

**GLASSCOCK COUNTY
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

*Reed, McKee & Co., P.C.
Certified Public Accountants
San Angelo, Texas*

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

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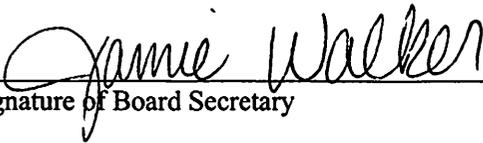
CERTIFICATE OF BOARD

Glasscock County Independent School District
Name of School District

Glasscock
County

087-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 12th day of January, 2017.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

Independent Auditor's Report

Board of Trustees
Glasscock County Independent School District
P.O. Box 9
Garden City, Texas 79739

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glasscock County Independent School District as of August 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements as well as the Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions on pages 42 and 43 and the related notes to required supplementary information on pages 44 and 45. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glasscock County Independent School District's basic financial statements. The required TEA 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 required TEA schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required TEA schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of the Glasscock County Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glasscock County Independent School District's internal control over financial reporting and compliance.

Reed, McKee + Co., P.C.

Reed, McKee & Co., P.C.
December 15, 2016

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

This section of Glasscock County Independent School District's annual financial report presents our discussion and analysis of 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 pages 2 and 3, and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

The District's net position as presented on Exhibit A-1, increased from \$17,764,270 to \$19,950,806. The unrestricted portion of this net position is \$6,312,149 which may be used for ongoing operations. The District also has restricted funds for debt service of \$814,327 to provide for debt repayment. The total restricted for capital projects represents the unspent funds less the related debt and amounted to \$38,311. Net assets invested in capital assets net of related debt totaled \$12,786,019. Total assets have increased \$777,444 mainly due to the capital project amounts spent and total liabilities have decreased by \$942,485 due to repayment of debt. There are two new categories of assets and liabilities. The deferred outflows of resources and deferred inflows of resources relate to the adjustment required to book the TRS pension liability. The net pension liability amounted to \$1,248,515 which is a significant increase from \$692,999 in the prior year. This increase is due to the plan not meeting the discount rate of 8% and the District's increased percentage of the total liability based on contributions made.

As shown in Exhibit B-1, the District had expenses of \$31,648,304 compared to \$39,783,598 in the prior year. With the decrease in property tax revenues as a result of a large decrease in assessed values, the loss tax revenue generated also decreased the recapture amount paid to the Texas Education Agency. In the general fund, the recapture payments of \$24,033,256 in 2016 and \$32,648,292 in 2015 represented 84% and 83% of general fund taxes collected in that year. After reducing the above expenses for outside grants and charges such as concessions, athletic events, and food sales, the District was left with \$30,976,477 of expenses which were funded by general revenues of \$33,163,013. Total revenues from all sources were \$33,834,840 compared to \$43,882,707 from the prior year. This represents a decrease of \$10,047,867 which is the decrease in tax revenues collected. As noted above, the decrease in taxes is due to the decrease in assessed values from \$3,792,988,929 to \$2,732,545,338. State revenue funding represented a minimum amount from the state plus a refund of amounts paid on 313 agreements. Miscellaneous revenue consisted mainly of amounts paid on 313 agreements and remained fairly constant.

The fund financial statements as shown in Exhibits C-1 and C-3 show the financial information on a fund basis. The net increase in the general fund balance is \$635,010 related to current year operations. The unassigned fund balance is \$5,858,766 as of year-end and represents those funds available for future operations. Using the current year expenses less the recapture amount, the District has approximately 12 months of operations in the unassigned fund balance. As noted above the decrease in revenues is due to the large decrease in assessed values as the price of oil continued to decrease. Expenditures of the general fund decreased \$8,934,032. The largest decrease is in the amount due back to the TEA for the chapter 41 overpayment. Other functional areas within the general fund were fairly consistent with prior years with a \$136,279 increase in facilities and maintenance and operations as the district did maintenance on some of the teacherages and other areas. Total salaries and benefits in the general fund totaled \$3,652,876 compared to \$3,652,006 in the prior year. The percentage of salaries and benefits to the total expenses before the pay back to the state and capital outlay is 64% compared to 62% in the prior year. Exhibit C-5 demonstrates that the District's original and final budget was a deficit budget of \$239,217 due to the transfer of funds to the cafeteria fund. The amendments made were all within functional categories, but did not increase the overall budget. As can be seen from comparison of actual amounts to the amended budget, actual revenues were \$747,040 more than anticipated while expenses were \$226,949 less than anticipated. The District attendance increased from an average daily attendance of 284 to 291 in the current year.

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The government-wide financial statements include the statement of net position and the statement of activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement of fiduciary net assets provides financial information about student activity funds. The District acts solely in a custodial manner in regard to these funds.

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

The required supplementary information includes information required by the governmental accounting standards as well as information required by the Texas Education Agency.

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 primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The statement of net position includes all the District's assets and liabilities at the end of the year while the statement of activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net assets and changes in them. The District's net position (the difference between assets plus deferred outflows less liabilities plus deferred inflows) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non financial 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.

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

In the statement of net position and the statement of activities, we present all the activities of the District as one governmental activity which is defined below.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants passed through the Texas Education Agency. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The fund financial statements reflect the general fund, debt service fund, and the capital projects fund as major funds and all other funds combined in a column referred to as all other funds. All these funds are determined to be governmental funds as defined below.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the statement of net position and 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 a separate statement of fiduciary net position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$17,764,270 to \$19,950,806. 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 – are \$6,312,149 at August 31, 2016. As shown below there is an overall increase in net position of \$2,186,536 which is explained in the financial highlights.

Table I - NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Current and other assets	\$ 15,028,962	\$ 21,174,248	\$ (6,145,286)
Capital assets	25,075,420	18,152,690	6,922,730
Total assets	<u>40,104,382</u>	<u>39,326,938</u>	<u>777,444</u>
Deferred outflows of resources	<u>507,892</u>	<u>160,347</u>	<u>347,545</u>
Long-term liabilities	17,029,208	19,079,526	(2,050,318)
Other liabilities	3,539,331	2,431,498	1,107,833
Total liabilities	<u>20,568,539</u>	<u>21,511,024</u>	<u>(942,485)</u>
Deferred inflows of resources	<u>92,929</u>	<u>211,991</u>	<u>(119,062)</u>
Net position:			
Net investment in capital assets	12,786,019	10,646,377	2,139,642
Restricted for debt service	814,327	336,277	478,050
Restricted for capital projects	38,311	12,447	25,864
Unrestricted	6,312,149	6,769,169	(457,020)
Total net position	<u>\$ 19,950,806</u>	<u>\$ 17,764,270</u>	<u>\$ 2,186,536</u>

Current and other assets have decreased as the District draws down the capital project fund cash and spends on those projects, while the assets increase as these amounts are added to the fixed assets. The decrease in liabilities is due to the repayment of debt as noted in the footnotes. The District has been very aware of being able to repay debt in advance of the maturity when the debt allows for this. The capital projects are continuing with the gymnasium, classrooms and the concession area still in progress as of year-end.

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Table II - CHANGES IN NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 202,176	\$ 152,726	\$ 49,450
Operating grants and contributions	469,651	363,564	106,087
General revenues:			
Property taxes, levied for general purposes	28,694,185	39,296,917	(10,602,732)
Property taxes, levied for debt service	2,680,698	2,784,014	(103,316)
State aid - formula grants	502,145	214,724	287,421
Investment earnings	94,756	35,645	59,111
Miscellaneous	1,191,229	1,035,117	156,112
Total revenue	33,834,840	43,882,707	(10,047,867)
Expenses:			
Instruction	3,119,867	2,916,398	203,469
Instructional resources and media services	48,488	46,584	1,904
Curriculum and staff development	7,186	3,614	3,572
School leadership	274,356	266,418	7,938
Guidance, counseling and evaluation service	68,415	66,193	2,222
Health services	78,209	64,965	13,244
Student (pupil) transportation	421,763	416,374	5,389
Food services	410,164	374,051	36,113
Extracurricular activities	276,697	291,512	(14,815)
General administration	351,087	431,509	(80,422)
Facilities maintenance and operations	1,423,408	1,120,543	302,865
Security and monitoring services	1,000	1,410	(410)
Data processing services	68,119	114,420	(46,301)
Community Services	3,478	0	3,478
Debt service – interest on long term debt	589,991	611,983	(21,992)
Debt service – bond issuance costs and fees	2,144	0	2,144
Capital outlay	0	11,863	(11,863)
Contracted instruct service between schools	24,033,256	32,648,292	(8,615,036)
Payments related to shared service arrang	71,615	60,148	11,467
Payments to Tax Increment Fund	136,845	0	136,845
Other intergovernmental charges	262,216	337,321	(75,105)
Total expenses	31,648,304	39,783,598	(8,135,294)
Change in net position	2,186,536	4,099,109	(1,912,573)
Net position - beginning	17,764,270	14,450,332	3,313,938
Prior period adjustment	0	(785,171)	785,171
Net position - ending	\$ 19,950,806	\$ 17,764,270	\$ 2,186,536

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The District's total revenues decreased by \$10,047,867. The largest decrease was in the property tax revenue due to a large decrease in assessed values which was discussed earlier in this document. With the decrease in property tax revenues there is a corresponding decrease in the amount paid back to the state for being a Chapter 41 District. This payback is shown in the expenses under contracted instruct services between schools. As was mentioned earlier in the financial highlights the percentage of payback to total tax collections went from 84% to 83%. All other areas of expense were down slightly when compared to the prior year.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported an unassigned fund balance of \$5,858,766 and committed fund balances of \$925,207 which remained unchanged from the prior year.

As shown on Exhibit C-3, the District's net change in fund balance for all governmental funds was a decrease of \$6,282,239 due to the expenditures in the capital outlay fund in the current year. The breakdown between funds can be seen on this statement. As can be seen on Exhibit C-5, the District stayed within the budgeted amounts in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$29,000,228 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Accumulated depreciation on these assets amounted to \$4,052,498. Capital additions in the current year were \$9,749,613 as the capital projects items continued to be added. A total of \$8,415,918 is still considered in progress and includes the gymnasium and other related projects. See Footnote III.D for additional information.

Debt

As shown in these financial statements, the District had total debt related to bonds of \$17,977,358. The District also has accrued a liability for compensated absences which is further explained in Footnote III.G and totaled \$16,850. The Series 2010 bonds were paid off in the current year and efforts are being made to payoff debt as quickly as possible. See Footnote III.F for further details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has adopted a 2017 fiscal year budget for the general fund in the amount of \$24,871,962 which is substantially less than the current year due to the decrease in assessed values. Tax rates for maintenance and operations were approved at \$1.03710 and the interest and sinking rate set at \$.08.

**GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If there are questions concerning any of the information provided in this report or a request for additional information, please contact the District's business office, at Glasscock County Independent School District, P.O. Box 9, Garden City, Texas 79739 or telephone number (432) 354-2230.

BASIC FINANCIAL STATEMENTS

GLASSCOCK COUNTY 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	\$ 5,808,545
1120 Current Investments	8,406,873
1220 Property Taxes Receivable (Delinquent)	507,212
1230 Allowance for Uncollectible Taxes	(102,975)
1240 Due from Other Governments	409,307
Capital Assets:	
1510 Land	127,690
1520 Buildings, Net	15,938,588
1530 Furniture and Equipment, Net	593,224
1580 Construction in Progress	8,415,918
1000 Total Assets	40,104,382
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	507,892
1700 Total Deferred Outflows of Resources	507,892
LIABILITIES	
2110 Accounts Payable	1,125,473
2160 Accrued Wages Payable	164,119
2200 Accrued Expenses	3,117
2300 Unearned Revenue	791
Noncurrent Liabilities	
2501 Due Within One Year	997,316
2502 Due in More Than One Year	17,029,208
2540 Net Pension Liability (District's Share)	1,248,515
2000 Total Liabilities	20,568,539
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	92,929
2600 Total Deferred Inflows of Resources	92,929
NET POSITION	
3200 Net Investment in Capital Assets	12,786,019
3850 Restricted for Debt Service	814,327
3860 Restricted for Capital Projects	38,311
3900 Unrestricted	6,312,149
3000 Total Net Position	\$ 19,950,806

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,119,867	\$ 20,344	\$ 270,197	\$ (2,829,326)
12 Instructional Resources and Media Services	48,488	-	2,514	(45,974)
13 Curriculum and Staff Development	7,186	-	-	(7,186)
23 School Leadership	274,356	-	19,537	(254,819)
31 Guidance, Counseling and Evaluation Services	68,415	-	5,493	(62,922)
33 Health Services	78,209	-	5,267	(72,942)
34 Student (Pupil) Transportation	421,763	-	8,353	(413,410)
35 Food Services	410,164	92,571	102,693	(214,900)
36 Extracurricular Activities	276,697	14,266	7,234	(255,197)
41 General Administration	351,087	-	17,114	(333,973)
51 Facilities Maintenance and Operations	1,423,408	74,995	24,261	(1,324,152)
52 Security and Monitoring Services	1,000	-	-	(1,000)
53 Data Processing Services	68,119	-	5,930	(62,189)
61 Community Services	3,478	-	-	(3,478)
72 Debt Service - Interest on Long Term Debt	589,991	-	1,058	(588,933)
73 Debt Service - Bond Issuance Cost and Fees	2,144	-	-	(2,144)
91 Contracted Instructional Services Between Schools	24,033,256	-	-	(24,033,256)
93 Payments related to Shared Services Arrangements	71,615	-	-	(71,615)
97 Payments to Tax Increment Fund	136,845	-	-	(136,845)
99 Other Intergovernmental Charges	262,216	-	-	(262,216)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 31,648,304	\$ 202,176	\$ 469,651	(30,976,477)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		28,694,185
DT	Property Taxes, Levied for Debt Service		2,680,698
SF	State Aid - Formula Grants		502,145
IE	Investment Earnings		94,756
MI	Miscellaneous Local and Intermediate Revenue		1,191,229
TR	Total General Revenues		33,163,013
CN	Change in Net Position		2,186,536
NB	Net Position - Beginning		17,764,270
NE	Net Position--Ending		\$ 19,950,806

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 5,022,009	\$ 775,325	\$ -
1120 Investments - Current	1,565,325	20,091	6,821,457
1220 Property Taxes - Delinquent	475,213	31,999	-
1230 Allowance for Uncollectible Taxes (Credit)	(96,635)	(6,340)	-
1240 Receivables from Other Governments	397,211	10,198	-
1260 Due from Other Funds	-	15,370	-
1000 Total Assets	<u>\$ 7,363,123</u>	<u>\$ 846,643</u>	<u>\$ 6,821,457</u>
LIABILITIES			
2110 Accounts Payable	\$ 30,284	\$ -	\$ 1,095,189
2160 Accrued Wages Payable	151,365	-	-
2170 Due to Other Funds	15,370	-	-
2200 Accrued Expenditures	2,762	-	-
2300 Unearned Revenues	791	-	-
2000 Total Liabilities	<u>200,572</u>	<u>-</u>	<u>1,095,189</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	378,578	25,659	-
2600 Total Deferred Inflows of Resources	<u>378,578</u>	<u>25,659</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3470 Capital Acquisition and Contractual Obligation	-	-	5,726,268
3480 Retirement of Long-Term Debt	-	820,984	-
Committed Fund Balance:			
3510 Construction	832,081	-	-
3545 Other Committed Fund Balance	93,126	-	-
3600 Unassigned Fund Balance	5,858,766	-	-
3000 Total Fund Balances	<u>6,783,973</u>	<u>820,984</u>	<u>5,726,268</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,363,123</u>	<u>\$ 846,643</u>	<u>\$ 6,821,457</u>

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

Other Funds	Total Governmental Funds
\$ 11,211	\$ 5,808,545
-	8,406,873
-	507,212
-	(102,975)
1,898	409,307
-	15,370
<u>\$ 13,109</u>	<u>\$ 15,044,332</u>
\$ -	\$ 1,125,473
12,754	164,119
-	15,370
355	3,117
-	791
<u>13,109</u>	<u>1,308,870</u>
-	404,237
-	404,237
-	5,726,268
-	820,984
-	832,081
-	93,126
-	5,858,766
<u>-</u>	<u>13,331,225</u>
<u>\$ 13,109</u>	<u>\$ 15,044,332</u>

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

Total Fund Balances - Governmental Funds	\$	13,331,225
1 Net capital assets used in governmental activities are not reported in the fund financial statements.		25,075,420
2 The district's proportionate share of the TRS collective deferred inflows (\$409,331) as well as the district's contributions made to TRS subsequent to the 8/31/15 net pension liability date (\$98,561) are recognized as a deferred outflow of resources in the Statement of Net Position.		507,892
3 Bonds (including premiums) and compensated absences payable (including accrued interest thereon) are not reported in the fund financial statements.		(18,026,524)
4 The district's proportionate share of the TRS net pension liability is reported in the Statement of Net Position.		(1,248,515)
5 The district's proportionate share of the TRS collective deferred inflows is recognized in the Statement of Net Position.		(92,929)
6 Net delinquent property taxes receivable are deferred in the fund financial statements.		404,237
19 Net Position of Governmental Activities	\$	19,950,806

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

GLASSCOCK COUNTY 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	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 30,081,212	\$ 2,681,316	\$ 30,863
5800 State Program Revenues	680,375	1,058	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>30,761,587</u>	<u>2,682,374</u>	<u>30,863</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,917,625	-	-
0012 Instructional Resources and Media Services	47,281	-	-
0013 Curriculum and Instructional Staff Development	7,186	-	-
0023 School Leadership	262,174	-	-
0031 Guidance, Counseling and Evaluation Services	65,478	-	-
0033 Health Services	75,097	-	-
0034 Student (Pupil) Transportation	286,989	-	-
0035 Food Services	5,786	-	-
0036 Extracurricular Activities	270,357	-	-
0041 General Administration	340,148	-	-
0051 Facilities Maintenance and Operations	1,073,600	-	-
0052 Security and Monitoring Services	1,000	-	-
0053 Data Processing Services	64,846	-	-
0061 Community Services	3,464	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	1,410,000	-
0072 Interest on Long Term Debt	-	793,766	-
0073 Bond Issuance Cost and Fees	-	2,144	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	7,424,576
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	24,033,256	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	71,615	-	-
0099 Other Intergovernmental Charges	262,216	-	-
6030 Total Expenditures	<u>29,788,118</u>	<u>2,205,910</u>	<u>7,424,576</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>973,469</u>	<u>476,464</u>	<u>(7,393,713)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(201,614)	-	-
8949 Other (Uses)	(136,845)	-	-
7080 Total Other Financing Sources (Uses)	<u>(338,459)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	635,010	476,464	(7,393,713)
0100 Fund Balance - September 1 (Beginning)	<u>6,148,963</u>	<u>344,520</u>	<u>13,119,981</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,783,973</u>	<u>\$ 820,984</u>	<u>\$ 5,726,268</u>

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

Other Funds	Total Governmental Funds
\$ 92,571	\$ 32,885,962
27,608	709,041
164,260	164,260
284,439	33,759,263
98,159	3,015,784
-	47,281
-	7,186
-	262,174
-	65,478
-	75,097
-	286,989
387,894	393,680
-	270,357
-	340,148
-	1,073,600
-	1,000
-	64,846
-	3,464
-	1,410,000
-	793,766
-	2,144
-	7,424,576
-	24,033,256
-	71,615
-	262,216
486,053	39,904,657
(201,614)	(6,145,394)
201,614	201,614
-	(201,614)
-	(136,845)
201,614	(136,845)
-	(6,282,239)
-	19,613,464
\$ -	\$ 13,331,225

GLASSCOCK COUNTY 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	\$	(6,282,239)
Capital outlay expenditures are capitalized in the government-wide financial statements.		7,560,035
Depreciation of capital assets is recognized in the government-wide financial statements.		(637,305)
Repayments of principal on bonds and capital leases payable is reported as a decrease in liabilities in the government-wide financial statements.		1,448,847
Amortization of premiums on bonds is reported in the Statement of Activities.		202,069
Compensated absences payable are reported in the government-wide financial statements. The current year decrease is recognized in the Statement of Activities.		5,250
Accrued interest payable on bonds is reported in the government-wide financial statements. The current year decrease is recognized in the Statement of Activities.		1,706
The State of Texas' proportionate share of the district's TRS pension expense as determined under the provisions of GASB 68 is recorded as a revenue and expense in the Statement of Activities. This amount exceeded the statutory amount contributed and reported as on-behalf revenue and expenditure in the fund financial statements.		98,495
TRS pension expense as reported in the Statement of Activities and determined under the provisions of GASB 68 exceeded the amount reported in the fund financial statements.		(187,404)
Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year decrease is recognized in the Statement of Activities.		(22,918)
 Change in Net Position of Governmental Activities	\$	2,186,536

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

GLASSCOCK COUNTY 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	\$ 27,552,500	\$ 29,302,500	\$ 30,081,212	\$ 778,712
5800	State Program Revenues	712,047	712,047	680,375	(31,672)
5020	Total Revenues	28,264,547	30,014,547	30,761,587	747,040
EXPENDITURES:					
Current:					
0011	Instruction	3,072,382	2,983,434	2,917,625	65,809
0012	Instructional Resources and Media Services	48,958	48,958	47,281	1,677
0013	Curriculum and Instructional Staff Development	5,000	7,186	7,186	-
0023	School Leadership	262,337	263,837	262,174	1,663
0031	Guidance, Counseling and Evaluation Services	66,102	66,102	65,478	624
0033	Health Services	63,918	75,918	75,097	821
0034	Student (Pupil) Transportation	279,019	319,019	286,989	32,030
0035	Food Services	-	5,786	5,786	-
0036	Extracurricular Activities	314,129	314,129	270,357	43,772
0041	General Administration	420,103	385,103	340,148	44,955
0051	Facilities Maintenance and Operations	899,245	1,085,895	1,073,600	12,295
0052	Security and Monitoring Services	2,000	2,000	1,000	1,000
0053	Data Processing Services	91,314	70,140	64,846	5,294
0061	Community Services	-	-	3,464	(3,464)
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	22,286,915	24,036,915	24,033,256	3,659
0093	Payments to Fiscal Agent/Member Districts of SSA	72,125	72,125	71,615	510
0099	Other Intergovernmental Charges	381,000	278,000	262,216	15,784
6030	Total Expenditures	28,264,547	30,014,547	29,788,118	226,429
1100	Excess of Revenues Over Expenditures	-	-	973,469	973,469
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(239,217)	(239,217)	(201,614)	37,603
8949	Other (Uses)	-	-	(136,845)	(136,845)
7080	Total Other Financing Sources (Uses)	(239,217)	(239,217)	(338,459)	(99,242)
1200	Net Change in Fund Balances	(239,217)	(239,217)	635,010	874,227
0100	Fund Balance - September 1 (Beginning)	6,148,963	6,148,963	6,148,963	-
3000	Fund Balance - August 31 (Ending)	\$ 5,909,746	\$ 5,909,746	\$ 6,783,973	\$ 874,227

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 94,724
Total Assets	<u>\$ 94,724</u>
LIABILITIES	
Due to Student Groups	\$ 94,724
Total Liabilities	<u>\$ 94,724</u>

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

I. Summary of Significant Accounting Policies

Glasscock County 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 accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators, and managers, and significantly influence operations. The Board also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

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 include 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 revenue is not program revenue, it is 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 from 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 from on the government-wide Statement of Activities.

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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. The District considers all revenues available if they are collectible within 60 days after year end.

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. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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 sometimes require the District to refund all or part of the unused amount.

D. Fund Accounting

The District reports the following major governmental funds:

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.

Capital Projects Fund – This fund is utilized to accumulate the construction costs related to the new buildings financed by bonds.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

D. Fund Accounting – Continued

Additionally, the District reports the following fund types:

Governmental Funds:

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.

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. These funds represent student activity funds and education scholarship funds.

E. Deposits and Investments

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

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, investment pools, and other investments specifically allowed by Chapter 2256, “Public Funds Investment,” and Chapter 2257, “Collateral for Public Funds,” of the Government Code.

The District’s investment policies and types of investments are governed by the Public Funds Investment Act. The District’s administration believes that it complied with the requirements of the Public Funds Investment Act and District’s investment policies.

Investments are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair values of the pool shares.

F. Other Accounting Policies

1. The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.
3. Land, buildings, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. These 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.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

F. Other Accounting Policies - Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	5 – 7
Equipment	5 – 7

4. The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.
5. In the fund financial statements, governmental funds report in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specific how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – *committed, assigned, and unassigned*.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since the practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by a majority vote in a scheduled meeting.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

F. Other Accounting Policies - Continued

When the District makes expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned if not directly associated with either the specific commitment or specific assignment.

6. 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.
7. 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.
8. In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources until that time. See the pension footnote for a further description of this amount.
9. In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources until that time. One type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category is uncollected property taxes which are reported on the balance sheet for governmental funds. The other items reported in this category are discussed in the pension footnote.
10. The preparation of financial statements in conformity with GAAP requires the use of management estimates.
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.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

II. Stewardship, Compliance, and Accountability

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program (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 C-5 and the other two reports are presented in Exhibits F-2 and F-3.

The following procedures are followed in establishing the budgetary data reflected in the fund 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.
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 Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

Cafeteria \$ 6,414

III. Detailed Notes on all Funds and Account Groups

A. Deposits and Investments

The District had the following investments as of August 31, 2016.

Investment Type	Fair Value
Texas CLASS	\$ 1,338,562
Texstar	<u>7,068,311</u>
Total Investments	<u>\$ 8,406,873</u>

Interest Rate Risk: The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Credit Risk: The District's investment policy permits only investments specifically allowed by Chapter 2256, "Public Funds Investment," of the Government Code.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

A. Deposits and Investments – Continued

Concentration of Credit Risk: The District’s investment policy is to reduce the risk of loss resulting from over concentration of an asset in a specific class of investments; however, the District’s policy places no specific limit on the amount which the District may invest in any one issuer.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits are all covered by FDIC insurance or by collateral held by the District’s agent bank in the District’s name.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Public Funds Investment Pools - Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participates in the pool and other person who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

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 and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Allowances for uncollectible tax receivables are 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.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

C. Interfund Balances and Transfers

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

Debt Service Fund has a due from the General Fund of: \$ 15,370

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

Transfer from General Fund to Child Nutrition Fund \$ 201,614

This transfer represents the amount transferred to fund the deficit in the current operations for the child nutrition fund as shown on Exhibit F-2.

D. Capital Asset Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 127,690	\$ 0	\$ 0	\$ 127,690
Total capital assets not being depreciated	<u>127,690</u>	<u>0</u>	<u>0</u>	<u>127,690</u>
Capital assets being depreciated				
Buildings and improvements	16,659,253	2,319,277	0	18,978,530
Construction In Progress	3,180,920	7,424,576	(2,189,578)	8,415,918
Equipment	<u>1,600,020</u>	<u>5,760</u>	<u>0</u>	<u>1,605,780</u>
Total capital assets being depreciated	<u>21,440,193</u>	<u>9,749,613</u>	<u>(2,189,578)</u>	<u>29,000,228</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,576,037)	(463,905)	0	(3,039,942)
Equipment	<u>(839,156)</u>	<u>(173,400)</u>	<u>0</u>	<u>(1,012,566)</u>
Total accumulated depreciation	<u>(3,415,193)</u>	<u>(637,305)</u>	<u>0</u>	<u>(4,052,498)</u>
Total capital assets being depreciated, net	<u>18,025,000</u>	<u>9,112,308</u>	<u>(2,189,578)</u>	<u>24,947,730</u>
Governmental activities capital assets, net	<u>\$18,152,690</u>	<u>\$9,112,308</u>	<u>\$ (2,189,578)</u>	<u>\$ 25,075,420</u>

Construction in progress above of \$8,415,918 consists of a new gym, classrooms, and a concession area.

Depreciation expense was charged to governmental functions on the Statement of Activities as follows:

Instruction	\$ 30,837
Student (Pupil) Transportation	129,641
Food Service	1,236
Extracurricular Activities	1,765
Plant Maintenance and Operations	<u>473,826</u>
Total Depreciation Expense	<u>\$ 637,305</u>

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

E. Deferred Inflow of Resources

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Long-Term Obligations Payable

Unlimited Tax School Building Bonds, Series 2010

These bonds were issued for the purpose of capital improvements and renovation projects. The bonds originally had interest rates ranging from 2% to 3.41% with a final maturity of February 15, 2025. All bonds maturing February 15, 2020 and thereafter totaling \$2,355,000 were called and repaid in a prior year. The remaining bonds outstanding of \$245,000 were repaid in September 2015.

Unlimited Tax Refunding Bonds, Series 2011

These bonds were issued for the purpose of partially refunding the Series 2010 issue noted above. The bonds originally had interest rates ranging from 2% to 3% with a final maturity of February 15, 2024. All bonds maturing February 15, 2021 and thereafter totaling \$1,685,000 were called and repaid in a prior year. The remaining bonds outstanding are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest due semi-annually on February 15th and August 15th of each year.

Unlimited Tax School Building Bonds, Series 2014

These bonds were issued for the purpose of capital improvements and renovations. The bonds have interest rates ranging from 2% to 5% with a final maturity of February 15, 2034. The bonds are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest due semi-annually on February 15th and August 15th of each year.

	<u>Beginning Balance</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2010 Bonds	\$ 245,000	\$ 0	\$ 245,000	\$ 0	0
Series 2011 Bonds	330,000	0	15,000	315,000	15,000
Series 2014					
Bonds	17,365,000	0	1,150,000	16,215,000	950,000
Premium	1,649,427	0	202,069	1,447,358	0
Capital Lease	<u>38,847</u>	<u>0</u>	<u>38,847</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 19,628,274</u>	<u>\$ 0</u>	<u>\$ 1,650,916</u>	\$ 17,977,358	<u>\$ 965,000</u>
Compensated Absences (see Note G)				16,850	
Accrued Interest Payable				<u>32,316</u>	
Total Noncurrent Liabilities				18,026,524	
Due Within One Year (including accrued interest payable)				<u>(997,316)</u>	
Due in more than one year				<u>\$ 17,029,208</u>	

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

F. Long Term Obligations Payable - Continued

The combined future minimum payments for all long-term debt are as follows. These amounts do not take into effect the premiums above. The combined totals consist of \$315,000 Series 2011 bonds, and \$16,215,000 Series 2014 bonds. Annual debt service requirements are as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 965,000	\$ 761,200	\$ 1,726,200
2018	755,000	735,513	1,490,513
2019	540,000	716,162	1,256,162
2020	415,000	700,425	1,115,425
2021	435,000	681,875	1,116,875
2022-2026	4,165,000	2,855,625	7,020,625
2027-2031	5,345,000	1,672,375	7,017,375
2032-2034	<u>3,910,000</u>	<u>299,750</u>	<u>4,209,750</u>
Totals	<u>\$ 16,530,000</u>	<u>\$ 8,422,925</u>	<u>\$ 24,952,925</u>

G. Compensated Absences

The Board of Trustees authorized a policy in regards to compensated absences as of the August 12, 2013 meeting. This new policy was in regards to state leave earned. The policy states that an employee who separates from employment with the District shall be eligible for reimbursement for state leave under the following conditions:

1. The employee's separation from employment is voluntary, i.e., the employee is retiring or resigning and is not being discharged or not renewed.
2. The employee provides advance written notice of intent to separate from employment. Contract employees must provide written notice at least 60 days before the last day of employment. Non-contract employees must provide written notice at least two weeks before the last day of employment.
3. The employee has at least five years of service with the District.
4. The employee has at least five days of available state leave.

The employee shall be reimbursed for each day of state leave, to a maximum of 50 days, at a rate of \$100 per day. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

The rate established by the Board shall be in effect until the Board adopts a new rate. Any changes to the rate shall apply beginning with the school year following the adoption of the rate change.

Following the above eligibility requirements, the District has accrued \$16,850 for the current year.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Fund Balances

Fund balances consist of restricted balances which are set aside for retirement of debt of \$814,327 and a balance of \$5,726,268 for capital projects.

Committed fund balance consists of the following amounts which were approved by the Board of Trustees.

Building Construction	\$ 832,081
Other Amounts	<u>93,126</u>
 Total	 <u>\$ 925,207</u>

The remaining fund balance of \$5,858,766 is unassigned and available for operations of the next year.

I. Defined Benefit Pension Plan

Plan Description. Glasscock County Independent School District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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.texas.gov/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 percentage of Total Pension Liability	 78.43%

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan - Continued

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS's 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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal year 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Glasscock County ISD 2016 Employer Contributions		\$ 98,561
Glasscock County ISD 2016 Member Contributions		187,449
Glasscock County ISD 2015 NECE On-Behalf Contributions		142,090

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).

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan – Continued

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 the 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 or 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
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan – Continued

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

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan – Continued

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discounted 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%)
Proportionate share of the Net Pension Liability	\$ 1,956,188	\$ 1,248,515	\$ 659,068

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District reported a liability of \$1,248,515 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 of the net 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	\$ 1,248,515
State’s proportionate share that is associated with the District	<u>1,695,750</u>
Total	<u>\$ 2,944,265</u>

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

At August 31, 2015 the employer’s proportion of the collective net pension liability was 0.0035320%. which was an increase of 0.0009376% 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%
5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan – Continued

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 100% 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 for 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 year ended August 31, 2016, the District recognized pension expense of \$241,617 and revenue of \$241,617 for support provided by the State.

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

	Deferred Outflows Of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experiences	\$ 8,913	\$ 47,982
Changes in actuarial assumptions	37,463	44,542
Differences between projected and actual investment earnings	148,624	0
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>214,331</u>	<u>405</u>
Total as of August 31, 2015	\$ 409,331	\$ 92,929
Contributions paid to TRS subsequent to the measurement date	<u>98,561</u>	<u>0</u>
Total as of August 31, 2016	<u>\$ 507,892</u>	<u>\$ 92,929</u>

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

I. Defined Benefit Pension Plan - Continued

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

Year Ended August 31,	Pension Expense Amount
2017	\$ 53,866
2018	\$ 53,866
2019	\$ 53,865
2020	\$ 106,820
2021	\$ 29,393
Thereafter	\$ 18,592

The net pension liability of \$1,248,515 is shown as a non-current liability on the statement of position and the following table shows the increases and decreases for the year.

	Beginning Balance	Additions	Retirements	Ending Balance
Net pension liability	\$ 692,999	\$ 660,100	\$ 104,584	\$1,248,515

J. Health Care Coverage

During the period ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$614 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

Latest financial statements for the Plan are available from Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

K. Retiree Health Plan

Plan Description – The Glasscock County Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS- Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and is required supplementary information for TRS-Care. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS communications Department at 1-800-223-8778, or by writing to the TRS communications Department, 1000 Red River Street, Austin, Texas 78701.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

K. Retiree Health Plan - Continued

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 established state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2016-2014 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 16,922	1.0%	\$ 26,035	0.55%	\$ 14,319
2015	0.65%	16,789	1.0%	25,829	0.55%	14,206
2014	0.65%	16,813	1.0%	25,866	0.55%	14,227

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2016-2014 are shown in the table below:

Fiscal Year	Medicare Part D
2016	\$ 8,059
2015	11,072
2014	7,203

L. Unavailable Revenue

Unearned revenue at year end consisted of the following in the General and Debt Service funds:

Property Taxes	<u>\$ 404,237</u>
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L. Receivables from Other Governments

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

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 277,530	\$ 0	\$ 119,681	\$ 397,211
Special Revenue	0	1,898	0	1,898
Debt Service	<u>0</u>	<u>0</u>	<u>10,198</u>	<u>10,198</u>
Totals	<u>\$ 277,530</u>	<u>\$ 1,898</u>	<u>\$ 129,879</u>	<u>\$ 409,307</u>

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2016

M. Revenue from Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 28,716,983	\$ 2,680,818	\$ 31,397,801
Cafeteria Sales	0	92,571	92,571
Investment Income	68,395	26,361	94,756
Co-Curricular Activities	18,996	0	18,996
Rent	74,995	0	74,995
Tuition Pre-K	20,344	0	20,344
Windmill Pilot Revenue	1,169,579	0	1,169,579
Other	<u>11,920</u>	<u>5,000</u>	<u>16,920</u>
 Total	 <u>\$ 30,081,212</u>	 <u>\$ 2,804,750</u>	 <u>\$ 32,885,962</u>

N. Workers' Compensation Insurance

The District participates in a risk pool for workers' compensation. The District pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop loss coverage as well as all claims expenses. In exchange, all claims are paid until closed and there are no additional fees for services provided. The policy is a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of the member entities. The District is not aware of any material losses from reported or unreported claims. The District's required contribution for the year ended August 31, 2016 was \$6,566.

Changes in the liability during the past year were as follows:

Unpaid claims as of September 1, 2015	\$ 16,343
Incurred claims (Including Prior Year Adjustments)	(2,842)
Payments	<u>(2,362)</u>
Unpaid claims as of August 31, 2016	<u>\$ 11,139</u>

O. Shared Service Arrangement

The District participates in a shared service arrangement (SSA) for special education with other local schools. The District expended \$71,615 to the SSA in the current year. However, the District does not account for its share of actual expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

P. Tax Abatement

The Glasscock County Independent School District board of trustees approved several agreements with various eligible entities listed below for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. The entities below qualified for a tax limitation agreement under Texas Tax code section 313.024(b)(5), as a manufacturing project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The Projects under the Chapter 313 agreements must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, the agreements were found to have done so by both the District’s Board of Trustees and the Texas Comptroller’s Office, which recommended approval of the project. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller’s website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreements and all supporting documentation were assigned Texas Comptroller Application Numbers.

After approval, the applicant companies must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event any of the companies listed below terminate their agreements without the consent of the District, or in the event that the companies or its successor-in-interest fails to comply in any material respect with the terms of these agreements or to meet any material obligation under these agreements, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of these agreements together with the payment of penalty and interest, on the recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax code section 33.01(c), or its successor statute. These agreements provide an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of our audit, the companies are in full compliance with all of its obligations under law and the agreements themselves.

Below is the information required for each company for M&O purposes. It includes the net benefit to the district but does not include any I&S impact.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

P. Tax Abatement – continued

State Comptroller Application No.	Project Value	Project Value Limitation	M&O Taxes Paid	M&O Taxes Reduced	Revenue Loss Payment	Supplemental Payment to School	Net Benefit (Loss) to School
1032	\$79,751,350	\$30,000,000	\$311,130	\$515,971	\$ 29,868	\$100,000	\$440,998
380	0	0	0	0	0	0	0
379	0	0	0	0	0	0	0
303	259,657,000	30,000,000	311,130	2,381,773	218,169	176,577	705,876
223	65,021,217	30,000,000	311,130	363,205	21,024	64,524	396,678
200	49,762,600	30,000,000	311,130	204,958	10,911	87,229	409,270
117	164,060,970	10,000,000	103,710	1,597,766	91,490	649,502	844,702

REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT E-1

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.003532%	0.0025944%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,248,515	\$ 692,999
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,695,750	1,495,956
Total	<u>\$ 2,944,265</u>	<u>\$ 2,188,955</u>
District's Covered-Employee Payroll	\$ 2,582,875	\$ 2,586,593
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	48.34%	26.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

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

EXHIBIT E-2

	2016	2015
Contractually Required Contribution	\$ 98,561	\$ 104,584
Contribution in Relation to the Contractually Required Contribution	(98,561)	(104,584)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 2,603,452	\$ 2,582,875
Contributions as a Percentage of Covered-Employee Payroll	3.79%	4.05%

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

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

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016

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

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

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

GLASSCOCK COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions - Continued

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.

REQUIRED TEA SCHEDULES

GLASSCOCK COUNTY 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	1.017430	0.080000	785,584,981
2009	1.041000	0.050000	1,089,138,610
2010	1.037100	0.030000	1,086,516,040
2011	1.041000	0.075000	1,292,767,627
2012	1.041000	0.074800	1,364,740,953
2013	1.017100	0.074900	3,043,584,371
2014	1.037000	0.054900	3,226,215,591
2015	1.037000	0.070000	3,792,988,929
2016 (School year under audit)	1.037100	0.090000	2,732,545,338
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
\$ 24,934	\$ -	\$ 103	\$ 1	\$ (937)	\$ 23,893
4,444	-	27	2	-	4,415
16,089	-	263	13	-	15,813
4,207	-	241	7	-	3,959
6,360	-	587	42	-	5,731
15,113	-	1,943	140	-	13,030
61,863	-	10,092	743	(43)	50,985
94,136	-	13,372	708	(3,789)	76,267
279,804	-	92,277	6,229	(2,920)	178,378
-	31,277,647	28,476,343	2,666,563	-	134,741
<u>\$ 506,950</u>	<u>\$ 31,277,647</u>	<u>\$ 28,595,248</u>	<u>\$ 2,674,448</u>	<u>\$ (7,689)</u>	<u>\$ 507,212</u>

GLASSCOCK COUNTY 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	\$ 60,000	\$ 60,000	\$ 92,571	\$ 32,571
5800 State Program Revenues	1,000	1,000	1,223	223
5900 Federal Program Revenues	79,500	79,500	92,486	12,986
5020 Total Revenues	<u>140,500</u>	<u>140,500</u>	<u>186,280</u>	<u>45,780</u>
EXPENDITURES:				
0035 Food Services	<u>381,480</u>	<u>381,480</u>	<u>387,894</u>	<u>(6,414)</u>
6030 Total Expenditures	<u>381,480</u>	<u>381,480</u>	<u>387,894</u>	<u>(6,414)</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(240,980)	(240,980)	(201,614)	39,366
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>239,217</u>	<u>239,217</u>	<u>201,614</u>	<u>(37,603)</u>
1200 Net Change in Fund Balances	(1,763)	(1,763)	-	1,763
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ (1,763)</u>	<u>\$ (1,763)</u>	<u>\$ -</u>	<u>\$ 1,763</u>

GLASSCOCK COUNTY 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	\$ 2,467,291	\$ 2,467,291	\$ 2,681,316	\$ 214,025
5800	State Program Revenues	-	-	1,058	1,058
5020	Total Revenues	2,467,291	2,467,291	2,682,374	215,083
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,450,000	1,450,000	1,410,000	40,000
0072	Interest on Long Term Debt	855,325	1,015,291	793,766	221,525
0073	Bond Issuance Cost and Fees	161,966	2,000	2,144	(144)
6030	Total Expenditures	2,467,291	2,467,291	2,205,910	261,381
1200	Net Change in Fund Balances	-	-	476,464	476,464
0100	Fund Balance - September 1 (Beginning)	344,520	344,520	344,520	-
3000	Fund Balance - August 31 (Ending)	\$ 344,520	\$ 344,520	\$ 820,984	\$ 476,464

COMPLIANCE AND INTERNAL CONTROL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

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*

Independent Auditor's Report

Board of Trustees
Glasscock County Independent School District
P.O. Box 9
Garden City, Texas 79739

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glasscock County Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Glasscock County Independent School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Glasscock County Independent School 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 Glasscock County Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reed, McKee & Co., P.C.
December 15, 2016

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

I. Summary of the Auditor's Results:

- A. The auditor's report expresses an unqualified opinion on the basic financial statements of the Glasscock County Independent School District.
- B. No significant deficiencies or material weaknesses relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- C. No instances of noncompliance material to the basic financial statements of the Glasscock County Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

SCHOOLS FIRST QUESTIONNAIRE

Glasscock County Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1248515
SF13	Pension Expense (6147) at fiscal year-end.	88909