

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Santa Gertrudis Independent School District
Name of School District

Kleberg
County

137-904
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ___approved
- ___disapproved for the year ended August 31, 2016, at a meeting of the board of school trustees of such school district on the
___ day of _____, 2017.

Signature of Board Secretary

Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Santa Gertrudis Independent School District
P.O. Box 592
Kingsville, Texas 78364

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Santa Gertrudis Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Gertrudis Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of District's Proportionate Share of the Net Pension Liability (TRS) and Schedule of District Contributions to TRS as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules 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 my opinion, the combining and individual nonmajor fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

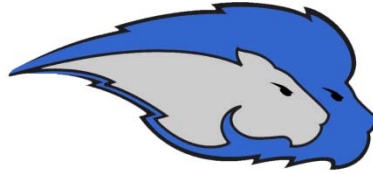
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 23, 2017, on my consideration of the District's internal control over financial reporting and on my 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 my 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.

Cameron L. Gulley
Certified Public Accountant

January 23, 2017

Santa Gertrudis
School
P.O. Box 592
Kingsville, TX 78364
(361) 592-7582
Fax: (361) 592-2836



Santa Gertrudis
Academy High School
MSC 183
Kingsville, TX 78363
(361) 592-0058
Fax: (361) 592-5335

Santa Gertrudis ISD
P.O. Box 592
Kingsville, TX 78364
(361) 592-3937
Fax: (361) 592-2836
www.sgisd.net

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Santa Gertrudis Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the net difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully

assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 16 and 17. The District excludes these resources from other financial statements because these assets cannot be used to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities decreased from \$10,150,885 to \$10,043,046. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$3,932,959 to \$3,425,135 due to the operating deficits for the year. Current and other assets decreased by \$500,159 related to cash and receivables. Capital assets decreased by \$185,847 due to depreciation expense in excess of asset additions. Long-term liabilities decreased by \$70,344 due to changes in unfunded net pension obligations less reductions in long-term debt. Other liabilities decreased by \$98,295 due to reduced accrued liabilities. Deferred resource outflows related to TRS net pension liabilities increased by \$395,427 and deferred resource inflows related to TRS net pension liabilities decreased by \$14,101.

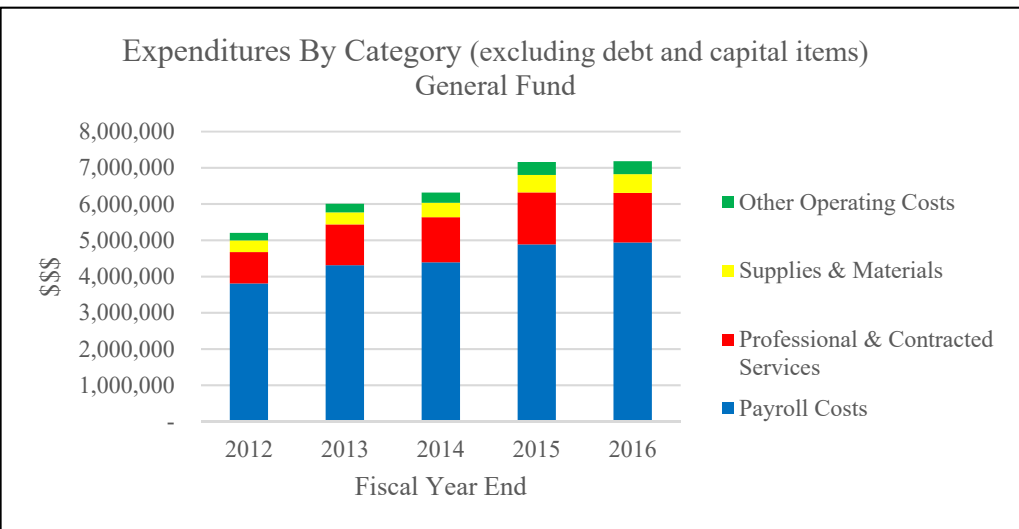
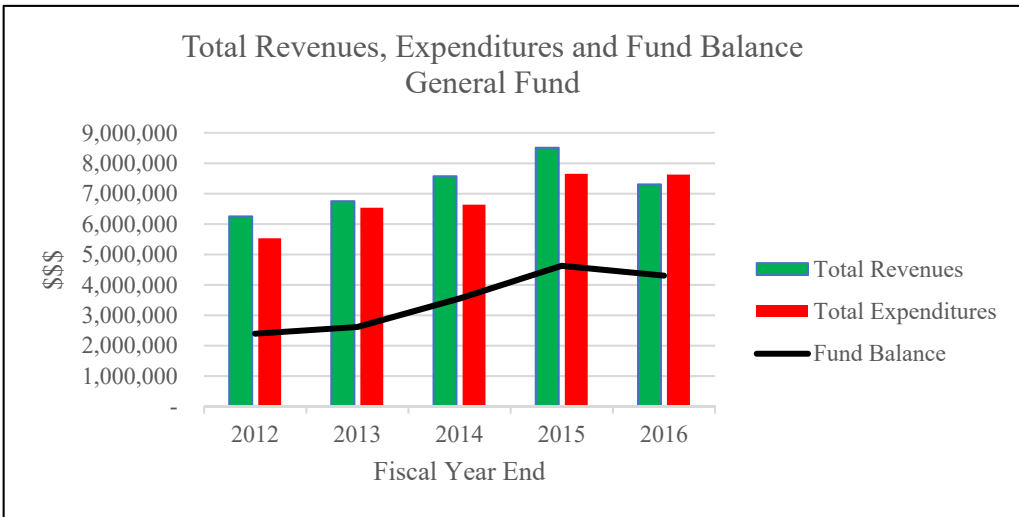
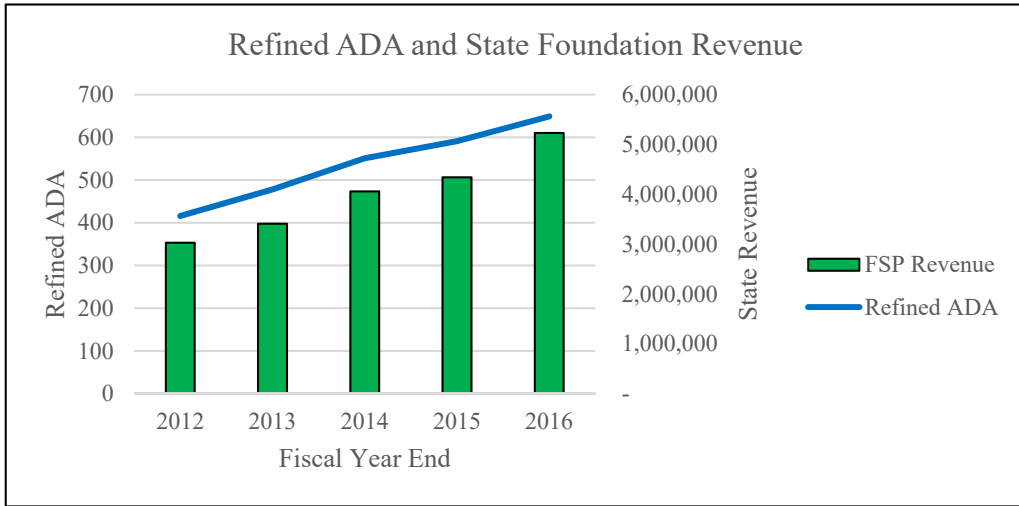
The District's total revenues were \$547,096 less than last year. Property tax revenues were 19% less than last year due to lower property valuations. State aid-formula grant revenues increased by \$467,432 due to Public Education Grant general revenues received this year but not last. Charges for services were \$1,002,354 less than last year due to loss of a tuition fee transfer program from another school district. Operating grants and contributions were higher predominantly due to \$352,000 in on-behalf revenues attributable to the accruals related to the TRS net pension liabilities.

Total expenses were \$751,622 more than last year. A significant portion of the total increase was related to the TRS pension benefit expenses accrued for the year which were over \$586,000 more than last year. Excluding the net increase related to the TRS pension benefits, total expenses were higher by approximately \$165,000 for the year and were reflected in the net variances for instruction, instructional and school leadership, student support services, and extra-curricular activities all due to net payroll cost increases for the year. Child nutrition expense increases were due to higher food costs. General administration expense increases were due to legal fees. Plant maintenance expenses were higher due to increased depreciation expense.

Table I Net Position			
	Governmental Activities 2016	Governmental Activities 2015	Variance Increase/ (Decrease)
Current and other assets	\$ 4,655,553	\$ 5,155,712	\$ (500,159)
Capital assets	10,782,498	10,968,345	(185,847)
Deferred resource outflows for TRS	562,113	166,686	395,427
Total assets and deferred resource outflows	16,000,164	16,290,743	(290,579)
Long-term liabilities	5,609,244	5,679,588	(70,344)
Other liabilities	144,910	243,205	(98,295)
Deferred resource inflows for TRS	202,964	217,065	(14,101)
Total liabilities and deferred resource inflows	5,957,118	6,139,858	(182,740)
Net position:			
Net investment in capital assets	6,382,498	5,985,326	397,172
Restricted for debt service and other	235,413	232,600	2,813
Unrestricted	3,425,135	3,932,959	(507,824)
Total net position	\$ 10,043,046	\$ 10,150,885	\$ (107,839)

Table II Changes in Net Position			
Revenues:			
Program Revenues:			
Charges for services	\$ 408,749	\$ 1,411,103	\$ (1,002,354)
Operating grants and contributions	1,020,941	589,075	431,866
General Revenues:			
Property taxes	2,150,260	2,664,534	(514,274)
State aid - formula grants	5,432,615	4,965,183	467,432
Other	42,473	(27,761)	70,234
Total Revenues	9,055,038	9,602,134	(547,096)
Expenses:			
Instruction, curriculum and media services	4,450,280	3,889,817	560,463
Instructional and school leadership	611,642	627,341	(15,699)
Student support services	442,840	528,152	(85,312)
Child nutrition	469,821	410,152	59,669
Extracurricular activities	805,119	726,985	78,134
General administration	454,429	423,095	31,334
Plant maintenance, security & data processing	1,708,925	1,547,266	161,659
Community service	19,321	24,224	(4,903)
Debt service	146,544	170,055	(23,511)
Other intergovernmental charges	53,956	64,168	(10,212)
Total Expenses	9,162,877	8,411,255	751,622
Increase (Decrease) in Net Position	(107,839)	1,190,879	(1,298,718)
Net Position - beginning of year	10,150,885	9,541,485	609,400
Prior period adjustment	0	(581,479)	581,479
Net Position - end of year	\$ 10,043,046	\$ 10,150,885	\$ (107,839)

The following charts depict trend information for the past five years.



THE DISTRICT’S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$4,610,508, a decrease of \$304,981 in the District’s Governmental Funds from last year’s fund balance of \$4,915,489. The primary reasons for the net decrease are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 whose impact is only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District’s budget several times during the year. The most significant amendments were for vehicle acquisitions for student transportation, band and athletic supplies in extra-curricular activities, roof repairs in plant maintenance and operations, and loan payoff in debt service.

The District’s General Fund balance of \$3,887,202 reported on pages 14 and 37 differs from the General Fund’s budgetary fund balance of \$517,848 reported in the budgetary comparison schedule on page 37 total expenditures being less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had \$14,482,346 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Assets capitalized during the year were:

Asset additions:	
King Ranch gym roof	\$ 54,000
School marquee	10,000
Activity bus	60,000
Ford F250 ag pickup	36,077
John Deere gator	7,695
Other miscellaneous equipment	62,452
Total asset additions	\$ 230,224

Debt

At year-end, the District had on outstanding long-term liability in the form of a general obligation bond that was obtained in order to finance a new elementary school. Annual payments due in 2017 will approximate \$654,000 to \$721,000 annually until fully retired in 2023. Outstanding debt compared to last year is as follows:

Type of Debt	2016	2015
General obligation bonds, series 2008	\$ 4,300,000	\$ 4,800,000
Tax anticipation note payable, series 2014	0	170,000
Total long-term debt	\$ 4,300,000	\$ 4,970,000

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2016-17 reflected tax rates at \$1.04 for maintenance and operations and \$0.3727 for debt service. General fund budgeted revenues at approximately \$7.54 million and expenditures at approximately \$7.31 million. Therefore, the District expects that its fund balance will increase to approximately \$4.5 million at August 31, 2017.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District’s business office at: Santa Gertrudis Independent School District, P.O. Box 592, Kingsville, Texas 78364.

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BASIC FINANCIAL STATEMENTS

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,786,993
1120 Current Investments	1,047,270
1220 Property Taxes Receivable (Delinquent)	23,890
1230 Allowance for Uncollectible Taxes	(12,360)
1240 Due from Other Governments	857,886
1290 Other Receivables, net	5,133
1490 Other Current Assets	46,741
Capital Assets:	
1520 Buildings, Net	10,040,106
1530 Furniture and Equipment, Net	642,392
1000 Total Assets	15,438,051
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	562,113
1700 Total Deferred Outflows of Resources	562,113
LIABILITIES	
2110 Accounts Payable	37,026
2140 Interest Payable	11,395
2160 Accrued Wages Payable	96,347
2177 Due to Fiduciary Funds	142
Noncurrent Liabilities	
2501 Due Within One Year	525,000
2502 Due in More Than One Year	3,775,000
2540 Net Pension Liability (District's Share)	1,309,244
2000 Total Liabilities	5,754,154
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	202,964
2600 Total Deferred Inflows of Resources	202,964
NET POSITION	
3200 Net Investment in Capital Assets	6,382,498
3850 Restricted for Debt Service	235,413
3900 Unrestricted	3,425,135
3000 Total Net Position	\$ 10,043,046

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 4,304,138	\$ 12,600	\$ 598,371	\$ (3,693,167)
12 Instructional Resources and Media Services	112,992	-	8,349	(104,643)
13 Curriculum and Staff Development	33,150	-	-	(33,150)
21 Instructional Leadership	130,130	-	14,462	(115,668)
23 School Leadership	481,512	-	44,952	(436,560)
31 Guidance, Counseling and Evaluation Services	115,033	-	6,582	(108,451)
33 Health Services	101,330	-	9,702	(91,628)
34 Student (Pupil) Transportation	226,477	-	16,809	(209,668)
35 Food Services	469,821	212,383	177,202	(80,236)
36 Extracurricular Activities	805,119	183,766	52,448	(568,905)
41 General Administration	454,429	-	15,438	(438,991)
51 Facilities Maintenance and Operations	1,357,378	-	38,064	(1,319,314)
52 Security and Monitoring Services	22,745	-	187	(22,558)
53 Data Processing Services	328,802	-	38,375	(290,427)
61 Community Services	19,321	-	-	(19,321)
72 Debt Service - Interest on Long Term Debt	144,844	-	-	(144,844)
73 Debt Service - Bond Issuance Cost and Fees	1,700	-	-	(1,700)
99 Other Intergovernmental Charges	53,956	-	-	(53,956)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,162,877	\$ 408,749	\$ 1,020,941	(7,733,187)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,593,914
DT	Property Taxes, Levied for Debt Service	556,346
SF	State Aid - Formula Grants	5,432,615
IE	Investment Earnings	30,714
MI	Miscellaneous Local and Intermediate Revenue	5,959
FR	Gain (Loss) on Sale of Assets	5,800
TR	Total General Revenues & Transfers	7,625,348
CN	Change in Net Position	(107,839)
NB	Net Position - Beginning	10,150,885
NE	Net Position--Ending	\$ 10,043,046

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,572,574	\$ 214,419	\$ 2,786,993
1120 Investments - Current	1,047,270	-	1,047,270
1220 Property Taxes - Delinquent	22,448	1,442	23,890
1230 Allowance for Uncollectible Taxes (Credit)	(12,157)	(203)	(12,360)
1240 Receivables from Other Governments	747,676	110,210	857,886
1260 Due from Other Funds	7,407	-	7,407
1290 Other Receivables	-	5,133	5,133
1490 Other Current Assets	46,741	-	46,741
1000 Total Assets	<u>\$ 4,431,959</u>	<u>\$ 331,001</u>	<u>\$ 4,762,960</u>
LIABILITIES			
2110 Accounts Payable	\$ 29,252	\$ 7,774	\$ 37,026
2160 Accrued Wages Payable	88,755	7,592	96,347
2170 Due to Other Funds	142	7,407	7,549
2000 Total Liabilities	<u>118,149</u>	<u>22,773</u>	<u>140,922</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	10,291	1,239	11,530
2600 Total Deferred Inflows of Resources	<u>10,291</u>	<u>1,239</u>	<u>11,530</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	46,741	-	46,741
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	234,174	234,174
3600 Unassigned Fund Balance	4,256,778	72,815	4,329,593
3000 Total Fund Balances	<u>4,303,519</u>	<u>306,989</u>	<u>4,610,508</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,431,959</u>	<u>\$ 331,001</u>	<u>\$ 4,762,960</u>

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

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

Total Fund Balances - Governmental Funds	\$	4,610,508
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$14,252,122 and the accumulated depreciation was (\$3,283,777). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		5,998,345
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.		900,224
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,309,244, a deferred resource inflow related to TRS in the amount of \$202,964 and a deferred resource outflow related to TRS in the amount of \$562,113. This resulted in a decrease in net position.		(950,095)
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(516,071)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		135
19 Net Position of Governmental Activities	\$	10,043,046

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 1,682,711	\$ 926,516	\$ 2,609,227
5800	State Program Revenues	5,612,778	157,863	5,770,641
5900	Federal Program Revenues	-	315,458	315,458
5020	Total Revenues	<u>7,295,489</u>	<u>1,399,837</u>	<u>8,695,326</u>
EXPENDITURES:				
Current:				
0011	Instruction	3,573,574	215,523	3,789,097
0012	Instructional Resources and Media Services	92,050	6,469	98,519
0013	Curriculum and Instructional Staff Development	31,075	-	31,075
0021	Instructional Leadership	110,419	-	110,419
0023	School Leadership	353,261	62,630	415,891
0031	Guidance, Counseling and Evaluation Services	102,090	-	102,090
0033	Health Services	88,125	-	88,125
0034	Student (Pupil) Transportation	252,626	-	252,626
0035	Food Services	-	427,263	427,263
0036	Extracurricular Activities	679,417	60,587	740,004
0041	General Administration	407,070	-	407,070
0051	Facilities Maintenance and Operations	1,348,681	-	1,348,681
0052	Security and Monitoring Services	21,170	-	21,170
0053	Data Processing Services	282,632	-	282,632
0061	Community Services	6,357	12,964	19,321
Debt Service:				
0071	Principal on Long Term Debt	170,000	500,000	670,000
0072	Interest on Long Term Debt	2,043	144,425	146,468
0073	Bond Issuance Cost and Fees	1,700	-	1,700
Intergovernmental:				
0099	Other Intergovernmental Charges	53,956	-	53,956
6030	Total Expenditures	<u>7,576,246</u>	<u>1,429,861</u>	<u>9,006,107</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,757)</u>	<u>(30,024)</u>	<u>(310,781)</u>
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	5,800	-	5,800
7915	Transfers In	-	47,839	47,839
8911	Transfers Out (Use)	(47,839)	-	(47,839)
7080	Total Other Financing Sources (Uses)	<u>(42,039)</u>	<u>47,839</u>	<u>5,800</u>
1200	Net Change in Fund Balances	(322,796)	17,815	(304,981)
0100	Fund Balance - September 1 (Beginning)	<u>4,626,315</u>	<u>289,174</u>	<u>4,915,489</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,303,519</u>	<u>\$ 306,989</u>	<u>\$ 4,610,508</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(304,981)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		900,224
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(516,071)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		3,117
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$115,452. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$109,588. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$195,992. The net result is to decrease the change in net position.		(190,128)
Change in Net Position of Governmental Activities	\$	(107,839)

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

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

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 7,687	\$ 36,024
Due from Other Funds	-	142
Total Assets	7,687	\$ 36,166
LIABILITIES		
Due to Student Groups	-	\$ 36,166
Total Liabilities	-	\$ 36,166
NET POSITION		
Restricted for Scholarships	7,687	
Total Net Position	\$ 7,687	

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

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

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 2,019
Total Additions	<u>2,019</u>
DEDUCTIONS:	
Other Operating Costs	<u>10,000</u>
Total Deductions	<u>10,000</u>
Change in Net Position	(7,981)
Total Net Position - September 1 (Beginning)	<u>15,668</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 7,687</u></u>

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

As of August 31, 2016, the District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

2. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
3. **Debt Service Fund** - The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	25
Building Improvements	25
Vehicles	10
Equipment	7
Technology Equipment	5

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are described in section III.G. below.
10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are described in section III.G. below.
11. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other report is in Exhibit J4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

None.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits). The District was not exposed to foreign currency risk.

As of August 31, 2016, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-3 Yrs	Maturity > 3 Yrs	Credit Rating
Cash:						
Money market and FDIC insured accounts	\$ 1,366,999	48.3%	\$ 1,366,999	\$	\$	N/A
Investment pools	1,463,705	51.7%	1,463,705			N/A
Total Cash and Cash Equivalents	\$ 2,830,704	100.0%	\$ 2,830,704			
Investments:						
Government bonds	\$ 1,047,270	100.0%	\$	\$	\$ 1,047,270	AAA
Total Investments	\$ 1,047,270	100.0%	\$	\$	\$ 1,047,270	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The *Public Funds Investment Act*(Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4)

acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2016, the District's investments in government debt securities were rated AAA by both Moody's and Standard & Poor's. The District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance.

The District was exposed to interest rate risk for its municipal bond investments. However, the District's intent is to hold the investments to maturity at which time the payout will be at par price regardless of interest rate market conditions. The District's belief that the current investment market conditions warrant a greater inherent risk to maintain the status quo by maintaining investments in shorter-termed maturity investment vehicles that offer little to no rate of return.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by (state an appropriate policy, such as, "limiting all investments denominated in a foreign currency to less than 5% of all investments"). The District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the

valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurement requires judgement and considers factors specific to each asset or liability.

Investments by Fair Value Level:	Fair Value Measurements Using			
	Balance at 08/31/16	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Government bonds	\$ 1,047,270	\$ 1,047,270	\$	\$
Total Debt Securities	1,047,270	1,047,270		
Total Investments by Fair Value Level	\$ 1,047,270	\$ 1,047,270	\$	\$

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General Fund is based on 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.

D. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of August 31, 2016 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General fund	\$ 7,407	\$ 142	Temporary advances	Yes
Agency fund	142		Temporary advances	Yes
Nonmajor governmental funds		7,407	Temporary advances	Yes
Total	\$ 7,549	\$ 7,549		

Interfund transfers for the year ended August 31, 2016 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Special revenue fund	\$ 47,839	\$	Operating deficit transfer
General fund		47,839	Operating deficit transfer
Total	\$ 47,839	\$ 47,839	

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016 were as follows:

	Property Taxes (net)	Other Government	Other Receivables	Total Receivables
Governmental Activities:				
General fund	\$ 10,291	\$ 747,676	\$	\$ 757,967
Nonmajor governmental funds	1,239	110,210	5,133	116,582
Total Governmental Activities	<u>\$ 11,530</u>	<u>\$ 857,886</u>	<u>\$ 5,133</u>	<u>\$ 874,549</u>

Payables at August 31, 2016 were as follows:

	Accounts	Accrued Payroll	Total Payables
Governmental Activities:			
General fund	\$ 29,252	\$ 88,755	\$ 118,007
Nonmajor governmental funds	7,774	7,592	15,366
Total Governmental Activities	<u>\$ 37,026</u>	<u>\$ 96,347</u>	<u>\$ 133,373</u>

F. CAPITAL ASSET ACTIVITY

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

	Balance 8/31/15	Additions	Disposals	Balance 8/31/16
Governmental activities:				
Buildings and improvements	\$ 12,499,097	\$ 54,000	\$	\$ 12,553,097
Furniture and equipment	1,753,025	176,224		1,929,249
Totals	14,252,122	230,224		14,482,346
Less accumulated depreciation for:				
Buildings and improvements	2,178,128	334,863		2,512,991
Furniture and equipment	1,105,649	181,208		1,286,857
Total accumulated depreciation	3,283,777	516,071		3,799,848
Governmental activities capital assets, net	<u>\$ 10,968,345</u>	<u>\$ (285,847)</u>	<u>\$ 0</u>	<u>\$ 10,682,498</u>

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

Governmental activities:

Instruction	\$ 196,933
Instructional resources and media services	6,579
Curriculum and staff development	2,075
Instructional leadership	7374
School leadership	27,773
Guidance, counseling and evaluation services	6,818
Health services	5,885
Student (pupil) transportation	56,104
Food services	28,008
Extracurricular activities	47,900
General administration	27,184
Facilities maintenance and operations	83,150
Security and monitoring services	1,414
Data processing services	18,874
Total depreciation expense - governmental activities	<u>\$ 516,071</u>

G. BONDS AND LONG-TERM NOTES PAYABLE

The District accounts for long-term debts for maintenance purposes through the General Fund. Long-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as non-current liabilities and principal payments as expenditures in the fund financial statements and reductions in liabilities in the government-wide financial statements.

Bonded indebtedness of the District is accounted for in the Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 8/31/15	Additions	Retired/ Defeased	Amounts Outstanding 8/31/16
Bonds Payable:						
Unlimited tax building bonds series 2008	3.18%	\$ 7,500,000	\$ 4,800,000	\$	\$ 500,000	\$ 4,300,000
Notes Payable:						
Maintenance tax note, series 2014	2.11%	200,000	170,000		170,000	0
Total Long-Term Debt			<u>\$ 4,970,000</u>	<u>\$</u>	<u>\$ 670,000</u>	<u>\$ 4,300,000</u>

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Future debt service requirements for long-term bonds payable are as follows:

Year Ended August 31,	Bonds Payable		Total Requirements
	Principal	Interest	
2017	\$ 525,000	\$ 128,393	\$ 653,393
2018	550,000	111,300	661,300
2019	580,000	93,333	673,333
2020	610,000	74,412	684,412
2021	645,000	54,457	699,457
2022-2023	1,390,000	44,679	1,434,679
Totals	<u>\$ 4,300,000</u>	<u>\$ 506,574</u>	<u>\$ 4,806,574</u>

I. COMMITMENTS UNDER NON-CAPITALIZED LEASES

The District executed two operating lease agreements at the end of the fiscal year for facility rentals for the next five year as follows:

Beginning for the 2012-13 academic year, the District entered into an operating lease agreement with Texas A&M University - Kingsville for athletic facilities rental and usage. The lease term is for five (5) years due in annual payments on September 15, 2012 of \$80,000 and continuing through the end of the 2016-17 academic year. The lease can be canceled at the end of each one-year period without penalty with notice provided the other party by July 15th of the then-current year. Future operating lease obligations are as follows:

Academic Year	Amount
2016-17	\$ 80,000
Total Lease Obligation	<u>\$ 80,000</u>

Beginning August 1, 2012, the District entered into an operating lease agreement with Texas A&M University - Kingsville (the “lessor”) for rental and usage of a 71,648 square foot instructional facility. The lease term is for five (5) years with an initial lease of \$113,120 escalating 4% each year thereafter. Additionally, for renovations made by the lessor, secondary rents are due for the facility payable semi-annually over a 10-year period. If the original lease is terminated before the 10-year amortization period of the secondary rents are completed, all remaining unpaid rents for the secondary lease will become due and payable. Future operating lease obligations for the lease are as follows:

Academic Year	Primary Lease	Secondary Lease	Total Lease
2016-17	\$ 132,335	\$ 93,264	\$ 225,599
2017-18	0	95,533	95,533
2018-19	0	95,615	95,615
2019-20	0	94,602	94,602
2020-21	0	94,496	94,496
2021-22	0	94,295	94,295
Total Lease Obligation	<u>\$ 132,335</u>	<u>\$ 567,805</u>	<u>\$ 700,140</u>

J. DEFINED BENEFIT PENSION PLAN

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as a percentage of Total Pension Liability	 78.43%

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

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

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

Contribution Rates		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

2016 District Contributions	\$ 115,452
2016 Member Contributions	\$ 302,657
2015 NECE On-behalf Contributions	\$ 336,989

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are 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%. 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 the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	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%	0.0%	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 Expectations			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	\$ 2,051,339	\$ 1,309,244	\$ 691,125

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$1,309,244 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	\$ 1,309,244
State's proportionate share that is associated with the District	4,021,756
Total	<u>\$ 5,331,000</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the District's proportion of the collective net pension liability was 0.0037038% which was an increase of 0.0010473% 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

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the measurement period August 31, 2015, the District recognized pension expense of \$573,036 and revenue of \$573,036 for support provided by the Sate in the Government-Wide Statement of Activities.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 9,127	\$ 50,315
Changes in actuarial assumptions	38,360	46,708
Differences between projected and actual investment earnings	159,779	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	239,395	105,941
Total as of August 31, 2015 measurement date	\$ 446,661	\$ 202,964
Contributions paid to TRS subsequent to the measurement date	115,452	
Total as of August 31, 2016 fiscal year end	\$ 562,113	\$ 202,964

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

Year ended August 31,	Pension Expense Amount
2017	\$ 42,166
2018	\$ 42,166
2019	\$ 42,167
2020	\$ 96,388
2021	\$ 15,209
Thereafter	\$ 5,601

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.0 %.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2016, 2015 and 2014 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 27,322	1.00%	\$ 42,036	0.55%	\$ 23,119
2015	0.65%	\$ 25,964	1.00%	\$ 39,970	0.55%	\$ 21,964
2014	0.65%	\$ 25,066	1.00%	\$ 38,563	0.55%	\$ 21,210

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2016, 2015 and 2014 were \$16,258, \$17,372 and \$11,567, respectively.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 4,800,000	\$	\$ 500,000	\$ 4,300,000	\$ 525,000
Loans payable	170,000		170,000	0	0
Net pension liability	709,588	709,326	109,670	1,309,244	0
Total	<u>\$ 5,679,588</u>	<u>\$ 709,326</u>	<u>\$ 779,670</u>	<u>\$ 5,609,244</u>	<u>\$ 525,000</u>

M. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

	Unavailable Revenue (levied but uncollected property taxes)
General fund	\$ 10,291
Debt service fund	1,239
Total	<u>\$ 11,530</u>

N. DUE FROM STATE AND FEDERAL AGENCIES

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

Fund	State Entitlements	Federal Grants	Total
General fund	\$ 747,676	\$	\$ 747,676
Nonmajor governmental funds	14,660	95,550	110,210
Net Total Receivables	<u>\$ 762,336</u>	<u>\$ 95,550</u>	<u>\$ 857,886</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 1,588,653	\$ 555,700	\$ 2,144,353
Penalties, interest and other tax related income	3,457	957	4,414
Food sales		212,383	212,383
Investment income	30,524	190	30,714
Extracurricular student/campus activities	39,060	144,707	183,767
Donations	2,459	12,579	15,038
Other income	18,558		18,558
Total	<u>\$ 1,682,711</u>	<u>\$ 926,516</u>	<u>\$ 2,609,227</u>

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in various shared service arrangements with the Education Service Center Region 2. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 2 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

R. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2016, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty and Workers Compensation Program

The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Unemployment Compensation

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's board of trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

S. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2017; the date which the financial statements were available for distribution. There were none noted.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,636,008	\$ 1,636,008	\$ 1,682,711	\$ 46,703
5800	State Program Revenues	5,709,113	5,709,113	5,612,778	(96,335)
5020	Total Revenues	7,345,121	7,345,121	7,295,489	(49,632)
EXPENDITURES:					
Current:					
0011	Instruction	3,480,000	3,689,022	3,573,574	115,448
0012	Instructional Resources and Media Services	108,402	108,402	92,050	16,352
0013	Curriculum and Instructional Staff Development	26,600	33,150	31,075	2,075
0021	Instructional Leadership	103,067	110,856	110,419	437
0023	School Leadership	434,572	434,572	353,261	81,311
0031	Guidance, Counseling and Evaluation Services	183,307	161,990	102,090	59,900
0033	Health Services	95,385	95,385	88,125	7,260
0034	Student (Pupil) Transportation	286,977	343,554	252,626	90,928
0035	Food Services	7,789	-	-	-
0036	Extracurricular Activities	583,013	705,813	679,417	26,396
0041	General Administration	382,619	423,769	407,070	16,699
0051	Facilities Maintenance and Operations	1,219,446	1,361,976	1,348,681	13,295
0052	Security and Monitoring Services	12,700	22,200	21,170	1,030
0053	Data Processing Services	294,425	283,425	282,632	793
0061	Community Services	16,000	12,350	6,357	5,993
Debt Service:					
0071	Principal on Long Term Debt	-	170,000	170,000	-
0072	Interest on Long Term Debt	-	2,126	2,043	83
0073	Bond Issuance Cost and Fees	-	1,700	1,700	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	50,000	63,944	-	63,944
Intergovernmental:					
0099	Other Intergovernmental Charges	60,000	60,000	53,956	6,044
6030	Total Expenditures	7,344,302	8,084,234	7,576,246	507,988
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	819	(739,113)	(280,757)	458,356
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	5,800	5,800
8911	Transfers Out (Use)	-	-	(47,839)	(47,839)
7080	Total Other Financing Sources (Uses)	-	-	(42,039)	(42,039)
1200	Net Change in Fund Balances	819	(739,113)	(322,796)	416,317
0100	Fund Balance - September 1 (Beginning)	4,626,315	4,626,315	4,626,315	-
3000	Fund Balance - August 31 (Ending)	\$ 4,627,134	\$ 3,887,202	\$ 4,303,519	\$ 416,317

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

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0037038%	0.0026565%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,309,244	\$ 709,588
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>4,021,756</u>	<u>2,077,743</u>
Total	<u>\$ 5,331,000</u>	<u>\$ 2,787,331</u>
District's Covered Employee Payroll	\$ 3,997,029	\$ 3,856,302
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	32.76%	18.40%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 115,452	\$ 109,588
Contribution in Relation to the Contractually Required Contribution	<u>(115,452)</u>	<u>(109,588)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 4,203,551	\$ 3,997,029
Contributions as a percentage of Covered Employee Payroll	2.75%	2.74%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

Changes of benefit terms.

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

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING SCHEDULES

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ (14,843)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	2,625	-	17,510
1290	Other Receivables	-	-	-	5,133
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,625</u>	<u>\$ -</u>	<u>\$ 7,800</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 2,833
2160	Accrued Wages Payable	-	2,625	-	4,967
2170	Due to Other Funds	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>2,625</u>	<u>-</u>	<u>7,800</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 2,625</u>	<u>\$ -</u>	<u>\$ 7,800</u>

270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ (75,115)	\$ (2,501)	\$ 73,817	\$ (18,642)	\$ 233,061	\$ 214,419
-	-	-	-	1,442	1,442
-	-	-	-	(203)	(203)
75,115	7,442	-	102,692	7,518	110,210
-	-	-	5,133	-	5,133
<u>\$ -</u>	<u>\$ 4,941</u>	<u>\$ 73,817</u>	<u>\$ 89,183</u>	<u>\$ 241,818</u>	<u>\$ 331,001</u>
\$ -	\$ 4,941	\$ -	\$ 7,774	\$ -	\$ 7,774
-	-	-	7,592	-	7,592
-	-	1,002	1,002	6,405	7,407
<u>-</u>	<u>4,941</u>	<u>1,002</u>	<u>16,368</u>	<u>6,405</u>	<u>22,773</u>
-	-	-	-	1,239	1,239
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>1,239</u>
-	-	-	-	234,174	234,174
-	-	72,815	72,815	-	72,815
<u>-</u>	<u>-</u>	<u>72,815</u>	<u>72,815</u>	<u>234,174</u>	<u>306,989</u>
<u>\$ -</u>	<u>\$ 4,941</u>	<u>\$ 73,817</u>	<u>\$ 89,183</u>	<u>\$ 241,818</u>	<u>\$ 331,001</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 212,383
5800 State Program Revenues	-	-	-	9,293
5900 Federal Program Revenues	2,768	101,498	447	157,748
5020 Total Revenues	<u>2,768</u>	<u>101,498</u>	<u>447</u>	<u>379,424</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,768	101,498	447	-
0012 Instructional Resources and Media Services	-	-	-	-
0023 School Leadership	-	-	-	-
0035 Food Services	-	-	-	427,263
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
6030 Total Expenditures	<u>2,768</u>	<u>101,498</u>	<u>447</u>	<u>427,263</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(47,839)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	47,839
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 157,341	\$ 369,724	\$ 556,792	\$ 926,516
-	57,813	-	67,106	90,757	157,863
52,997	-	-	315,458	-	315,458
<u>52,997</u>	<u>57,813</u>	<u>157,341</u>	<u>752,288</u>	<u>647,549</u>	<u>1,399,837</u>
52,997	57,813	-	215,523	-	215,523
-	-	6,469	6,469	-	6,469
-	-	62,630	62,630	-	62,630
-	-	-	427,263	-	427,263
-	-	60,587	60,587	-	60,587
-	-	12,964	12,964	-	12,964
-	-	-	-	500,000	500,000
-	-	-	-	144,425	144,425
<u>52,997</u>	<u>57,813</u>	<u>142,650</u>	<u>785,436</u>	<u>644,425</u>	<u>1,429,861</u>
-	-	14,691	(33,148)	3,124	(30,024)
-	-	-	47,839	-	47,839
-	-	14,691	14,691	3,124	17,815
-	-	58,124	58,124	231,050	289,174
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,815</u>	<u>\$ 72,815</u>	<u>\$ 234,174</u>	<u>\$ 306,989</u>

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 15,591	\$ 154,709	\$ 134,276	\$ 36,024
Due From Other Funds	142	-	-	142
Total Assets	<u>\$ 15,733</u>	<u>\$ 154,709</u>	<u>\$ 134,276</u>	<u>\$ 36,166</u>
Liabilities:				
Due to Student Groups	<u>\$ 15,733</u>	<u>\$ 154,709</u>	<u>\$ 134,276</u>	<u>\$ 36,166</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 15,591	\$ 154,709	\$ 134,276	\$ 36,024
Due From Other Funds	142	-	-	142
Total Assets	<u>\$ 15,733</u>	<u>\$ 154,709</u>	<u>\$ 134,276</u>	<u>\$ 36,166</u>
Liabilities:				
Due to Student Groups	<u>\$ 15,733</u>	<u>\$ 154,709</u>	<u>\$ 134,276</u>	<u>\$ 36,166</u>

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.000000	204,883,748
2009	1.040000	0.290000	177,643,558
2010	1.040000	0.327230	180,898,864
2011	1.040000	0.345700	180,350,957
2012	1.040000	0.415700	149,138,322
2013	1.040000	0.382500	166,833,377
2014	1.040000	0.386800	175,952,280
2015	1.040000	0.325400	187,247,855
2016 (School year under audit)	1.040000	0.363800	151,777,259
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 6,778	\$ -	\$ 35	\$ (3)	\$ -	\$ 6,746
32	-	-	-	-	32
34	-	-	-	-	34
1,481	-	-	-	-	1,481
1,900	-	-	-	-	1,900
1,838	-	121	49	169	1,837
1,485	-	88	32	120	1,485
4,613	-	96	36	132	4,613
2,562	-	183	57	128	2,450
-	2,130,649	1,588,129	555,529	16,321	3,312
<u>\$ 20,723</u>	<u>\$ 2,130,649</u>	<u>\$ 1,588,652</u>	<u>\$ 555,700</u>	<u>\$ 16,870</u>	<u>\$ 23,890</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 225,000	\$ 225,000	\$ 212,383	\$ (12,617)
5800	State Program Revenues	1,600	1,600	9,293	7,693
5900	Federal Program Revenues	135,000	135,000	157,748	22,748
5020	Total Revenues	361,600	361,600	379,424	17,824
EXPENDITURES:					
0035	Food Services	354,791	456,045	427,263	28,782
6030	Total Expenditures	354,791	456,045	427,263	28,782
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	6,809	(94,445)	(47,839)	46,606
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	47,839	47,839
1200	Net Change in Fund Balances	6,809	(94,445)	-	94,445
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 6,809	\$ (94,445)	\$ -	\$ 94,445

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 640,083	\$ 640,083	\$ 556,792	\$ (83,291)
5800	State Program Revenues	-	-	90,757	90,757
5020	Total Revenues	640,083	640,083	647,549	7,466
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	500,000	500,000	500,000	-
0072	Interest on Long Term Debt	144,690	144,690	144,425	265
6030	Total Expenditures	644,690	644,690	644,425	265
1200	Net Change in Fund Balances	(4,607)	(4,607)	3,124	7,731
0100	Fund Balance - September 1 (Beginning)	231,050	231,050	231,050	-
3000	Fund Balance - August 31 (Ending)	\$ 226,443	\$ 226,443	\$ 234,174	\$ 7,731

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

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

Board of Trustees
Santa Gertrudis Independent School District
P.O. Box 592
Kingsville, Texas 78364

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Gertrudis Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 23, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Gertrudis Independent School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cameron L. Gulley
Certified Public Accountant

January 23, 2017

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

Finding	Statement of Condition	Material Weakness?	Questioned Costs
2013-1	<p>Internal Control Structure - Bank Accounts Were Not Reconciled to General Ledger (continuation finding)</p> <p>The District's cash balances were not reconciled to the general ledger at any time during the year under audit with a net unreconciled difference of \$234,190 at August 31, 2015.</p> <p><u>Status:</u> The District's bank accounts were properly reconciled for the current year audit.</p>	Yes	None
2014-2	<p>Internal Control Structure - Approved Budget Exceeded in Seven Functional Categories - General and Food Service Funds (continuation finding)</p> <p>There were seven functional categories that exceeded the District's final amended budget by \$147,011 in the aggregate.</p> <p><u>Status:</u> There were no functional categories that exceeded the final amended budget for the current year audit.</p>	Yes	None
2015-1	<p>Internal Control Structure - Numerous Generally Accepted Accounting Principles Coding Errors</p> <p>There were a total of 85 adjusting journal entries proposed and accepted with net variances of audit to general ledger for revenue of \$726,678 and expenditures of \$660,130 for the general fund; revenue of \$24,202 and expenditures of \$10,068 for the debt service fund.</p> <p><u>Status:</u> While there were proposed and accepted journal entries for the current year audit, none were for material variances or accruals that were not known or expected by the District but were in the normal course of audit.</p>	Yes	None

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

I. Summary of Auditor's Results

A. Financial Statements

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

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None reported.

III. Findings and Questioned Costs for Federal Awards

N/A.

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

None required.