

**GEORGETOWN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2016**



GEORGETOWN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Georgetown Independent School District

Name of School District

Williamson

County

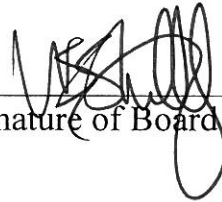
246904

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved ___ disapproved for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 17th day of October, 2016.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



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Accountants and Consultants

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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, 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, 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, and the schedule of District contributions on pages 5 through 12, 44, and 45, 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 17, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
October 17, 2016

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, 2016. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position at June 30, 2016 was approximately \$75.2 million.
- The fund balance for the General Fund at June 30, 2016 was approximately \$26.2 million, an increase of approximately \$5.4 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 distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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 two categories: governmental 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 schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules 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.

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

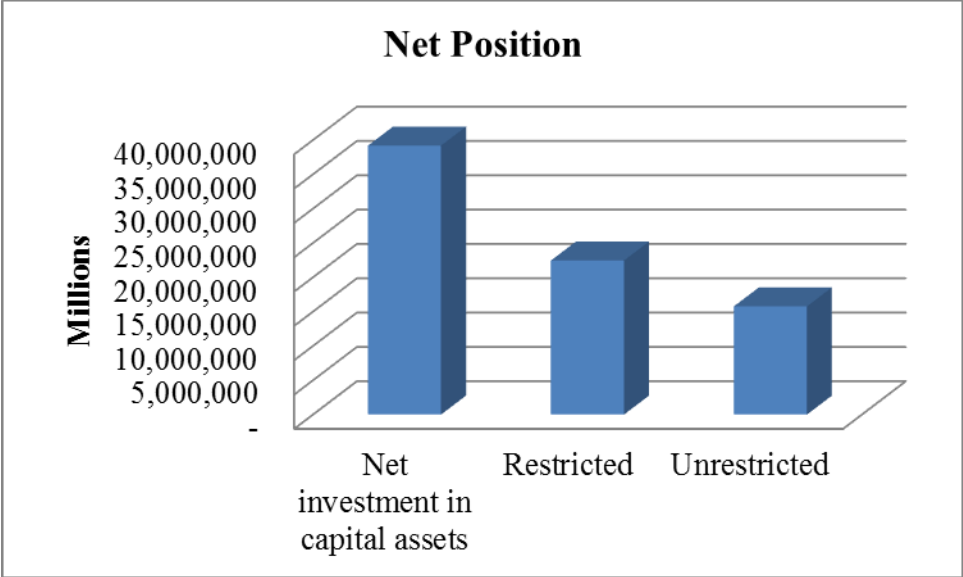
Net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2016, net position was \$75,243,101 an increase of \$9,351,355 as compared to net position for the year ended June 30, 2015.

Net position for the year ended June 30, 2016 as compared to the year ended June 30, 2015 can be presented as follows:

Georgetown Independent School District's Net Position

	Governmental Activities as of	
	June 30, 2015	June 30, 2016
Current assets:		
Cash and temporary investments	\$ 44,577,074	\$ 194,276,751
Property taxes, net	2,580,240	2,617,737
Due from other governments	4,319,591	6,972,723
Due from fiduciary funds	36,786	-
Other receivables and inventory	545,821	318,709
Prepaid items	1,253	258
Total current assets	52,060,765	204,186,178
Non-current assets -		
Capital assets, net of accumulated depreciation	248,671,014	255,189,542
Total assets	\$ 300,731,779	\$ 459,375,720
Deferred outflows of resources:		
Deferred charges on bond refundings	\$ 5,893,982	\$ 5,162,909
Deferred outflows related to pension liability	2,197,533	10,366,807
Total deferred outflows of resources	8,091,515	15,529,716
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,374,522	\$ 11,837,372
Bonds payable	8,690,000	13,170,000
Bond interest payable	3,200,483	5,103,669
Unearned revenue	496,121	484,289
Due to other governments	7	-
Due to fiduciary funds	-	805,114
Total current liabilities	23,761,133	31,400,444
Long-term liabilities:		
Bonds payable	206,679,138	345,829,150
Accretion payable	326,362	335,399
Net pension liability	9,315,328	20,570,875
Total long-term liabilities	216,320,828	366,735,424
Total liabilities	\$ 240,081,961	\$ 398,135,868
Deferred inflows of resources-		
Deferred inflows related to pension liability	\$ 2,849,587	\$ 1,526,467
Net position:		
Net investment in capital assets	\$ 40,649,643	\$ 39,211,359
Restricted	12,911,962	20,295,701
Unrestricted	12,330,141	15,736,041
Total net position	\$ 65,891,746	\$ 75,243,101

The District has unrestricted net position of \$15,736,041 as of June 30, 2016. For the year ended June 30, 2016, restricted net position increased by \$7,383,739 and unrestricted net position increased by \$3,405,900.



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”).

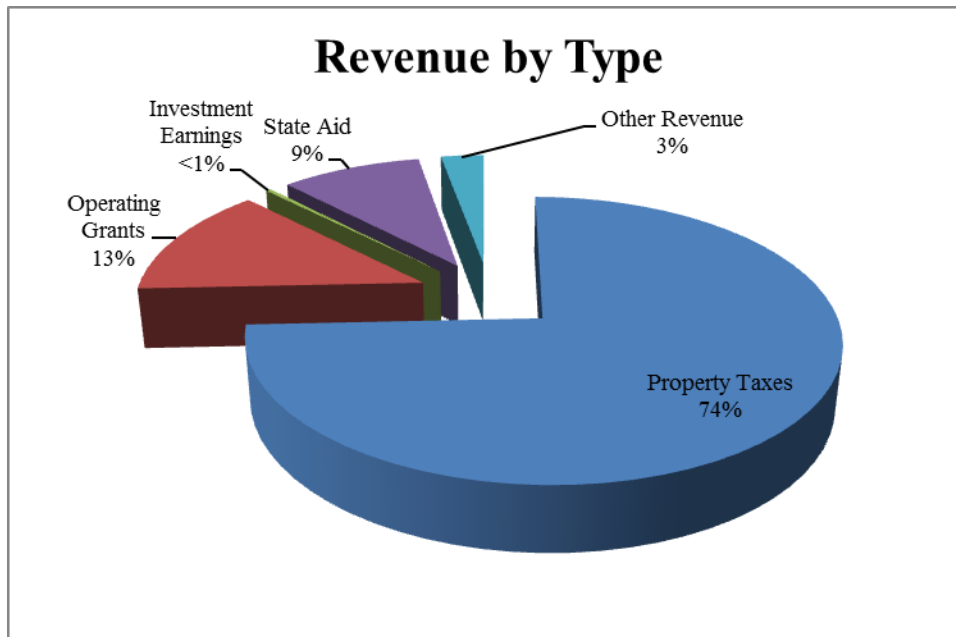
Governmental Activities

Governmental activities increased the District's net position by \$9,351,355 during the year ended June 30, 2016. Key elements of this increase are as follows:

Georgetown Independent School District's Changes in Net Position

	Governmental Activities as of	
	June 30, 2015	June 30, 2016
Revenues:		
Program Revenues:		
Charges for services	\$ 4,375,746	\$ 3,476,057
Operating grants and contributions	14,628,671	17,807,324
General Revenues:		
Property taxes	91,977,423	100,123,858
State aid - formula grants	13,587,360	12,533,809
Investment earnings	80,253	462,276
Miscellaneous	349,025	347,390
Total Revenues	<u>124,998,478</u>	<u>134,750,714</u>
Expenses:		
Instruction and instructional resources	60,384,755	64,670,124
Curriculum, instructional and school leadership	8,873,880	10,524,003
Student support services	8,563,626	9,694,272
Food services	5,942,792	6,274,654
Extracurricular activities	3,891,414	4,189,600
General administration	2,951,596	3,409,523
Support services	12,147,162	14,487,145
Community services	1,577,729	675,862
Debt service	7,567,829	10,120,697
Other	1,171,992	1,353,479
Total Expenses	<u>113,072,775</u>	<u>125,399,359</u>
Change in Net Position	11,925,703	9,351,355
Net Position Beginning	64,657,361	65,891,746
Prior Period Adjustment	(10,691,318)	-
Net Position Ending	<u>\$ 65,891,746</u>	<u>\$ 75,243,101</u>

Property taxes revenues increased from the prior year primarily due to an increase in property values for the 2015 tax year. Overall property taxes account for 74% of the District's revenue sources while State funding represents 9%. Operating grants account for 13% of revenue sources.



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.

With the compression of local tax rates, the State now funds a much higher percentage of public school revenue than in the previous years. However, the new funding formula now caps the amount of money a district can receive in combined state/local revenue per WADA (Weighted Average Daily Attendance). This “hold harmless” provision was set using a greater of amount between 2005 and 2006 funding under the old law and the set amount per WADA will remain in effect until changed by the legislature at a later session. The only way a school district can now increase its operating revenue is by adding students. Increases in local property values and collections are now negated by the funding formula.

The State has mandated that a district’s property value per WADA is limited to \$319,500. When values exceed this amount a district must share its wealth with the State to equalize access to revenue.

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 \$189,594,595. Of this amount \$21,043,092 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$8,503 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 23% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$24,981,395, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$137,858,058, which represents funds remaining from the current year 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 higher than final budgeted amounts due to better than expected property tax collections, increased Medicaid federal reimbursements, and state aid increases due to improvement in student attendance.

Capital Assets and Debt Administration:

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$255,189,542 (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	\$ 11,912,715
Construction in progress	13,066,094
Buildings and improvements	226,527,804
Furniture and equipment	<u>3,682,929</u>
Total	<u><u>\$ 255,189,542</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 \$328,005,000. 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 Aa2 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, which is ranked the No. 1 fastest growing city in the United States with a population larger than 50,000. The population grew by 7.8 percent, from 59,105 in 2014 to 63,716 in 2015. 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 2015-16 budget and tax rates. One of the significant factors was the 8% increase in property values creating \$5.8 million in new taxes, thus resulting in a state aid decrease of \$5.7 million. Texas voters passed the additional \$10,000 in homestead exemption in November 2015 and the budget was amended to account for a decrease

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 to build a fourth Middle School, Purl Elementary School replacement, renovations to Tippit Middle School and Georgetown High School, land acquisition, repurpose Williams Elementary School to Central Administration, and roof, HVAC and athletic turf replacements. Also included was technology/infrastructure, campus security upgrades and school bus purchases. The Board approved the issuance of \$145.2 million in bonds and funding was in February 2016.

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 2015-16 tax rate was \$1.398 (\$1.08 for maintenance and operations and \$0.318 for debt service) and did not change from 2014-15. The District gave a pay increase of 3% of midpoint for staff for 2015-16. The employer insurance contribution increased by \$192 to \$4,092 per year for all employees participating in the health insurance program. The District is considered a Chapter 41 district and paid \$451,664 state recapture in 2015-16, a slight increase from 2014-15.

The District expects an increase of over 11% or \$860 million in taxable value for the 2016 tax year. The large growth in tax collections means the District will see a significant increase in state recapture payment for the 2016-17 fiscal year. The local property tax revenue will continue to rise by almost \$9 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, 2016

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and temporary investments	\$ 194,276,751
Receivables:	
Property taxes - delinquent	2,671,160
Allowance for uncollectible taxes	(53,423)
Due from other governments	6,972,723
Other	258,680
Inventory	60,029
Prepaid items	258
Capital assets (net of accumulated depreciation):	
Land	11,912,715
Construction in progress	13,066,094
Buildings and improvements	226,527,804
Furniture and equipment	3,682,929
Total assets	<u>459,375,720</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	5,162,909
Pension contributions after measurement date	1,487,347
Deferred outflows related to pension liability	<u>8,879,460</u>
Total deferred outflows of resources	<u>15,529,716</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	3,494,567
Payroll deductions and withholdings payable	48,843
Accrued wages payable	8,293,962
Bond interest payable	5,103,669
Bonds payable	13,170,000
Due to fiduciary funds	805,114
Unearned revenue	484,289
Noncurrent liabilities:	
Bonds payable	345,829,150
Accretion payable	335,399
Net pension liability	<u>20,570,875</u>
Total liabilities	<u>398,135,868</u>
DEFERRED INFLOWS OF RESOURCES-	
Deferred inflows related to pension liability	<u>1,526,467</u>
NET POSITION:	
Net investment in capital assets	39,211,359
Restricted for:	
Debt service	20,192,632
Food service	103,069
Unrestricted	<u>15,736,041</u>
Total net position	<u>\$ 75,243,101</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 63,345,183	974,978	9,598,942	(52,771,263)
Instructional resources and media services	1,324,941	-	76,877	(1,248,064)
Curriculum and staff development	1,730,825	-	573,649	(1,157,176)
Instructional leadership	2,114,900	-	235,890	(1,879,010)
School leadership	6,678,278	-	683,518	(5,994,760)
Guidance, counseling, and evaluation services	3,628,651	-	546,291	(3,082,360)
Social work services	475,900	-	119,043	(356,857)
Health services	1,269,378	-	139,333	(1,130,045)
Student transportation	4,320,343	-	270,474	(4,049,869)
Food services	6,274,654	1,771,543	3,769,591	(733,520)
Extracurricular activities	4,189,600	412,930	146,234	(3,630,436)
General administration	3,409,523	316,606	208,418	(2,884,499)
Facilities maintenance and operations	11,690,503	-	652,785	(11,037,718)
Security and monitoring services	282,037	-	1,052	(280,985)
Data processing services	2,514,605	-	88,601	(2,426,004)
Community services	675,862	-	117,695	(558,167)
Debt service	10,120,697	-	578,931	(9,541,766)
Contracted instructional services				
between public schools	451,664	-	-	(451,664)
Payments to juvenile justice alternative				
education programs	198,056	-	-	(198,056)
Other intergovernmental charges	703,759	-	-	(703,759)
	<u>\$ 125,399,359</u>	<u>3,476,057</u>	<u>17,807,324</u>	<u>(104,115,978)</u>
General revenues:				
Property taxes levied for general purposes				\$ 77,347,437
Property taxes levied for debt service				22,776,421
State aid-formula grants				12,533,809
Investment earnings				462,276
Miscellaneous				347,390
				<u>113,467,333</u>
				Change in net position 9,351,355
				Net position - beginning <u>65,891,746</u>
				Net position - ending <u>\$ 75,243,101</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and temporary investments	\$ 29,949,167	24,772,374	139,497,219	57,991	194,276,751
Receivables:					
Property taxes - delinquent	2,084,006	587,154	-	-	2,671,160
Allowance for uncollectible taxes	(41,680)	(11,743)	-	-	(53,423)
Due from other governments	5,511,326	-	-	1,461,397	6,972,723
Due from other funds	1,142,444	52,479	123,963	1,316,344	2,635,230
Other	224,947	-	-	33,733	258,680
Inventory	8,245	-	-	51,784	60,029
Prepaid items	258	-	-	-	258
Total assets	\$ 38,878,713	25,400,264	139,621,182	2,921,249	206,821,408
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 1,598,466	-	1,763,124	132,977	3,494,567
Bond interest payable	-	1,881	-	-	1,881
Payroll deductions and withholdings payable	48,843	-	-	-	48,843
Accrued wages payable	7,730,576	-	-	563,386	8,293,962
Due to other funds	2,193,937	103,963	-	1,142,444	3,440,344
Unearned revenue	4,490	-	-	479,799	484,289
Total liabilities	11,576,312	105,844	1,763,124	2,318,606	15,763,886
Deferred inflows of resources -					
Deferred revenue - property taxes	1,149,902	313,025	-	-	1,462,927
Fund balances:					
Nonspendable:					
Inventory	8,245	-	-	-	8,245
Prepaid items	258	-	-	-	258
Restricted for:					
Debt service	-	24,981,395	-	-	24,981,395
Authorized construction	-	-	137,858,058	-	137,858,058
Food service	-	-	-	103,069	103,069
Committed to-					
Campus activities	-	-	-	345,020	345,020
Assigned to:					
Local grants	-	-	-	40,145	40,145
SSA - JJAEP	-	-	-	114,409	114,409
Land and capital improvements	5,000,000	-	-	-	5,000,000
Approved purchase orders	100,904	-	-	-	100,904
Unassigned	21,043,092	-	-	-	21,043,092
Total fund balances	26,152,499	24,981,395	137,858,058	602,643	189,594,595
Total liabilities, deferred inflows of resources and fund balances	\$ 38,878,713	25,400,264	139,621,182	2,921,249	

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.	\$ 255,189,542
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,462,927
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 and contractual obligations payable, including premiums	(358,999,150)
Less: Deferred charges on refundings	5,162,909
Interest payable	(5,101,788)
Accretion payable	(335,399)
Net pension liability	(20,570,875)
Pension contributions after measurement date	1,487,347
Deferred outflows related to pension liability	8,879,460
Deferred inflows related to pension liability	(1,526,467)
Net position of governmental activities	\$ 75,243,101

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, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 79,126,668	22,886,866	305,715	3,429,171	105,748,420
State program revenues	16,891,390	578,931	-	1,095,935	18,566,256
Federal program revenues	1,603,989	-	-	7,145,034	8,749,023
Total revenues	<u>97,622,047</u>	<u>23,465,797</u>	<u>305,715</u>	<u>11,670,140</u>	<u>133,063,699</u>
EXPENDITURES:					
Current:					
Instruction	50,949,546	-	-	4,769,009	55,718,555
Instructional resources and media services	1,006,315	-	-	-	1,006,315
Curriculum and staff development	1,188,168	-	-	497,664	1,685,832
Instructional leadership	1,935,464	-	-	97,776	2,033,240
School leadership	5,987,243	-	-	223,320	6,210,563
Guidance, counseling, and evaluation services	3,171,703	-	-	324,464	3,496,167
Social work services	366,985	-	-	93,070	460,055
Health services	1,145,001	-	-	42,426	1,187,427
Student transportation	3,753,313	-	675,609	-	4,428,922
Food services	-	-	-	5,615,446	5,615,446
Extracurricular activities	2,999,521	-	-	-	2,999,521
General administration	3,212,716	-	-	46,537	3,259,253
Facilities maintenance and operations	11,266,774	-	-	-	11,266,774
Security and monitoring services	281,190	-	-	-	281,190
Data processing services	2,607,135	-	-	2,640	2,609,775
Community services	558,515	-	-	70,674	629,189
Debt service	-	17,010,541	1,105,168	-	18,115,709
Facilities acquisition and construction	484,971	-	13,430,995	-	13,915,966
Contracted instructional services between public schools	451,664	-	-	-	451,664
Payments to juvenile justice alternative education programs	198,056	-	-	-	198,056
Other intergovernmental charges	703,759	-	-	-	703,759
Total expenditures	<u>92,268,039</u>	<u>17,010,541</u>	<u>15,211,772</u>	<u>11,783,026</u>	<u>136,273,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,354,008</u>	<u>6,455,256</u>	<u>(14,906,057)</u>	<u>(112,886)</u>	<u>(3,209,679)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of property	31,203	-	-	-	31,203
Insurance recovery	21,550	-	-	-	21,550
Issuance of bonds	-	2,829,227	132,630,773	-	135,460,000
Issuance of refunding bonds	-	16,940,000	-	-	16,940,000
Premium on sale of bonds	-	281,882	18,679,557	-	18,961,439
Payment to refunded bond escrow agent	-	(17,095,000)	-	-	(17,095,000)
Total other financing sources, net	<u>52,753</u>	<u>2,956,109</u>	<u>151,310,330</u>	<u>-</u>	<u>154,319,192</u>
Net change in fund balances	5,406,761	9,411,365	136,404,273	(112,886)	151,109,513
Fund balances - beginning	20,745,738	15,570,030	1,453,785	715,529	38,485,082
Fund balances - ending	<u>\$ 26,152,499</u>	<u>24,981,395</u>	<u>137,858,058</u>	<u>602,643</u>	<u>189,594,595</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, 2016

Net change in fund balances-total governmental funds	\$ 151,109,513
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlay	14,769,806
Depreciation expense	(8,251,278)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred tax revenue	(242,106)
<p>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.</p>	
Bond proceeds, including premiums	(171,361,439)
Repayment of bond principal	8,690,000
Payment to refunded bond escrow agent	17,095,000
<p>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.</p>	
Change in bond interest payable	(1,901,305)
Amortization of bond premiums	1,946,427
Amortization of deferred charges on bond refundings	(731,073)
Change in accretion payable	(9,037)
Pension contributions made before the measurement date	275,194
Pension contributions made after the measurement date	1,487,347
Adjustment for ending deferred inflows and outflows related to net pension liability	(3,525,694)
Change in net position of governmental activities	\$ 9,351,355

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, 2016

	<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	\$ 78,473,880	78,514,994	79,126,668	611,674
State program revenues	11,563,314	16,164,837	16,891,390	726,553
Federal program revenues	1,215,000	1,473,628	1,603,989	130,361
Total revenues	<u>91,252,194</u>	<u>96,153,459</u>	<u>97,622,047</u>	<u>1,468,588</u>
EXPENDITURES:				
Current:				
Instruction	50,172,645	51,478,231	50,949,546	528,685
Instructional resources and media services	1,006,254	1,041,410	1,006,315	35,095
Curriculum and staff development	1,020,729	1,248,086	1,188,168	59,918
Instructional leadership	2,066,083	2,016,517	1,935,464	81,053
School leadership	5,822,794	6,027,180	5,987,243	39,937
Guidance, counseling, and evaluation services	3,135,140	3,184,512	3,171,703	12,809
Social work services	26,777	410,002	366,985	43,017
Health services	1,140,017	1,231,810	1,145,001	86,809
Student transportation	3,571,025	4,217,086	3,753,313	463,773
Extracurricular activities	2,998,878	3,273,623	2,999,521	274,102
General administration	3,262,666	3,322,698	3,212,716	109,982
Facilities maintenance and operations	11,497,689	11,803,017	11,266,774	536,243
Security and monitoring services	322,500	324,613	281,190	43,423
Data processing services	2,674,751	2,839,297	2,607,135	232,162
Community services	552,585	586,259	558,515	27,744
Facilities acquisition and construction	500,000	500,000	484,971	15,029
Contracted instructional services between public schools	498,461	300,000	451,664	(151,664)
Payments to juvenile justice alternative education programs	300,000	198,056	198,056	-
Other intergovernmental charges	718,200	718,200	703,759	14,441
Total expenditures	<u>91,287,194</u>	<u>94,720,597</u>	<u>92,268,039</u>	<u>2,452,558</u>
Excess of revenues over expenditures	<u>(35,000)</u>	<u>1,432,862</u>	<u>5,354,008</u>	<u>3,921,146</u>
OTHER FINANCING SOURCES:				
Proceeds from sale of property	35,000	48,000	31,203	(16,797)
Insurance recovery	-	-	21,550	21,550
Total other financing sources	<u>35,000</u>	<u>48,000</u>	<u>52,753</u>	<u>4,753</u>
Net change in fund balance	-	1,480,862	5,406,761	3,925,899
Fund balance - beginning	<u>20,745,738</u>	<u>20,745,738</u>	<u>20,745,738</u>	<u>-</u>
Fund balance - ending	<u>\$ 20,745,738</u>	<u>22,226,600</u>	<u>26,152,499</u>	<u>3,925,899</u>

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, 2016

ASSETS:

Cash and temporary investments	\$ 351,980
Due from other funds	<u>805,114</u>
Total assets	<u><u>\$ 1,157,094</u></u>

LIABILITIES-

Accounts payable	<u>\$ 1,157,094</u>
Total liabilities	<u><u>\$ 1,157,094</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, 2016

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 Statement No. 14 of 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 District has no business-type activities.

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 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. 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, 2) operating grants and contributions, and 3) capital 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 balances are 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.

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.

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. The contracted instructional services between public schools function in the General Fund exceeded the budgeted amounts by \$151,664 for the year ended June 30, 2016. The food services function in the Food Service Fund exceeded the budgeted amounts by \$524 for the year ended June 30, 2016.

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, 2016 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, which are 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 governmental activities column 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.

Fair Value Measurements - The District adopted 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.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended June 30, 2016.

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.

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, 2016, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$2,496,961 and the bank balance was \$4,410,209.

The District's deposits with financial institutions at June 30, 2016 and during the year ended June 30, 2016 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 and East West Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$18,062,139.
- c) Largest cash, savings and time deposit combined account balance amounted to \$13,782,097 and occurred during the month of May 2016.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$533,013.

Investments held at June 30, 2016 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool/TexPool Prime	\$ 182,997,971	1	AAAm
Lone Star	111,025	1	AAAm
Money market account-			
East West Bank - MM	<u>9,022,774</u>	1	N/A
Total	<u>\$ 192,131,770</u>		

The District had investments in two external local government investment pools at June 30, 2016: 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.

Credit Risk - At June 30, 2016, 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, 2016, 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, 2016, over 95% of the District's investments were in local government investment pools.

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, 2016, 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, 2015, upon which the October 2015 levy was based, was \$7,468,411,433. The District levied taxes based on a combined tax rate of \$1.398 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, 2016, the District was required to pay \$451,664 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, 2016.

	General Fund	Nonmajor Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
State entitlements	\$ 5,511,326	-	5,511,326
Federal and state grants	-	1,461,397	1,461,397
Total	<u>\$ 5,511,326</u>	<u>1,461,397</u>	<u>6,972,723</u>

5. INTERFUND RECEIVABLES AND PAYABLES

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, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,142,444
Debt Service Fund	General Fund	52,479
Capital Projects Fund	Debt Service Fund	103,963
Capital Projects Fund	General Fund	20,000
Nonmajor Governmental Funds	General Fund	1,316,344
Fiduciary Fund	General Fund	805,114
Total		<u>\$ 3,440,344</u>

6. UNEARNED REVENUE

At June 30, 2016, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	479,799	479,799
Other	4,490	-	4,490
Total	<u>\$ 4,490</u>	<u>479,799</u>	<u>484,289</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,907,298	5,417	-	11,912,715
Construction in progress	<u>18,618,530</u>	<u>14,006,938</u>	<u>(19,559,374)</u>	<u>13,066,094</u>
Total capital assets, not being depreciated	<u>30,525,828</u>	<u>14,012,355</u>	<u>(19,559,374)</u>	<u>24,978,809</u>
Capital assets, being depreciated:				
Buildings and improvements	290,122,079	19,846,517	-	309,968,596
Furniture and equipment	<u>10,427,156</u>	<u>470,308</u>	<u>-</u>	<u>10,897,464</u>
Total capital assets being depreciated	<u>300,549,235</u>	<u>20,316,825</u>	<u>-</u>	<u>320,866,060</u>
Less accumulated depreciation for:				
Buildings and improvements	(75,748,876)	(7,691,916)	-	(83,440,792)
Furniture and equipment	<u>(6,655,173)</u>	<u>(559,362)</u>	<u>-</u>	<u>(7,214,535)</u>
Total accumulated depreciation	<u>(82,404,049)</u>	<u>(8,251,278)</u>	<u>-</u>	<u>(90,655,327)</u>
Total capital assets, being depreciated, net	<u>218,145,186</u>	<u>12,065,547</u>	<u>-</u>	<u>230,210,733</u>
Governmental activities capital assets, net	<u>\$ 248,671,014</u>	<u>26,077,902</u>	<u>(19,559,374)</u>	<u>255,189,542</u>

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

Governmental activities:

Instruction	\$ 5,325,663
Instructional resources and media services	274,423
School leadership	188,239
Health services	26,674
Student transportation	410,633
Food services	659,208
Extracurricular activities	1,104,145
General administration	51,934
Facilities maintenance and operations	156,454
Data processing services	34,013
Community services	<u>19,892</u>
Total depreciation expense - governmental activities	<u><u>\$ 8,251,278</u></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, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on refundings	<u>\$ 5,893,982</u>	<u>-</u>	<u>(731,073)</u>	<u>5,162,909</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 201,390,000	152,400,000	(25,785,000)	328,005,000
Premiums on bonds	<u>13,979,138</u>	<u>18,961,439</u>	<u>(1,946,427)</u>	<u>30,994,150</u>
Total debt payable - principal	215,369,138	171,361,439	(27,731,427)	358,999,150
Accretion on capital appreciation bonds	<u>326,362</u>	<u>9,037</u>	<u>-</u>	<u>335,399</u>
Total debt payable	<u><u>\$ 215,695,500</u></u>	<u><u>171,370,476</u></u>	<u><u>(27,731,427)</u></u>	<u><u>359,334,549</u></u>

Bonded debt consists of the following at June 30, 2016:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-16	Due Within One Year
2010	5-19-10	\$ 1,830,000	2022	2.00 - 3.38%	\$ 1,215,000	\$ 190,000
2011	1-27-11	88,325,000	2035	2.00 - 5.00%	85,655,000	1,375,000
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	1,890,000	300,000
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%	58,765,000	2,275,000
2013-B	2-20-13	12,555,000	2020	0.44 - 3.00%	6,110,000	1,460,000
2013-C	12-18-13	18,365,000	2035	3.50 - 6.50%	18,365,000	-
2014	12-11-14	7,175,000	2017	0.87%	3,575,000	3,575,000
2015	7-23-15	5,000,000	2019	1.50 - 2.25%	5,000,000	3,995,000
2016-A	2-4-16	90,715,000	2040	3.00 - 5.00%	90,715,000	-
2016-B	2-25-16	39,745,000	2042	2.50 - 8.00%	39,745,000	-
Total		<u>\$ 361,875,000</u>			<u>\$ 328,005,000</u>	<u>\$ 13,170,000</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 2015 was \$0.318.

On July 23, 2015, the District issued \$5,000,000 in Unlimited Tax School Building Bonds, Series 2015, for the acquisition, construction, renovation and equipment of school facilities in the District, including a new elementary school, new middle school and land for future facilities. The net proceeds of \$5,037,260 (after payment of \$58,702 in underwriting fees, insurance, and other issuance costs) were used for the following: \$5,000,000 was invested by the District to fund future construction and \$37,260 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

On August 3, 2015, the District remarketed \$16,940,000 of its Series 2012 Unlimited Tax Refunding Bonds in order to lower its overall debt service requirements. Due to the remarketing, the District will achieve an average annual savings of \$508,200 in each of the 2015-16, 2016-17 and 2017-18 fiscal years. The net proceeds of \$24,241 (after payment of \$104,343 in underwriting fees, insurance, and other issuance costs) were deposited in the Debt Service Fund for accrued interest and bond issuance costs.

On February 4, 2016, the District issued \$90,715,000 in Unlimited Tax School Building Bonds, Series 2016-A, 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 related to the Bonds. The net proceeds of \$107,665,360 (after payment of \$666,637 in underwriting fees, insurance, and other issuance costs) were used for the following: \$105,200,000 was invested by the District to fund future construction and \$2,465,360 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

On February 25, 2016, the District issued \$39,745,000 in Variable Rate Unlimited Tax School Building Bonds, Series 2016-B, 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 related to the Bonds. The net proceeds of \$40,501,979 (after payment of \$209,620 in underwriting fees, insurance, and other issuance costs) were used for the following: \$40,000,000 was invested by the District to fund future construction and \$501,979 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, 2016, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 13,170,000	13,263,864	26,433,864
2018	11,360,000	13,217,038	24,577,038
2019	11,385,000	13,276,438	24,661,438
2020	11,205,000	13,078,576	24,283,576
2021	9,710,000	12,684,150	22,394,150
2022 - 2026	55,315,000	56,709,469	112,024,469
2027 - 2031	57,290,000	44,211,159	101,501,159
2032 - 2036	74,595,000	27,776,022	102,371,022
2037 - 2041	68,425,000	10,991,250	79,416,250
2042	15,550,000	311,000	15,861,000
Total	<u>\$ 328,005,000</u>	<u>205,518,964</u>	<u>533,523,964</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 2.50% from the initial delivery date through July 31, 2017. 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, 2016, \$38,400,000 of general obligation bonds authorized by the voters of the District had not 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 Assistant Superintendent for Business and Operations.

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, 2016, 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	\$ 77,262,222	22,748,628	-	-	100,010,850
Food service	-	-	-	1,771,543	1,771,543
Investment income	102,602	58,437	301,237	-	462,276
Penalties, interest, and other tax related income	275,313	79,801	-	-	355,114
Tuition and fees from patrons	488,664	-	-	-	488,664
Co-curricular student activities	412,930	-	-	-	412,930
Other	584,937	-	4,478	1,657,628	2,247,043
Total	<u>\$ 79,126,668</u>	<u>22,886,866</u>	<u>305,715</u>	<u>3,429,171</u>	<u>105,748,420</u>

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.

	2015	2016
Contribution Rates:		
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 1,762,541
2015 Member Contributions		\$ 4,717,353
2015 NECE On-behalf Contributions		\$ 3,547,527

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
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, 2015 are summarized below:

	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 2015 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	\$ 32,230,684	\$ 20,570,875	\$ 10,858,979

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

At June 30, 2016, the District reported a liability of \$20,570,875 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	\$ 20,570,875
State's proportionate share that is associated with the District	<u>42,337,506</u>
Total	<u><u>\$ 62,908,381</u></u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0582% which was an increase of 0.0233% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$9,558,107 and revenue of \$6,032,413 for support provided by the State.

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 119,814	\$ 790,557
Changes in actuarial assumptions	503,580	733,879
Difference between projected and actual investment earnings	2,930,789	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,325,277	2,031
Contributions paid to TRS subsequent to the measurement date	<u>1,487,347</u>	<u>-</u>
Total	<u>\$ 10,366,807</u>	<u>\$ 1,526,467</u>

The \$1,487,347 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, 2017. 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:	
2017	\$ 1,324,412
2018	1,324,412
2019	1,324,412
2020	2,036,198
2021	762,189
Thereafter	581,370

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, 2016, reimbursements of \$201,536 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 2014-2016.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$ 430,788	1.0%	\$ 662,751	.55%	\$ 364,513
2015	.65%	416,759	1.0%	641,168	.55%	352,643
2014	.65%	401,703	1.0%	618,004	.55%	339,902

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, 2016, 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	\$ 430,481
Georgetown ISD	198,056
Taylor ISD	172,193
Leander ISD	167,940
Hutto ISD	67,360
Liberty Hill ISD	48,164
Florence ISD	40,922
Jarrell ISD	22,300
Granger ISD	1,380
Thrall ISD	690
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, 2016, 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, 2016, the District is also committed under construction contracts with a remaining balance of \$137,169,599.

**REQUIRED
SUPPLEMENTARY INFORMATION**

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
6/30/2016**

	2015*	2014*	2013*
District's proportion of the net pension liability	\$ 0.0582%	0.0349%	0.0349%
District's proportionate share of the net pension liability	20,570,875	9,315,328	11,438,456
State's proportionate share of the net pension liability associated with the District	<u>42,337,506</u>	<u>36,251,770</u>	<u>44,500,569</u>
Total	<u>\$ 62,908,381</u>	<u>45,567,098</u>	<u>55,939,025</u>
District's covered-employee payroll (for Measurement Year)	\$ 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	31.88%	14.98%	19.07%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 1,762,541	\$ 1,584,974	\$ 866,551	\$ 765,336	\$ 838,979
Contributions in relation to the contractual required contributions	<u>1,762,541</u>	<u>1,584,974</u>	<u>866,551</u>	<u>765,336</u>	<u>838,979</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 66,275,061	64,116,844	61,800,442	60,202,270	63,495,301
Contributions as a percentage of covered payroll	2.66%	2.47%	1.40%	1.27%	1.32%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 1,042,257	\$ 924,823	\$ 814,736	\$ 715,611	\$ 549,412
Contributions in relation to the contractual required contributions	<u>1,042,257</u>	<u>924,823</u>	<u>814,736</u>	<u>715,611</u>	<u>549,412</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 68,245,394	65,925,611	62,127,279	58,418,811	53,391,318
Contributions as a percentage of covered payroll	1.53%	1.40%	1.31%	1.22%	1.03%

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

1. CHANGE IN ASSUMPTIONS

The following are the summary of changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- There were small adjustments in the service-based promotion/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.
- The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees.
- Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.
- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	211	224	225	240	244	255	263
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	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	372,330	814,684	5,093	62,975	12,679	19,652	46,961
Due from other funds	-	-	-	319,740	-	-	-
Other	-	-	-	33,432	-	171	-
Inventory	-	-	-	51,784	-	-	-
Total assets	<u>\$ 372,330</u>	<u>814,684</u>	<u>5,093</u>	<u>469,431</u>	<u>12,679</u>	<u>19,823</u>	<u>46,961</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ 6,830	14,077	-	73,821	7,008	2,443	377
Accrued wages payable	84,838	122,899	2,073	240,757	-	-	-
Due to other funds	280,662	677,708	3,020	-	5,671	17,380	46,584
Unearned revenue	-	-	-	51,784	-	-	-
Total liabilities	<u>372,330</u>	<u>814,684</u>	<u>5,093</u>	<u>366,362</u>	<u>12,679</u>	<u>19,823</u>	<u>46,961</u>
Fund balances:							
Restricted	-	-	-	103,069	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 372,330</u>	<u>814,684</u>	<u>5,093</u>	<u>469,431</u>	<u>12,679</u>	<u>19,823</u>	<u>46,961</u>

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2016

	289	385	397	410	459	461	499	
	Grants for State Assessments and Related Activities	State Supplemental Visually	Advanced Placement	State Instructional Materials	SSA JJAEP	Campus Activity	Local Grants	Total Special Revenue Funds
Assets:								
Cash and temporary investments	\$ -	-	-	-	-	56,491	-	57,991
Receivables:								
Due from other governments	-	3,931	-	123,092	-	-	-	1,461,397
Due from other funds	-	-	-	-	655,315	299,818	41,471	1,316,344
Other	-	-	-	-	-	130	-	33,733
Inventory	-	-	-	-	-	-	-	51,784
Total assets	<u>\$ -</u>	<u>3,931</u>	<u>-</u>	<u>123,092</u>	<u>655,315</u>	<u>356,439</u>	<u>41,471</u>	<u>2,921,249</u>
Liabilities and fund balances:								
Liabilities:								
Accounts payable	\$ -	-	-	15,604	72	11,419	1,326	132,977
Accrued wages payable	-	-	-	-	112,819	-	-	563,386
Due to other funds	-	3,931	-	107,488	-	-	-	1,142,444
Unearned revenue	-	-	-	-	428,015	-	-	479,799
Total liabilities	<u>-</u>	<u>3,931</u>	<u>-</u>	<u>123,092</u>	<u>540,906</u>	<u>11,419</u>	<u>1,326</u>	<u>2,318,606</u>
Fund balances:								
Restricted	-	-	-	-	-	-	-	103,069
Committed	-	-	-	-	-	345,020	-	345,020
Assigned	-	-	-	-	114,409	-	40,145	154,554
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,409</u>	<u>345,020</u>	<u>40,145</u>	<u>602,643</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>3,931</u>	<u>-</u>	<u>123,092</u>	<u>655,315</u>	<u>356,439</u>	<u>41,471</u>	<u>2,921,249</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2016

	211	224	225	240	244	255	263
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants
Revenues:							
Local and intermediate sources	\$ -	-	-	1,771,543	-	-	-
State program revenues	-	-	-	24,846	-	-	-
Federal program revenues	1,447,330	1,484,439	14,834	3,744,744	89,119	213,277	140,160
Total revenues	1,447,330	1,484,439	14,834	5,541,133	89,119	213,277	140,160
Expenditures:							
Instruction	1,140,391	1,155,457	14,834	-	63,749	7,225	56,218
Curriculum and staff development	202,178	-	-	-	-	206,052	83,232
Instructional leadership	70,704	1,541	-	-	25,370	-	161
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	275,146	-	-	-	-	-
Social work services	16,727	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Food services	-	-	-	5,615,446	-	-	-
General administration	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-
Community services	17,330	52,295	-	-	-	-	549
Total expenditures	1,447,330	1,484,439	14,834	5,615,446	89,119	213,277	140,160
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(74,313)	-	-	-
Fund balances - beginning	-	-	-	177,382	-	-	-
Fund balances - ending	\$ -	-	-	103,069	-	-	-

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2016

	289	385	397	410	459	461	499	
	Grants for State Assessments and Related Activities	State Supplemental Visually	Advanced Placement	State Instructional Materials	SSA JJAEP	Campus Activity	Local Grants	Total Special Revenue Funds
Revenues:								
Local and intermediate sources	\$ -	-	-	-	1,149,486	470,242	37,900	3,429,171
State program revenues	-	3,931	5,850	1,061,308	-	-	-	1,095,935
Federal program revenues	11,131	-	-	-	-	-	-	7,145,034
Total revenues	11,131	3,931	5,850	1,061,308	1,149,486	470,242	37,900	11,670,140
Expenditures:								
Instruction	11,131	3,931	-	1,061,308	775,432	468,216	11,117	4,769,009
Curriculum and staff development	-	-	5,850	-	352	-	-	497,664
Instructional leadership	-	-	-	-	-	-	-	97,776
School leadership	-	-	-	-	223,320	-	-	223,320
Guidance, counseling and evaluation services	-	-	-	-	49,318	-	-	324,464
Social work services	-	-	-	-	76,343	-	-	93,070
Health services	-	-	-	-	42,426	-	-	42,426
Food services	-	-	-	-	-	-	-	5,615,446
General administration	-	-	-	-	25,000	21,537	-	46,537
Data processing services	-	-	-	-	2,640	-	-	2,640
Community services	-	-	-	-	-	-	500	70,674
Total expenditures	11,131	3,931	5,850	1,061,308	1,194,831	489,753	11,617	11,783,026
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(45,345)	(19,511)	26,283	(112,886)
Fund balances - beginning	-	-	-	-	159,754	364,531	13,862	715,529
Fund balances - ending	\$ -	-	-	-	114,409	345,020	40,145	602,643

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, 2016

	<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	\$ 22,699,687	22,744,687	22,886,866	142,179
State program revenues	-	578,931	578,931	-
Total revenues	<u>22,699,687</u>	<u>23,323,618</u>	<u>23,465,797</u>	<u>142,179</u>
EXPENDITURES-				
Debt service	<u>18,728,250</u>	<u>17,046,620</u>	<u>17,010,541</u>	<u>36,079</u>
Total expenditures	<u>18,728,250</u>	<u>17,046,620</u>	<u>17,010,541</u>	<u>36,079</u>
Excess of revenues over expenditures	3,971,437	6,276,998	6,455,256	178,258
OTHER FINANCING SOURCES (USES):				
Issuance of bonds	-	2,829,227	2,829,227	-
Issuance of refunding bonds	-	17,222,001	16,940,000	(282,001)
Premium on sale of bonds	-	-	281,882	281,882
Payment to refunding bond escrow agent	-	(17,095,000)	(17,095,000)	-
Total other financing sources, net	-	2,956,228	2,956,109	(119)
Net change in fund balance	3,971,437	9,233,226	9,411,365	178,139
Fund balance - beginning	<u>15,570,030</u>	<u>15,570,030</u>	<u>15,570,030</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,541,467</u>	<u>24,803,256</u>	<u>24,981,395</u>	<u>178,139</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, 2016

	<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	\$ 1,861,539	1,759,540	1,771,543	12,003
State program revenues	26,000	24,850	24,846	(4)
Federal program revenues	3,653,625	3,691,430	3,744,744	53,314
Total revenues	<u>5,541,164</u>	<u>5,475,820</u>	<u>5,541,133</u>	<u>65,313</u>
EXPENDITURES-				
Food services	<u>5,541,164</u>	<u>5,614,922</u>	<u>5,615,446</u>	<u>(524)</u>
Total expenditures	<u>5,541,164</u>	<u>5,614,922</u>	<u>5,615,446</u>	<u>(524)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(139,102)</u>	<u>(74,313)</u>	<u>64,789</u>
Fund balance - beginning	<u>177,382</u>	<u>177,382</u>	<u>177,382</u>	<u>-</u>
Fund balance - ending	<u>\$ 177,382</u>	<u>38,280</u>	<u>103,069</u>	<u>64,789</u>

OTHER SCHEDULES

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2016

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2016
	Maintenance	Debt Service							
2007 and prior	Various	Various	\$ -	\$ 179,967	-	556	104	(12,227)	167,080
2008	1.0400	0.2500	4,543,813,023	42,808	-	514	124	-	42,170
2009	1.0400	0.2500	5,121,312,943	55,448	-	6,358	1,528	-	47,562
2010	1.0400	0.2500	5,222,131,705	101,933	-	9,403	2,260	(1,954)	88,316
2011	1.0400	0.2500	5,301,848,322	117,709	-	4,467	1,074	(9,367)	102,801
2012	1.0400	0.3180	5,478,150,116	131,024	-	8,664	2,649	(1,210)	118,501
2013	1.0800	0.3180	5,758,004,414	151,302	-	21,002	6,184	2,936	127,052
2014	1.0800	0.3180	6,009,212,317	187,970	-	27,992	8,242	181	151,917
2015	1.0800	0.3180	6,715,741,558	1,664,737	-	1,031,595	303,747	(95,783)	233,612
2016	1.0800	0.3180	7,468,411,433	-	99,377,539	75,935,883	22,358,899	509,392	1,592,149
Totals				\$ 2,632,898	99,377,539	77,046,434	22,684,811	391,968	2,671,160

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of June 30, 2016

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.	\$ 335,399
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 20,570,875
SF13	Pension Expense (6147) at fiscal year-end.	\$ 9,558,107

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control Over Financial Reporting

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

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

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002.

The District's Response to Findings

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

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
October 17, 2016



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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, 2016. 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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
October 17, 2016

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
15610101246904	Title I Grants to Local Educational Agencies	84.010A	\$ 36,862
16610101246904	Title I Grants to Local Educational Agencies	84.010A	1,269,747
16610103246904	Title I Grants to Local Educational Agencies	84.010A	140,721
	Total CFDA 84.010A		<u>1,447,330</u>
<u>Special Education Cluster:</u>			
156600012469046000	Special Education_Grants to States	84.027A	71,286
166600012469046000	Special Education_Grants to States	84.027A	1,413,153
	Total CFDA 84.027A		<u>1,484,439</u>
156610012469046000	Special Education_Preschool Grants	84.173A	586
166610012469046000	Special Education_Preschool Grants	84.173A	14,248
	Total CFDA 84.173A		<u>14,834</u>
	Total Special Education Cluster		<u>1,499,273</u>
16420006246904	Career and Technical Education - Basic Grants to States	84.048A	89,119
15694501246904	Improving Teacher Quality State Grants	84.367A	3,915
16694501246904	Improving Teacher Quality State Grants	84.367A	209,362
	Total CFDA 84.367A		<u>213,277</u>
15671001246904	English Language Acquisition State Grants	84.365A	667
16671001246904	English Language Acquisition State Grants	84.365A	139,493
	Total CFDA 84.365A		<u>140,160</u>
69551502	Grants for State Assessments and Related Activities	84.369A	11,131
<u>Passed Through Williamson County Tax Assessor:</u>			
(1)	Impact Aid	84.041	<u>16,801</u>
	TOTAL DEPARTMENT OF EDUCATION		<u>3,417,091</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Child Nutrition Cluster:</u>			
<u>Passed Through Texas Education Agency:</u>			
71301501	National School Lunch Program	10.555	363,824
71301601	National School Lunch Program	10.555	1,802,481
<u>Passed Through the Texas Department of Human Services-</u>			
71301601	Non-cash assistance - Food Distribution Program	10.555	333,654
	Total CFDA 10.555		<u>2,499,959</u>
71401501	School Breakfast Program	10.553	151,659
71401601	School Breakfast Program	10.553	707,044
	Total CFDA 10.553		<u>858,703</u>
	Total Child Nutrition Cluster		<u>3,358,662</u>
<u>Passed Through Texas Department of Agriculture-</u>			
16166TX332N1099	Child and Adult Care Food Program	10.558	385,962
55168246	State Administrative Expenses for Child Nutrition	10.560	120
	TOTAL DEPARTMENT OF AGRICULTURE		<u>3,744,744</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 7,161,835</u>

(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, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Georgetown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2016. 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, as applicable, either the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or 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, 2016

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-

Special Education Cluster 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
	Special Education Cluster:
84.027A	Special Education Grants to States
84.173A	Special Education Preschool Grants

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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

There were two findings required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2016. There were no findings required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2015.

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

2016-001

Criteria:	The District must amend the official budget before exceeding a functional expenditure category in the total District budget.
Condition /Context:	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.
Effect:	Noncompliance with legal requirements for school district budgets formulated by the State of Texas and the Texas Education Agency ("TEA").
Cause:	An updated calculation of the recapture payments expenditure was provided by TEA subsequent to year end. The District was not able to amend its budget in the General Fund prior to the end of the year based on the actual expenditures incurred due to the timing of this updated report.
Recommendations:	The District should monitor actual expenditures by function incurred during the year and amend budgeted expenditures by function as necessary by the end of the fiscal year.
Views of Responsible Officials and Planned Corrective Actions:	District management will implement procedures to ensure that recapture payments expenditure between schools is properly budgeted prior to the end of each fiscal year. Steve West, Chief Financial Officer, will develop and implement these procedures during fiscal year 2017. Contact: Steve West, Chief Financial Officer.

2016-002

- 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, 2016 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:

District management will implement procedures to ensure adequate spending on career and technical education programs. Steve West, Chief Financial Officer, will develop and implement these procedures during fiscal year 2017. Contact: Steve West, Chief Financial Officer.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2016 or in accordance with Section 510(a) of OMB Circular A-133 for the year ended June 30, 2015.