

**GROOM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2015**



JOHNSON & SHELDON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**GROOM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended August 31, 2015**

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	2
Management's Discussion and Analysis (Unaudited)	5
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	20
Notes to the Financial Statements	21
<u>Required Supplementary Information</u>	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	45
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	46
G-3 Schedule of District Contributions to TRS	47
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	48
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	52
Agency Funds:	
H-9 Statement of Changes in Assets and Liabilities	55
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	56
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program	58
J-5 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Debt Service Fund	59
<u>Reports on Compliance and Internal Control</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
	61
Schedule of Findings and Questioned Costs	63
Summary Schedule of Prior Audit Findings	64
Corrective Action Plan	65
L Schools First Questionnaire	66




CERTIFICATE OF BOARD

Groom Independent School District
Name of School District

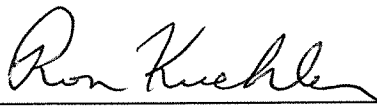
Carson
County

033-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 14th day of December, 2015.



Signature of Board Secretary



Signature of Board President



JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Trustees
Groom Independent School District
Groom, Texas

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 **Groom Independent School District** (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I the financial statements, in 2015, the District adopted new accounting guidance prescribed by Governmental Accounting Standards Board Statement No. 68 – *Accounting and Reporting for Pensions* (GASB 68) for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District’s Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District’s pension plan. Exhibit B-1 discloses the adjustment to the District’s Beginning Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of the District’s Proportionate Share of the Net Pension Liability and the Schedule of District Contributions to TRS on pages 5 through 13, page 45, page 46 and page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was 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 information is 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 8, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson & Sheldon PLLC
Johnson & Sheldon, PLLC

December 8, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

In this section of the Annual Financial and Compliance Report, we, the managers of Groom Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,047,601 at August 31, 2015.
- The District's governmental funds financial statements reported combined ending fund balance of \$756,321. This balance consists of \$678,669 in the General Fund of which \$15,140 is nonspendable, \$100,000 is assigned or committed and \$563,529 is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$77,652 and is used by the Debt Service Fund.
- For the year ended August 31, 2015, total revenue from all sources was \$1,898,283. Program revenues accounted for \$289,875 of total revenues. General revenues and special items accounted for \$1,608,408.
- The General Fund had \$1,537,211 in revenues, which primarily consisted of state aid and property taxes and \$1,510,410 in expenditures which resulted in an increase to the fund balance of \$26,801.

USING THIS ANNUAL REPORT

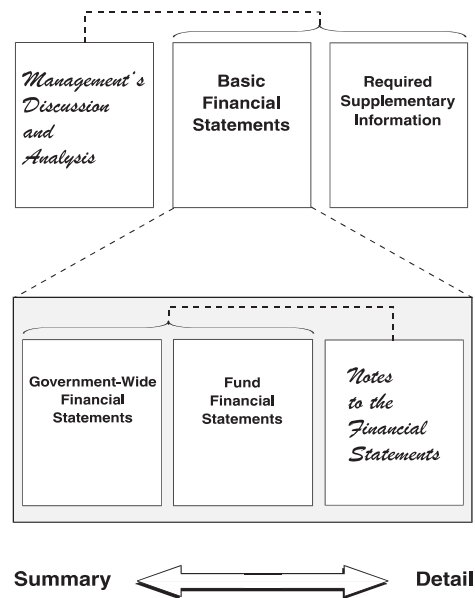
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) 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 notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The notes provide additional information that is essential in fully understanding the data provided in the government-wide and fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled TEA Required Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Exhibit I - Required Components of the District's Annual Financial Report



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

USING THIS ANNUAL REPORT (continued)

Exhibit II summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this section explains the structure and contents of each of the statements.

**Exhibit II
Major Features of the District's Government-Wide and Fund Financial Statements**

Type of Statement	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units.	The activities of the District that are not proprietary or fiduciary.	Activities of the District which operate similar to private business.	Instances in which the District is the trustee or agent for someone else's resources.
Required financial statements	- Statement of Net Position - Statement of Activities	- Balance Sheet - Statement of Revenues, Expenditures and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenditures and Changes in Net Position - Statement of Cash Flows	- Statement of Net Position - Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

USING THIS ANNUAL REPORT (continued)

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) 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 nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we present the District with only one kind of activity:

- 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 governmental fund financial statements begin on page 16 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental fund uses the following accounting approaches:

- 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.



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

USING THIS ANNUAL REPORT (continued)

Reporting the District's Most Significant Funds (continued)

Fund Financial Statements (continued)

- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate Statement of Net Position and a Statement of Changes in Net Position that can be found on pages 20 and 55.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 thru 44.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 55. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's combined net position between fiscal years 2015 and 2014, decreased by \$30,136, as can be seen in Exhibit III. The District's net investment in capital assets is \$276,736 and includes its investments in capital assets (e.g., land, buildings, equipment, improvements, and construction in progress) less any debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District's governmental activities decreased from \$1,077,737 to \$1,047,601. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$693,213 at August 31, 2015. This decrease in governmental net position was the result of four factors. First, the District's revenues exceeded the expenditures by \$17,805. Second, the District disposed of capital assets in the amount of \$2,906. Third, the District recorded depreciation and other expenses not recognized in the amount of \$176,232. Fourth, due to the required implementation of new GASB 68 related to the District's participation in TRS, during 2015, which the District was required to record and disclose its share of the District's net pension liability and some deferred resource outflows and resource inflows related to the District's pension plan. During 2015 the District recorded a prior period adjustment of \$(47,941) (see Exhibit B-1) related to GASB 68.

Exhibit III provides a summary of the Assets, Liabilities and Net Position for governmental activities for the years ended August 31, 2015 and 2014, respectively.



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

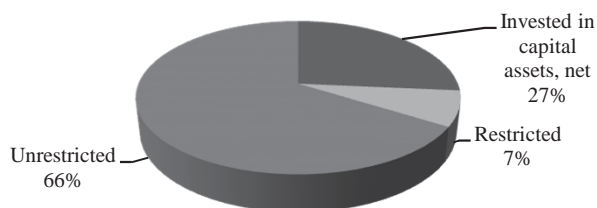
Net Position (continued)

**Exhibit III
The District's Net Position as of August 31, 2015 and 2014**

	Governmental Activities			
	2015	2014	Change	% Change
Assets				
Cash and investments	\$ 764,971	\$ 723,881	\$ 41,090	5.68%
Property taxes, net	57,230	29,641	27,589	93.08%
Accounts receivable	48,706	32,641	16,065	49.22%
Other assets	15,139	15,690	(551)	-3.51%
Capital assets, net	1,791,156	1,970,295	(179,139)	-9.09%
Total Assets	2,677,202	2,772,148	(94,946)	-3.42%
Deferred outflows				
Deferred outflow related to TRS	21,691	-	21,691	100.00%
Total Deferred Outflows	21,691	-	21,691	100.00%
Liabilities				
Accounts payable	34,700	20,838	13,862	66.52%
Accrued expenses	46,210	38,279	7,931	20.72%
Unearned revenue	708	-	708	100.00%
Noncurrent liabilities	1,556,731	1,635,294	(78,563)	-4.80%
Total Liabilities	1,638,349	1,694,411	(56,062)	-3.31%
Deferred inflow related to TRS	12,943	-	12,943	100.00%
Net Position				
Invested in capital assets, net	276,736	332,002	(55,266)	-16.65%
Restricted	77,652	66,908	10,744	16.06%
Unrestricted	693,213	678,827	14,386	2.12%
Total Net Position	\$ 1,047,601	\$ 1,077,737	\$ (30,136)	-2.80%

On August 31, 2015, the District's net position had decreased by \$30,136, or 2.80%, from August 31, 2014. Unrestricted net position, the part of net position that can be used to finance daily operations of the District, increased by \$14,386, or 2.12%. Exhibit IV shows the District's allocation of net position as of August 31, 2015.

**Exhibit IV
Net Position Allocation as of August 31, 2015**



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

Exhibit IV

The District's Changes in Net Position for the Years Ended August 31, 2015 and 2014

	Governmental Activities			
	2015	2014	Change	% Change
Revenues - Program				
Charges for services	\$ 50,126	\$ 31,194	\$ 18,932	60.69%
Operating grants and contributions	239,749	157,731	82,018	52.00%
Revenues - General				
Taxes - maintenance and operations	976,572	861,389	115,183	13.37%
Taxes - interest and sinking	163,982	162,206	1,776	1.09%
State aid - formula grants	450,623	518,794	(68,171)	-13.14%
Grants and contributions not restricted	6,687	-	6,687	100.00%
Investment earnings	1,994	2,011	(17)	-0.85%
Miscellaneous local and intermediate	8,550	231,960	(223,410)	-96.31%
Total Revenues	<u>1,898,283</u>	<u>1,965,285</u>	<u>(67,002)</u>	<u>-3.41%</u>
Expenses				
Instruction	942,553	948,389	(5,836)	-0.62%
Instructional resources and media	16,118	13,947	2,171	15.57%
Curriculum and staff development	5,274	5,653	(379)	-6.70%
Instructional leadership	500	500	-	0.00%
School leadership	53,824	54,854	(1,030)	-1.88%
Guidance, counseling and evaluation	24,960	4,994	19,966	399.80%
Health services	10,090	4,915	5,175	105.29%
Student transportation	34,486	58,521	(24,035)	-41.07%
Food services	66,982	69,903	(2,921)	-4.18%
Extracurricular activities	137,321	116,625	20,696	17.75%
General administration	158,671	146,315	12,356	8.44%
Facilities maintenance and operations	267,030	268,562	(1,532)	-0.57%
Data processing services	50,700	45,807	4,893	10.68%
Debt service - interest	68,845	71,317	(2,472)	-3.47%
Debt service - issuance costs	1,202	400	802	200.50%
Other intergovernmental charges	41,923	43,047	(1,124)	-2.61%
Total Expenses	<u>1,880,479</u>	<u>1,853,749</u>	<u>26,730</u>	<u>1.44%</u>
Increase (Decrease) in Net Position	<u>17,804</u>	<u>111,536</u>	<u>(93,732)</u>	<u>84.04%</u>
Net Position at Beginning of Year	\$ 1,077,738	\$ 966,202	\$ 111,536	11.54%
Prior Period Adjustment				
Required by GASB 68	(47,941)	-	(47,941)	100.00%
Net Position at End of Year	<u>\$ 1,047,601</u>	<u>\$ 1,077,738</u>	<u>\$ 30,137</u>	<u>-2.80%</u>



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

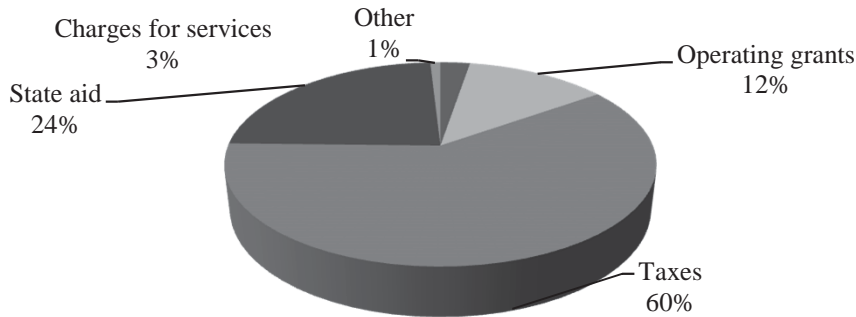
For the year ended August 31, 2015, the District's total revenues decreased \$67,002, or 3.41%, over the prior year mainly driven by a decrease in funds received related to Chapter 313 agreements.

For the year ended August 31, 2015, the District's total expenses increased by \$26,730, or 1.44%, over the prior year mainly driven by new counseling services being added.

Other Financial Highlights

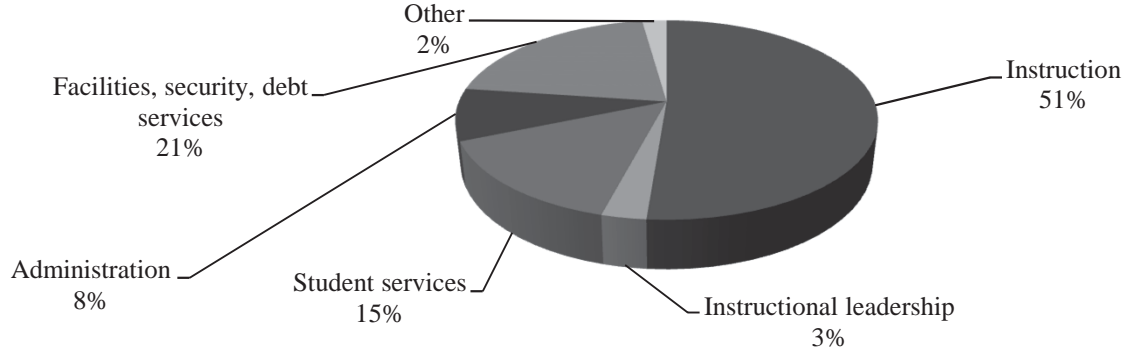
For the year ended August 31, 2015, the District's total revenues were \$1,898,283. Approximately 60% of the District's revenue was generated by property taxes, 24% was generated from state aid grants, 13% was generated from other operating grants, 3% was generated from charges for services and the remaining 1% was generated from miscellaneous revenue sources (see Exhibit V).

Exhibit V - Sources of Revenues for the Year Ended August 31, 2015



For the year ended August 31, 2015, the District's total cost of all programs and services was \$1,880,479. Approximately 51% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing and transportation services comprised 15% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 21% of the cost of all programs (see Exhibit VI).

Exhibit VI - Expenditure Allocation for the Year Ended August 31, 2015



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Other Financial Highlights (continued)

The District took actions this year to compensate for some expected increases in cost and avoid the loss of state revenue due to changes in the provisions related to accelerated, intensive, compensatory education (State Comp Ed) and student attendance accounting (Leavers).

- The District total property tax rate was set at \$1.292 per hundred dollar valuation in 2014, which decreased from 2013. The tax rate will decrease to \$1.084 per hundred dollar valuation for the 2015-2016 school year.
- The cost of all governmental activities this year was \$1.880 million compared to \$1.854 million last year. However, as shown in the Statement of Activities on Exhibit B-1 (page 15), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$1.1 million because some of the costs were paid by those who directly benefited from the programs (\$.05 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$.240 million) or by State equalization funding (\$.450 million).
- The District's management and budget managers were conservative in spending allocated resources.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$.756 million, which is higher than last year's total of \$.719 million. Included in this year's total change in fund balance is an increase of \$26,801 in the District's General Fund and an increase of \$10,744 in the District's Non-major Funds. The primary reason for the increase is an increase in property taxes.

Over the course of the year, the Board of Trustees revised the District's budget. The budget amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, and adjusting for changes in planned capital asset purchases.

The District's General Fund balance of \$678,669 reported on page 16 differs from the General Fund's budgetary fund balance of \$565,493 reported in the budgetary comparison schedule on page 45. This is principally due to cost savings and added revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2015 the District had a net of \$1,791,156 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$179,139, or 9 percent, below last year.



**GROOM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended August 31, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At year-end, the District had \$1,514,420 in outstanding long-term debt, related to various Bonds and a capital lease issued by the District. For more information on the District's long-term debt, see Notes H and I in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is located in Carson County, Texas. The primary economic activity of Carson County is agriculture. The majority of the District's property tax base is derived from agriculture property and other activities.

The District's student enrollment decreased as enrollment was 136 at the beginning of fiscal year 2014-2015 and enrollment was 142 at the beginning of 2015-2016.

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015-2016 budget and tax rates. The District approved to decrease the operating tax rate to \$1.04 per hundred dollar valuation, for the fiscal year 2015-2016. The District's interest and sinking tax rate was decreased to \$0.044 per hundred dollar valuation for the fiscal year 2015-2016.

These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget are \$4.2 million, and budgeted expenditures are expected to be \$1.8 million. The District has added no new major programs or initiatives to the 2016 budget.

For the 2015-2016 year, the District budgeted for a decrease of approximately \$34,000 in State funding.

There are additional funding challenges in the future for all school districts, but with the strong support of the District's citizens and great leadership of the Board of Trustees, the District's management is very confident that the District will remain financially sound.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Groom Independent School District, 304 W. 3rd St., PO Box 598, Groom, Texas 79039.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



GROOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 764,971
1220 Property Taxes Receivable (Delinquent)	70,409
1230 Allowance for Uncollectible Taxes	(13,179)
1240 Due from Other Governments	48,706
1410 Prepayments	15,139
Capital Assets:	
1510 Land	137,661
1520 Buildings, Net	1,288,174
1530 Furniture and Equipment, Net	246,890
1540 Other Capital Assets, Net	118,431
1000 Total Assets	2,677,202
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	21,691
1700 Total Deferred Outflows of Resources	21,691
LIABILITIES	
2110 Accounts Payable	21,529
2140 Interest Payable	9,123
2160 Accrued Wages Payable	43,030
2180 Due to Other Governments	4,048
2200 Accrued Expenses	3,180
2300 Unearned Revenue	708
Noncurrent Liabilities	
2501 Due Within One Year	125,874
2502 Due in More Than One Year	1,388,546
2540 Net Pension Liability (District's Share)	42,311
2000 Total Liabilities	1,638,349
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	12,943
2600 Total Deferred Inflows of Resources	12,943
NET POSITION	
3200 Net Investment in Capital Assets	276,736
3820 Restricted for Federal and State Programs	2,876
3850 Restricted for Debt Service	74,776
3900 Unrestricted	693,213
3000 Total Net Position	\$ 1,047,601

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



GROOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues		6
		3	4	
	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	\$ 942,553	\$ 15,601	\$ 151,459	\$ (775,493)
12 Instructional Resources and Media Services	16,118	-	720	(15,398)
13 Curriculum and Staff Development	5,274	-	5,185	(89)
21 Instructional Leadership	500	-	-	(500)
23 School Leadership	53,824	-	4,457	(49,367)
31 Guidance, Counseling and Evaluation Services	24,960	-	-	(24,960)
33 Health Services	10,090	-	-	(10,090)
34 Student (Pupil) Transportation	34,486	-	541	(33,945)
35 Food Services	66,982	14,940	47,648	(4,394)
36 Extracurricular Activities	137,321	19,585	14,125	(103,611)
41 General Administration	158,671	-	5,809	(152,862)
51 Facilities Maintenance and Operations	267,030	-	4,154	(262,876)
53 Data Processing Services	50,700	-	5,651	(45,049)
72 Debt Service - Interest on Long Term Debt	68,845	-	-	(68,845)
73 Debt Service - Bond Issuance Cost and Fees	1,202	-	-	(1,202)
91 Contracted Instructional Services Between Schools	1,208	-	-	(1,208)
93 Payments related to Shared Services Arrangements	21,820	-	-	(21,820)
99 Other Intergovernmental Charges	18,895	-	-	(18,895)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 1,880,479	\$ 50,126	\$ 239,749	(1,590,604)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			976,572
DT	Property Taxes, Levied for Debt Service			163,982
SF	State Aid - Formula Grants			450,623
GC	Grants and Contributions not Restricted			6,687
IE	Investment Earnings			1,994
MI	Miscellaneous Local and Intermediate Revenue			8,550
TR	Total General Revenues			1,608,408
CN	Change in Net Position			17,804
NB	Net Position - Beginning			1,077,738
PA	Prior Period Adjustment			(47,941)
NE	Net Position--Ending			\$ 1,047,601

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



GOVERNMENTAL FUND FINANCIAL STATEMENTS



GROOM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 680,244	\$ 84,727	\$ 764,971
1220 Property Taxes - Delinquent	59,828	10,581	70,409
1230 Allowance for Uncollectible Taxes (Credit)	(11,305)	(1,874)	(13,179)
1240 Receivables from Other Governments	36,079	12,627	48,706
1410 Prepayments	15,139	-	15,139
1000 Total Assets	<u>\$ 779,985</u>	<u>\$ 106,061</u>	<u>\$ 886,046</u>
LIABILITIES			
2110 Accounts Payable	\$ 8,354	\$ 13,175	\$ 21,529
2160 Accrued Wages Payable	40,651	2,379	43,030
2180 Due to Other Governments	-	4,048	4,048
2200 Accrued Expenditures	3,080	100	3,180
2300 Unearned Revenues	708	-	708
2000 Total Liabilities	<u>52,793</u>	<u>19,702</u>	<u>72,495</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	48,523	8,707	57,230
2600 Total Deferred Inflows of Resources	<u>48,523</u>	<u>8,707</u>	<u>57,230</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	15,140	-	15,140
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,876	2,876
3480 Retirement of Long-Term Debt	-	74,776	74,776
Committed Fund Balance:			
3510 Construction	100,000	-	100,000
3600 Unassigned Fund Balance	563,529	-	563,529
3000 Total Fund Balances	<u>678,669</u>	<u>77,652</u>	<u>756,321</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 779,985</u>	<u>\$ 106,061</u>	<u>\$ 886,046</u>

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



GROOM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	756,321
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$3,839,997 and the accumulated depreciation was (\$1,869,702). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		329,319
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		114,526
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$42,311, a Deferred Resource Inflow related to TRS in the amount of \$12,943 and a Deferred Resource Outflow related to TRS in the amount of \$21,691. This amounted to a decrease in Net Position in the amount of \$33,563.		(33,563)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(176,232)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		57,230
19 Net Position of Governmental Activities	<u>\$</u>	<u>1,047,601</u>

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



GROOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 995,678	\$ 229,544	\$ 1,225,222
5800 State Program Revenues	528,218	31,561	559,779
5900 Federal Program Revenues	-	72,380	72,380
5020 Total Revenues	<u>1,523,896</u>	<u>333,485</u>	<u>1,857,381</u>
EXPENDITURES:			
Current:			
0011 Instruction	787,209	100,467	887,676
0012 Instructional Resources and Media Services	16,232	-	16,232
0013 Curriculum and Instructional Staff Development	89	5,185	5,274
0021 Instructional Leadership	500	-	500
0023 School Leadership	53,448	1,035	54,483
0031 Guidance, Counseling and Evaluation Services	24,098	-	24,098
0033 Health Services	10,090	-	10,090
0034 Student (Pupil) Transportation	5,349	-	5,349
0035 Food Services	-	67,428	67,428
0036 Extracurricular Activities	94,440	11,967	106,407
0041 General Administration	159,588	-	159,588
0051 Facilities Maintenance and Operations	215,480	-	215,480
0053 Data Processing Services	48,035	3,108	51,143
Debt Service:			
0071 Principal on Long Term Debt	31,971	90,000	121,971
0072 Interest on Long Term Debt	59	64,248	64,307
0073 Bond Issuance Cost and Fees	-	1,202	1,202
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	1,208	-	1,208
0093 Payments to Fiscal Agent/Member Districts of SSA	21,820	-	21,820
0099 Other Intergovernmental Charges	18,895	-	18,895
6030 Total Expenditures	<u>1,488,511</u>	<u>344,640</u>	<u>1,833,151</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,385</u>	<u>(11,155)</u>	<u>24,230</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	21,899	21,899
7949 Other Resources	13,315	-	13,315
8911 Transfers Out (Use)	(21,899)	-	(21,899)
7080 Total Other Financing Sources (Uses)	<u>(8,584)</u>	<u>21,899</u>	<u>13,315</u>
1200 Net Change in Fund Balances	26,801	10,744	37,545
0100 Fund Balance - September 1 (Beginning)	<u>651,868</u>	<u>66,908</u>	<u>718,776</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 678,669</u>	<u>\$ 77,652</u>	<u>\$ 756,321</u>

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



GROOM 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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	37,545
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		114,526
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(176,232)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		27,587
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$18,287. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$6,571 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$2,662. This caused a net decrease in the change in net position of \$3,909. The impact of all of these is to increase the change in net position by \$14,378.		14,378
Change in Net Position of Governmental Activities	\$	17,804

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



FIDUCIARY FUND FINANCIAL STATEMENTS



GROOM INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2015

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 10,755
Long Term Investments	7,584	-
Total Assets	<u>7,584</u>	<u>\$ 10,755</u>
LIABILITIES		
Due to Student Groups	-	\$ 10,755
Total Liabilities	<u>-</u>	<u>\$ 10,755</u>
NET POSITION		
Restricted for Scholarships	<u>7,584</u>	
Total Net Position	<u>\$ 7,584</u>	

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



NOTES TO THE FINANCIAL STATEMENTS



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Groom Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Interfund activities between governmental funds appear as due to/due 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 three fund categories – governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as do the proprietary and fiduciary fund financial statements. 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operations are included on the Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Fund** - 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.

Fiduciary Funds:

1. **Private Purpose Trust Funds** - The District accounts for donations which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's private purpose trust funds are a scholarship fund and a restricted investment fund.
2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

E. FUND BALANCE POLICY

The District reports fund balances for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories or supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications preclude 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 balance since that 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.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. FUND BALANCE POLICY (continued)

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 may modify or rescind its delegation or authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs 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 expenditures should be charged to committed balances, then assigned balances, with any remainders to be charged to unassigned balances.

As of August 31, 2015, the District reports the following governmental fund balance classifications:

Nonspendable			
Prepaid		\$	15,140
Total Nonspendable			15,140
Restricted			
Federal or State Funds Grant Restriction			2,876
Retirement of Long-Term Debt			74,776
Total Restricted			77,652
Committed			
Construction			100,000
Total Committed			100,000
Unassigned			563,529
Total Fund Balance		\$	756,321

F. PENSIONS

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

G. OTHER ACCOUNTING POLICIES

1. The District reports purchases of supplies as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenues and expenditures in equal amounts. If a material amount of supplies or commodities are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount. At August 31, 2015, the amount of supplies and commodities on hand was not material.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	10-30
Furniture and Equipment	5-20
Vehicles	7-8

3. In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change
4. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

As of August 31, 2015, the District had outstanding long term debt, including bonds and a capital lease, in the net amount of \$1,514,420.

5. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

6. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
7. 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 database for policy development and funding plans.
8. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
9. The amounts on the statements have been rounded individually, consequently, some columns may not total and some schedules may not agree because of this rounding.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1, the Child Nutrition Program Budget report is in Exhibit J-4 and the Debt Service Fund is in Exhibit J-5.

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

1. Prior to August 16, 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.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY DATA (continued)

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. The following amendments were considered by management to be significant:
- Total General Fund budget amendments to local revenue amounted to an increase of \$47,000.
 - Total General Fund budget amendments to other financing sources- other resources amounted to an increase of \$13,000.
 - Total General Fund budget amendments to function 11 (Instruction) amounted to an increase of \$13,000.
 - Total General Fund budget amendments to function 34 (Student Transportation) amounted to a decrease of \$20,000.
 - Total General Fund budget amendments to function 36 (Cocurricular Activities) amounted to an increase of \$30,000.
 - Total General Fund budget amendments to function 51 (Plant Maintenance) amounted to an increase of \$23,000.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's management attempts to budget expenditures as accurately as possible during the budget process and to make necessary budget amendments throughout the year as needed. However, sometimes expenditures in the functional categories will exceed budgeted estimates. Actual expenditures on the fund financial statements do not exceed the final amended budget. The District's management attempts to budget expenditures as accurately as possible during the budget process and to make necessary budget amendments throughout the year as needed.

C. DEFICIT FUND EQUITY

There were no fund deficits during the year ended August 31, 2015.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing any deposits denominated in a foreign currency.

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2015, the District had the following cash and investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Cash and Cash Equivalents	\$ 775,726	\$ 775,726	\$ -	\$ -	\$ -
Long-Term Investments – CD’s	7,584	-	7,584	-	-
Total	<u>\$ 783,310</u>	<u>\$ 775,726</u>	<u>\$ 7,584</u>	<u>\$ -</u>	<u>\$ -</u>

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



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to public funds investment pools, certificates of deposit, and savings accounts with its depository bank.

Custodial Credit Risk for Investments - For the District's investments, this is the risk that the District will be unable to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments include certificates of deposit that are covered by depository insurance and pledged securities. Investments in the District's investment pool are limited to demand investments with AAA credit quality ratings.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires the depository bank to pledge securities held by the District's agent bank in the District's name sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District has established weighted average maturity limits and diversification standards.

Throughout the year and as of August 31, 2015, the District's bank deposits were fully insured by FDIC insurance coverage and pledged securities held by the District's bank in the District's name. As of August 31, 2015, the District's bank deposits consisted of the following collateral coverage:

Total bank deposits	\$	783,310
FDIC insurance coverage		(500,000)
Fair market value of pledged securities		<u>(828,678)</u>
 Over collateralized deposits	 \$	 <u>(545,368)</u>

The District's investments as of August 31, 2015 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Rating</u>
Cash in Bank	\$ 775,726	\$ 775,726	n/a
Long-Term Investments – CD's	<u>7,584</u>	<u>7,584</u>	n/a
 Totals	 <u>\$ 783,310</u>	 <u>\$ 783,310</u>	

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 the school fiscal year or during a 60-day period after the close of the school fiscal year.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at August 31, 2015.

Transfers are used to move revenues from the General Fund to supplement various Special Revenue Funds. Transfers for the year ended August 31, 2015 were as follows:

Transfers from General Fund to:	
Child Nutrition Program Fund	\$ 21,899
Total Transfers from General Fund	<u>\$ 21,899</u>

E. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements excluding amounts related to TRS (See Note L) at year-end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable revenue - property taxes	\$ 48,523	\$ 8,707	\$ 57,230

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables in the Fund Financial Statements at August 31, 2015, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Govts</u>	<u>Due from Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 59,828	\$ 36,079	\$ -	\$ -	\$ 95,907
Debt Service Fund	10,581	-	-	-	10,581
Non-Major Governmental Funds	-	12,627	-	-	12,627
Total - Governmental Activities	<u>\$ 70,409</u>	<u>\$ 48,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,115</u>
Amounts not scheduled for collection during the subsequent year	\$ (13,179)	\$ -	\$ -	\$ -	\$ (13,179)



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES (continued)

Payables in the Fund Financial Statements at August 31, 2015, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Due to Other Govt.</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 8,354	\$ 40,651	\$ -	\$ -	\$ 49,005
Non-Major Governmental Funds	<u>13,175</u>	<u>2,379</u>	-	<u>4,048</u>	<u>19,602</u>
Total - Governmental Activities	<u>\$ 21,529</u>	<u>\$ 43,030</u>	<u>\$ -</u>	<u>\$ 4,048</u>	<u>\$ 68,607</u>
Fiduciary Activities:					
Agency Fund	-	-	<u>10,755</u>	-	<u>10,755</u>
Total - Fiduciary Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,755</u>	<u>\$ -</u>	<u>\$ 10,755</u>

G. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 137,661	\$ -	\$ -	\$ -	\$ 137,661
Total capital assets not being depreciated	<u>137,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,661</u>
Capital assets, being depreciated:					
Buildings and improvements	2,335,388	-	9,448	475,303	2,801,243
Furniture and equipment	463,255	-	4,445	36,138	494,948
Federal equipment	51,994	-	7,273	(36,138)	8,583
Infrastructure	475,303	-	-	(475,303)	-
Vehicles	<u>376,396</u>	<u>-</u>	<u>36,439</u>	<u>-</u>	<u>339,957</u>
Total capital assets being depreciated	<u>3,702,336</u>	<u>-</u>	<u>57,605</u>	<u>-</u>	<u>3,644,731</u>
Less accumulated depreciation for:					
Buildings and improvements	1,305,637	90,012	8,681	126,101	1,513,069
Infrastructure	126,101	-	-	(126,101)	-
Furniture and equipment	187,947	55,235	5,950	16,499	253,731
Federal equipment	24,920	1,762	7,273	(16,499)	2,910
Vehicles	<u>225,098</u>	<u>29,223</u>	<u>32,795</u>	<u>-</u>	<u>221,526</u>
Total accumulated depreciation	<u>1,869,703</u>	<u>176,232</u>	<u>54,699</u>	<u>-</u>	<u>1,991,236</u>
Total capital assets being depreciated, net	<u>1,832,633</u>	<u>(176,232)</u>	<u>2,906</u>	<u>-</u>	<u>1,653,495</u>
Governmental activities capital assets, net	<u>\$1,970,293</u>	<u>\$ (176,232)</u>	<u>\$ 2,906</u>	<u>\$ -</u>	<u>\$1,791,155</u>



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

G. CAPITAL ASSET ACTIVITY (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 64,139
Guidance, Counseling and Evaluation	862
Student (Pupil) Transportation	29,223
Food Services	284
Co-curricular/Extracurricular Activities	28,467
Plant Maintenance and Operations	<u>53,257</u>
Total Depreciation Expense	<u>\$ 176,232</u>

H. BONDS AND LONG-TERM DEBT

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Interest is payable on the bonds semiannually with interest rates ranging from 3.5% to 6.75%. The bonds mature through August 15, 2027.

The District sold new bonds in 2000. The new bonds had a face value of \$600,000. The bond is scheduled to mature on August 15, 2017.

The District sold new bonds in 2008. The new bonds had a face value of \$1,500,000. The bond is scheduled to mature on August 15, 2027.

The District also entered into a capital lease with Longhorn Bus Sales LLC, for two 2014 International Buses. The payment is \$30,874 per year including interest at 3.50%, with payments beginning February 7, 2014 and maturing in February 2018.

A summary of changes in general long-term liabilities for the year ended August 31, 2015 is as follows:

<u>Description</u>	<u>Average Interest Rate Payable</u>	<u>Amounts Originally Issued</u>	<u>Interest Current Year</u>	<u>Amounts Outstanding 9/1/2014</u>	<u>Issued & Accreted Interest</u>	<u>Retired</u>	<u>Outstanding 8/31/2015</u>
Unlimited Tax Building Bonds - Series 2000	5.25% to 6.75%	\$ 600,000	\$ 9,098	\$ 160,000	\$ -	\$ 50,000	\$ 110,000
Unlimited Tax Building Bonds - Series 2008	3.50% to 4.25%	1,500,000	55,150	1,365,000	-	40,000	1,325,000
Other Noncurrent Liabilities – Capital Lease	3.50%	<u>144,275</u>	-	<u>110,294</u>	-	<u>30,874</u>	<u>79,420</u>
Total Noncurrent Liabilities			<u>\$ 64,248</u>	<u>\$ 1,635,294</u>	<u>\$ -</u>	<u>\$ 120,874</u>	<u>\$ 1,514,420</u>



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

H. BONDS AND LONG-TERM DEBT (continued)

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2015.

I. DEBT SERVICE REQUIREMENTS - BONDS PAYABLE AND LONG-TERM DEBT

Debt service requirements for bonds are as follows:

Year ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 95,000	\$ 60,048	\$ 155,048
2017	100,000	55,513	155,513
2018	105,000	50,775	155,775
2019	110,000	47,100	157,100
2020	110,000	42,700	152,700
2021-2025	625,000	142,550	767,550
2026-2027	<u>290,000</u>	<u>18,700</u>	<u>308,700</u>
 Total bonds payable	 <u>\$ 1,435,000</u>	 <u>\$ 417,386</u>	 <u>\$ 1,852,386</u>

Debt service requirements for long-term debt are as follows:

Year ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 30,874	\$ -	\$ 30,874
2017	30,874	-	30,874
2018	<u>17,672</u>	<u>-</u>	<u>17,672</u>
 Total long-term debt	 <u>\$ 79,420</u>	 <u>-</u>	 <u>\$ 79,420</u>
 Total Noncurrent Liabilities	 <u>\$ 1,514,420</u>	 <u>\$ 417,386</u>	 <u>\$ 1,931,806</u>

J. OTHER LONG-TERM LIABILITIES

Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service or other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees, which management believes is not material to the financial statements.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non capitalized) lease agreements for certain equipment provide for minimum future rental payments as of August 31, 2015, as follows:

Year ended August 31,		
2016	\$	4,388
2017		4,388
2018		4,388
2019		1,463
Total Minimum Rentals	\$	14,627

Rental expenditures for the year ended August 31, 2015 were \$6,822.

L. DEFINED BENEFIT PENSION PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

Pension Plan Fiduciary Net Position. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	\$ 26,716,832,801

Net Position as percentage of Total Pension Liability	83.25%
---	--------

Benefits Provided. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. 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 or exceeds 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with any years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's).



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. DEFINED BENEFIT PENSION PLAN (continued)

Contributions. Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the 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. Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system’s actuary. As the non-employer contributing entity, 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 members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During the new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, 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. 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 on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. Contribution amounts for fiscal year August 31, 2014 are as follows:

	Contributions Required and Made
Member (Employee)	\$ 63,021
Non-employer contributing entity (State)	63,600
District	4,015

Contribution rates for Plan fiscal year (September to August) 2014 and 2015 follow:

	Contribution Rates Plan Fiscal Year	
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	42,311
State's proportionate share of the net pension liability associated with the District		671,514
Total	\$	713,825

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the Districts' contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2014, the District's proportion was 0.0001584%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial, and therefore, disregarded this year.

For the year ended August 31, 2014, the District recognized pension expense of \$62,080, which does not include any "on-behalf" payments at the fund or government-wide level, and revenue and expense of \$62,080 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 654	\$ -
Changes in assumptions	2,750	-
Net difference between projected and actual earnings on pension plan investments	-	12,932
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11
District contributions subsequent to the Measurement date	18,287	-
Total	\$ 21,691	\$ 12,943



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. DEFINED BENEFIT PENSION PLAN (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>August 31</u>	\$	
2015	\$	(2,660)
2016		(2,660)
2017		(2,660)
2018		(2,660)
2019		572
2020		529
Thereafter		-0-

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

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

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

Actuarial Assumptions. The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained significant margin for possible future mortality improvements. As of the date of valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. DEFINED BENEFIT PENSION PLAN (continued)

The following assumptions were applied to this measurement period:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumptions:	
Discount Rate	8.00%
Long-term expected Investment	
Rate of Return	8.00%
Inflation	3.00%
Salary Increases	4.25% to 7.25% including inflation
Ad hoc post-employment benefit changes	None (The COLA for the period beginning September 1, 2013 that was paid starting October 1, 2013 was included in the 2013 Actuarial Valuation and thus is not considered an ad hoc post-employment benefit change assumption for fiscal year 2014.)

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 fiscal 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 expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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, 2014 are summarized below:



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. DEFINED BENEFIT PENSION PLAN (continued)

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

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

For the year ended August 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.9 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	\$ 75,607	\$ 42,311	\$ 17,412
Plan net pension liability (from TRS CAFR)	\$ 47,737,071,723	\$ 26,716,832,801	\$ 10,997,609,140

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

M. HEALTH CARE COVERAGE

During the year ended August 31, 2015, the District provided medical benefits coverage (the Plan) to its employees through the Teacher Retirement System (the TRS). The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as the TRS-ACTIVECARE, as of September 1, 2003. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing, TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. The District contributed \$250 per month per full time employee to the Plan. For the year ended August 31, 2015, total payments to the Plan by the District were \$97,612, of which \$47,862 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$49,750.

According to the Plan's administrator, Plan participants retain the risk associated with the Plan, with no risks being transferred or assumed by the TRS, member districts, or by the State of Texas. Additional information pertaining to the Plan can be obtained by contacting the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by calling the TRS at 1-800-223-8778, or by downloading information from the TRS website at www.trs.state.tx.us.

N. RETIREE HEALTH PLAN

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

Funding Policy - Contributions requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, 204 establish state, active employee, and public school contributions respectively. Funding for the basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Section 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013:



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

N. RETIREE HEALTH PLAN (continued)

Fiscal Year	Contribution Rates and Amounts					
	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 6,049	1.00%	\$ 9,307	0.55%	\$ 5,119
2014	0.65%	6,401	1.00%	9,847	0.55%	5,416
2013	0.65%	6,224	1.00%	4,484	0.55%	5,267

O. ACCOUNTING FOR EMPLOYEE BENEFITS - ON-BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. For the years ending August 31, 2015, 2014, and 2013, the District's portion of subsidy reimbursements received by TRS and recognized as equal expenditures/expenses was \$2,951, \$2,757, and \$2,616, respectively. The plan covering these retired employees is the Teacher Retirement System of Texas, and these on-behalf payments are being made by the federal government to the State of Texas as a pass through grant to the Texas Education Agency on behalf of the District.

P. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Amounts due from state agencies at year end consisted of the following:

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 36,079	\$ -	\$ 36,079
Non-Major Governmental Funds	11,208	1,419	12,627
Total	\$ 47,287	\$ 1,419	\$ 48,706



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Non-Major Governmental Funds	Total
Property taxes	\$ 949,650	\$ 163,317	\$ 1,112,967
Penalties, interest and other	6,406	1,119	7,525
Investment income	1,786	208	1,994
Food sales	-	14,940	14,940
Co-curricular student activities	13,518	-	13,518
Other	24,318	49,960	74,278
Total	\$ 995,678	\$ 229,544	\$ 1,225,222

R. LITIGATION AND CONTINGENCIES

At August 31, 2015, the District had no known or threatened pending litigation that would materially affect the District's financial condition.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

S. CONSTRUCTION, SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District has no significant construction projects or other commitments and contingencies as of August 31, 2015.

T. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement (SSA) for Fund 224 "IDEA – Part B, Formula". The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Borger Independent School District (188904), nor a net equity interest in the fiscal agent. The District accounts for its share of the revenues and expenditures of the shared service arrangement in Fund 224. The fiscal agent is responsible for all financial activities of the SSA.

The District is fiscal agent for a SSA which provides Spring UIL Academic and Athletic Activities to member districts. In addition to the District, other member districts include Hedley ISD, Lefors ISD, McLean ISD, Silverton ISD and Valley ISD. All services are provided by the fiscal agent and equally shared by all members. The member districts provide the funds to the fiscal agent. The District schedules, pays expenses for, and otherwise provides resources for all Spring UIL Academic and Athletic Events for the member districts. Expenditures of the SSA are recorded in Fund 482 and totaled \$1,995 per member District.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

U. RISK MANAGEMENT - WORKERS' COMPENSATION INSURANCE

The District is exposed to various risks of loss related to injuries of workers. The District became a member of the Texas Association of School Boards Workers' Compensation Self-Insurance Fund (the Fund). The District pays an annual premium to the Fund for workers' compensation insurance coverage. Additional premiums and claims may be payable by the District in the future based on actual and aggregate claims for actual losses. The Fund estimates an actuarial amount due based on the actual payroll and claims made in the last ten years. However, the actual amount due in the future will be based on the final claims paid by the insurer for the actual losses. The District has examined the actuarial liability and recorded an estimated amount of claim liability of \$2,318 for the year ended August 31, 2015.

The accrued liability for Workers' Compensation self insurance includes incurred but not reported claims. This liability reported in the fund at August 31, 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the undiscounted estimate of actuary at the 90th percentile funding level.

V. CAFETERIA PLAN

During the year ended August 31, 2015, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all the District's full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, cancer insurance and term life insurance costs. By contributing to the cafeteria plan, employees can receive certain income tax benefits. First Financial Administrators, Inc. of Abilene, Texas administers the plan. The plan year begins on September 1 and ends on August 31 of each year. The plan is automatically renewable at each anniversary date unless canceled in writing no later than 30 days prior to renewal date. The plan agreements are constructed in accordance with and are governed by the laws of the State of Texas. The participants in the plan are entitled to certain rights and protection under the Employment Retirement Income Security Act of 1974 (ERISA).

W. PRIOR PERIOD ADJUSTMENTS

Due to the required implementation of new GASB 68 "Accounting and Financial Reporting for Pensions", related to the District's participation in TRS, during 2015, the District was required under GASB 68 to record and disclose its share of the District's net pension liability and deferred resource outflows and resource inflows related to the District's pension plan. During the year ended August 31, 2015 the District recorded a prior period adjustment of \$(47,941) (see Exhibit B-1) related to GASB 68. The beginning restated net position was \$1,029,797.

X. PROPERTY PROGRAM

During the year ended August 31, 2015, the District participated in the TASB Risk Management Fund's (the "Fund") Property Program with coverage in: crime; equipment breakdown; and property. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.



**GROOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2015**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

X. PROPERTY PROGRAM (continued)

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Y. LIMITED ASSESSED VALUE AGREEMENT

The District has entered into three contracts for Limited Assessed Value Agreements for Qualified Property under the Texas Economic Development Act, Texas Tax Code Chapter 313 as an incentive for entities to add taxable property within the District and to create jobs. These agreements cap the taxable value of multi-phase wind energy projects within the boundaries of the District and limit the amount of ad valorem taxes payable to the District. In return, the entities will refund a portion of the tax savings to the District based on the agreements. Under these agreements, the District cannot receive less funding than if the District had not entered into the agreements. The District received payment in lieu of tax payments under these agreements in the current year in the amount of approximately \$13,000. This amount is reported as Other Financing Sources (Uses) under Other Resources in the fund financial statements

Z. SERVICE CONTRACT WITH REGION 16 EDUCATION SERVICE CENTER

The District has contracted with Region 16 Education Service Center (Region 16) to perform certain accounting duties for the District for the 2015-2016 fiscal year. The contracted amount of \$19,500 includes the reconciliation of the general fund bank accounts; review of accounting records including balance sheet accounts, revenue and expense accounts, due to/due from accounts, journal and budget entries and payroll balancing; and assisting with budget preparation, journal entries and payroll. The contract with Region 16 may be renewed annually. The District also pays Region 16 lease for the use of its accounting software, approximately \$12,000. Also, the District pays Region 16 consulting services for certain compliance and administrative services, approximately \$96,000.

AA. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 8, 2015, the date the financial statements were available to be issued.

On November 19, 2015 the District approved an application for an appraised value limitation on qualified wind energy property with Grandview Wind Farm III, LLC.



REQUIRED SUPPLEMENTARY INFORMATION



GROOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 936,436	\$ 983,436	\$ 995,678	\$ 12,242
5800	State Program Revenues	556,372	556,372	528,218	(28,154)
5020	Total Revenues	1,492,808	1,539,808	1,523,896	(15,912)
EXPENDITURES:					
Current:					
0011	Instruction	791,570	804,570	787,209	17,361
0012	Instructional Resources and Media Services	14,504	21,504	16,232	5,272
0013	Curriculum and Instructional Staff Development	750	1,750	89	1,661
0021	Instructional Leadership	500	1,500	500	1,000
0023	School Leadership	54,302	63,302	53,448	9,854
0031	Guidance, Counseling and Evaluation Services	25,800	29,800	24,098	5,702
0033	Health Services	5,333	13,333	10,090	3,243
0034	Student (Pupil) Transportation	33,263	13,263	5,349	7,914
0036	Extracurricular Activities	79,144	109,144	94,440	14,704
0041	General Administration	154,841	165,841	159,588	6,253
0051	Facilities Maintenance and Operations	205,980	228,980	215,480	13,500
0053	Data Processing Services	52,778	57,778	48,035	9,743
Debt Service:					
0071	Principal on Long Term Debt	32,325	36,025	31,971	4,054
0072	Interest on Long Term Debt	-	300	59	241
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	1,500	2,500	1,208	1,292
0093	Payments to Fiscal Agent/Member Districts of SSA	23,000	23,000	21,820	1,180
0099	Other Intergovernmental Charges	30,887	35,887	18,895	16,992
6030	Total Expenditures	1,506,477	1,608,477	1,488,511	119,966
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,669)	(68,669)	35,385	104,054
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	-	13,000	13,315	315
8911	Transfers Out (Use)	(20,706)	(30,706)	(21,899)	8,807
7080	Total Other Financing Sources (Uses)	(20,706)	(17,706)	(8,584)	9,122
1200	Net Change in Fund Balances	(34,375)	(86,375)	26,801	113,176
0100	Fund Balance - September 1 (Beginning)	651,868	651,868	651,868	-
3000	Fund Balance - August 31 (Ending)	\$ 617,493	\$ 565,493	\$ 678,669	\$ 113,176



GROOM 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, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0001584%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 42,311
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	671,514
Total	\$ 713,825
District's Covered-Employee Payroll	\$ 984,703
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	4.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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



GROOM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2015

EXHIBIT G-3

		2015
Contractually Required Contribution	\$	18,287
Contribution in Relation to the Contractually Required Contribution		(18,287)
		-
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	930,676
Contributions as a Percentage of Covered-Employee Payroll		1.96%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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



COMBINING AND OTHER SCHEDULES



NONMAJOR GOVERNMENTAL FUNDS



GROOM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ 4,048	\$ 1,525
1220 Property Taxes - Delinquent	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-
1240 Receivables from Other Governments	-	793	626
1000 Total Assets	<u>\$ -</u>	<u>\$ 4,841</u>	<u>\$ 2,151</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ 465
2160 Accrued Wages Payable	-	724	1,655
2180 Due to Other Governments	-	4,048	-
2200 Accrued Expenditures	-	69	31
2000 Total Liabilities	<u>-</u>	<u>4,841</u>	<u>2,151</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 4,841</u>	<u>\$ 2,151</u>



255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	480 Leggett Foundation Grant	481 Computer Repair Fund	482 Spring UIL Acad & Athlet Fiscal Agent	499 TASB Grant	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 1,837	\$ 1,550	\$ 27	\$ 1,326	\$ 10,313
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,846	-	-	-	-	12,265
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,846</u>	<u>\$ 1,837</u>	<u>\$ 1,550</u>	<u>\$ 27</u>	<u>\$ 1,326</u>	<u>\$ 22,578</u>
\$ -	\$ -	\$ 10,846	\$ 1,837	\$ -	\$ 27	\$ -	\$ 13,175
-	-	-	-	-	-	-	2,379
-	-	-	-	-	-	-	4,048
-	-	-	-	-	-	-	100
-	-	10,846	1,837	-	27	-	19,702
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,550	-	1,326	2,876
-	-	-	-	-	-	-	-
-	-	-	-	1,550	-	1,326	2,876
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,846</u>	<u>\$ 1,837</u>	<u>\$ 1,550</u>	<u>\$ 27</u>	<u>\$ 1,326</u>	<u>\$ 22,578</u>



GROOM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 74,414	\$ 84,727
1220 Property Taxes - Delinquent	10,581	10,581
1230 Allowance for Uncollectible Taxes (Credit)	(1,874)	(1,874)
1240 Receivables from Other Governments	362	12,627
1000 Total Assets	<u>\$ 83,483</u>	<u>\$ 106,061</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 13,175
2160 Accrued Wages Payable	-	2,379
2180 Due to Other Governments	-	4,048
2200 Accrued Expenditures	-	100
2000 Total Liabilities	<u>-</u>	<u>19,702</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	8,707	8,707
2600 Total Deferred Inflows of Resources	<u>8,707</u>	<u>8,707</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	2,876
3480 Retirement of Long-Term Debt	74,776	74,776
3000 Total Fund Balances	<u>74,776</u>	<u>77,652</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 83,483</u>	<u>\$ 106,061</u>



GROOM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 14,940
5800 State Program Revenues	-	-	2,468
5900 Federal Program Revenues	2,174	25,601	28,121
5020 Total Revenues	<u>2,174</u>	<u>25,601</u>	<u>45,529</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,554	25,601	-
0013 Curriculum and Instructional Staff Development	620	-	-
0023 School Leadership	-	-	-
0035 Food Services	-	-	67,428
0036 Extracurricular Activities	-	-	-
0053 Data Processing Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
6030 Total Expenditures	<u>2,174</u>	<u>25,601</u>	<u>67,428</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(21,899)
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	21,899
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	480 Leggett Foundation Grant	481 Computer Repair Fund	482 Spring UIL Acad & Athlet Fiscal Agent	499 TASB Grant	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 36,443	\$ 1,550	\$ 11,967	\$ -	\$ 64,900
-	-	29,093	-	-	-	-	31,561
4,565	11,919	-	-	-	-	-	72,380
4,565	11,919	29,093	36,443	1,550	11,967	-	168,841
-	11,919	29,093	32,300	-	-	-	100,467
4,565	-	-	-	-	-	-	5,185
-	-	-	1,035	-	-	-	1,035
-	-	-	-	-	-	-	67,428
-	-	-	-	-	11,967	-	11,967
-	-	-	3,108	-	-	-	3,108
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,565	11,919	29,093	36,443	-	11,967	-	189,190
-	-	-	-	1,550	-	-	(20,349)
-	-	-	-	-	-	-	21,899
-	-	-	-	1,550	-	-	1,550
-	-	-	-	-	-	1,326	1,326
\$ -	\$ -	\$ -	\$ -	\$ 1,550	\$ -	\$ 1,326	\$ 2,876



GROOM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 164,644	\$ 229,544
5800	State Program Revenues	-	31,561
5900	Federal Program Revenues	-	72,380
5020	Total Revenues	<u>164,644</u>	<u>333,485</u>
EXPENDITURES:			
Current:			
0011	Instruction	-	100,467
0013	Curriculum and Instructional Staff Development	-	5,185
0023	School Leadership	-	1,035
0035	Food Services	-	67,428
0036	Extracurricular Activities	-	11,967
0053	Data Processing Services	-	3,108
Debt Service:			
0071	Principal on Long Term Debt	90,000	90,000
0072	Interest on Long Term Debt	64,248	64,248
0073	Bond Issuance Cost and Fees	1,202	1,202
6030	Total Expenditures	<u>155,450</u>	<u>344,640</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	9,194	(11,155)
OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	21,899
1200	Net Change in Fund Balance	9,194	10,744
0100	Fund Balance - September 1 (Beginning)	<u>65,582</u>	<u>66,908</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 74,776</u>	<u>\$ 77,652</u>



AGENCY FUNDS



GROOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 15,257	\$ 36,545	\$ 41,047	\$ 10,755
Liabilities:				
Due to Student Groups	\$ 15,257	\$ 36,545	\$ 41,047	\$ 10,755
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 15,257	\$ 36,545	\$ 41,047	\$ 10,755
Liabilities:				
Due to Student Groups	\$ 15,257	\$ 36,545	\$ 41,047	\$ 10,755



REQUIRED TEA SCHEDULES



GROOM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370000	0.083000	72,194,799
2008	1.040000	0.096250	66,748,930
2009	1.040000	0.220000	68,870,817
2010	1.040000	0.210000	71,404,903
2011	1.170000	0.230000	70,735,264
2012	1.170000	0.232000	64,764,804
2013	1.170000	0.232000	70,302,349
2014	1.170000	0.216000	75,165,380
2015 (School year under audit)	1.105000	0.187000	88,688,220
1000 TOTALS			



(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 11,233	\$ -	\$ -	\$ -	\$ (5,259)	\$ 5,974
1,741	-	-	-	-	1,741
783	-	-	-	-	783
1,058	-	-	-	-	1,058
837	-	-	-	-	837
2,177	-	445	88	1,066	2,710
4,489	-	115	34	297	4,637
3,498	-	773	158	1,862	4,429
16,415	-	9,875	1,823	23,397	28,114
-	1,127,564	938,442	161,214	(7,782)	20,126
<u>\$ 42,231</u>	<u>\$ 1,127,564</u>	<u>\$ 949,650</u>	<u>\$ 163,317</u>	<u>\$ 13,581</u>	<u>\$ 70,409</u>



GROOM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 21,000	\$ 21,000	\$ 14,940	\$ (6,060)
5800 State Program Revenues	2,534	2,534	2,468	(66)
5900 Federal Program Revenues	27,500	27,500	28,121	621
5020 Total Revenues	51,034	51,034	45,529	(5,505)
EXPENDITURES:				
0035 Food Services	71,740	81,740	67,428	14,312
6030 Total Expenditures	71,740	81,740	67,428	14,312
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,706)	(30,706)	(21,899)	8,807
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	20,706	30,706	21,899	(8,807)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -



GROOM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 155,148	\$ 160,148	\$ 164,644	\$ 4,496
5020	Total Revenues	155,148	160,148	164,644	4,496
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	155,148	90,000	90,000	-
0072	Interest on Long Term Debt	-	64,248	64,248	-
0073	Bond Issuance Cost and Fees	-	5,900	1,202	4,698
6030	Total Expenditures	155,148	160,148	155,450	4,698
1200	Net Change in Fund Balances	-	-	9,194	9,194
0100	Fund Balance - September 1 (Beginning)	65,582	65,582	65,582	-
3000	Fund Balance - August 31 (Ending)	\$ 65,582	\$ 65,582	\$ 74,776	\$ 9,194



REPORTS ON COMPLIANCE AND INTERNAL CONTROL





JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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*

Independent Auditor's Report

Board of Trustees
Groom Independent School District
Groom, Texas

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 **Groom Independent School District** (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson & Sheldon PLLC
Johnson & Sheldon, PLLC

December 8, 2015



**GROOM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2015**

I. Summary of the Auditor's Results:

1. The type of report issued on the basic financial statements was an unmodified opinion.
2. There were no significant deficiencies in internal control disclosed by the audit of the basic financial statements and there were no material weaknesses.
3. The audit did not disclose noncompliance which is material to the basic financial statements of the District.

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

None noted.



**GROOM INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2015**

(Prepared by the District's Administration)

There was no requirement for a summary schedule of prior audit findings since there were no audit findings for the prior year.



**GROOM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended August 31, 2015**

(Prepared by the District's Administration)

There was no requirement for a corrective action plan since there were no audit findings for the current year.



SCHOOLS FIRST QUESTIONNAIRE

Groom Independent School District

Fiscal Year 2015

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.	42,311
SF13	Pension Expense (6147) at fiscal year-end.	3,909

