the State of Texas and the TEA.
- Cause: Spending on career and technical education programs from the District’s FSP funding allotment was not properly monitored and adjusted during the year for compliance with this requirement.
- Recommendations: The District should monitor closely actual expenditures incurred to ensure the proper percentage of the District’s FSP funding allotment is spent on direct costs related to career and technical education programs.
- Views of Responsible Officials and Planned Corrective Actions: See Schedule of Corrective Action Plan

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There was finding or questioned cost required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2017. No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2016.

Findings Relating to Federal Awards Reported in Accordance with 2 CFR 200.516(a):

2017-002

Federal Program: Title I Grants to Local Educational Agencies - CFDA #84.010A; Federal Award Numbers – 16610101246904, 16610103246904, 17610101246904, and 17610103246904; Passed through the Texas Education Agency

Criteria: The District must allocate Title I Part A funds to each participating school attendance area or school, in rank order, on the basis of the total number of children from low-income families residing in the area of attending school.

Condition /Context: The District had eight campuses that received Title I Part A funds during the year ended June 30, 2017. The allocation of Title I Part A funds to these campuses did not follow the rank order as determined by the District in the grant application.

Questioned Costs: None

Effect: Noncompliance with eligibility requirements of the OMB Title I Part A Compliance Supplement if funds are not allocated to the participating campuses based on rank order.

Cause: The allocation of District staff paid out of Title I Part A funds to the eligible campuses was changed after submission of the grant application. This resulted in differences in the allocation of Title I Part A funds during the year ended June 30, 2017 as compared to the rank order as determined by the District in the grant application.

Recommendations: The District should monitor the staffing of Title I Part A campuses and the amount of funds allocated to each campus so that campuses are served in rank order based on the total number of children from low-income families at each campus.

Views of Responsible Officials and Planned Corrective Actions: See Schedule of Corrective Action Plan



LEAD | GROW | SERVE

DR. FRED BRENT
Superintendent

DR. MALINDA GOLDEN
Assistant Superintendent, Teaching and Learning

DR. BRYAN HALLMARK
Assistant Superintendent, Operations and School Leadership

LISA NAPPER
Assistant Superintendent, Human Resources

PAM SANCHEZ
Chief Financial Officer

SCHEDULE OF CORRECTIVE ACTION PLAN (AUDITEE PREPARED)

YEAR ENDED JUNE 30, 2017

Finding 2017-001

Planned Corrective Action: Scheduling at the high school campuses has been changed to a modified block schedule for the 2017-2018 school year allowing more students to participate in career and technical courses. The District has added staff and increased supply budgets due to the increase in the number of courses available. District management will monitor the state funding allocation calculation and expenditures of the career and technical education programs on a quarterly basis throughout the school year.

Responsible Party: Pam Sanchez, Chief Financial Officer

Estimated Completion Date: June 30, 2018

Finding 2017-002

Planned Corrective Action: District management will implement procedures to ensure the District is in compliance with ranking the Title I Part A campuses and allocate accordingly. The higher the percentage of children from low-income families, the greater the amount of Title I Part A funds per student to be allocated. In order to ensure this is represented appropriately, the Federal Programs department will work with Human Resources to identify appropriate Title I Part A staff for each campus which will mean the amounts allocated will have minimal deviation when budgets are set.

Responsible Party: Tiffani Walker, Executive Director of Special and Federal Programs

Estimated Completion Date: June 30, 2018



LEAD | GROW | SERVE

DR. FRED BRENT
Superintendent

DR. MALINDA GOLDEN
Assistant Superintendent, Teaching and Learning

DR. BRYAN HALLMARK
Assistant Superintendent, Operations and School Leadership

LISA NAPPER
Assistant Superintendent, Human Resources

PAM SANCHEZ
Chief Financial Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (AUDITEE PREPARED)

YEAR ENDED JUNE 30, 2017

Finding 2016-001

Condition: The District's actual expenditures for the year ended June 30, 2016 exceeded the District's amended budget for the contracted instructional services between public schools function (Chapter 41 recapture payments) in the General Fund by \$151,664.

Status: Corrected as there were no instances noted during the current year audit.

Finding 2016-002

Condition: The District's direct expenditures for career and technical education programs during the year ended June 30, 2016 totaled only 55% of the FSP funding allotment received.

Status: The District is still not in compliance with the spending requirements for the career and technical education program allotment for the current year audit due to the following: The District's budget for 2016-2017 school year was adopted and the course scheduling and staffing was finalized prior to discovery of this compliance finding and the District worked to identify staffing, equipment, and software needs for the career and technical education programs throughout the 2016-2017 school year. See Finding 2017-001 and related corrective action plan on the Schedule of Corrective Action Plan for the year ended June 30, 2017.