

**GROOM INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2016**



**JOHNSON & SHELDON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**GROOM INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
Year Ended August 31, 2016**

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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)  approved  disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 16th day of January, 2017.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President





# JOHNSON & SHELDON, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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, 2016, 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.

**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 Teacher Retirement System of Texas on pages 5 through 13, page 53, page 54 and page 55 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 Texas Education Agency 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 January 16, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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**

January 16, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

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, 2016. 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 \$3,727,695 at August 31, 2016.
- The District's governmental funds financial statements reported combined ending fund balance of \$3,468,829. This balance consists of \$3,382,657 in the General Fund of which \$100,000 is assigned or committed and \$3,267,517 is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$86,172 and is used by the Debt Service Fund and Non-major Funds. Non-spendable fund balance is \$15,140.
- For the year ended August 31, 2016, total revenue from all sources was \$4,892,378. Program revenues accounted for \$277,293 of total revenues. General revenues and special items accounted for \$4,615,085.
- The General Fund had \$4,637,531 in revenues, which primarily consisted of state aid and property taxes and \$1,933,543 in expenditures which resulted in an increase to the fund balance of \$2,703,988.

**USING THIS ANNUAL REPORT**

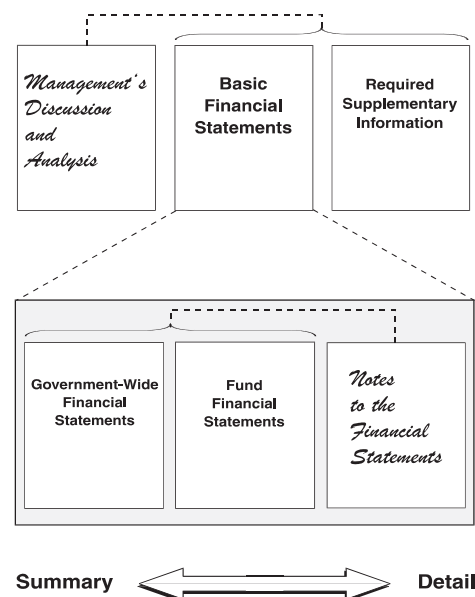
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 16 and 17). These provide information about the activities of the District as a whole and present a longer-term view 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 19) 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 26) 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 Texas Education Agency. 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, 2016**

**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
<b>Scope</b>	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.
<b>Required financial statements</b>	- 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
<b>Accounting basis and measurement focus</b>	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.
<b>Type of asset/liability information</b>	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.
<b>Type of inflow/outflow information</b>	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, 2016**

**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 16. 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 19 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, 2016**

**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 24 and 63.

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 26 thru 51.

**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 Net Position and Changes in Net Position on pages 24 and 63. 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 2016 and 2015, increased by \$2,680,094, as can be seen in Exhibit III. The District's net investment in capital assets is \$272,427 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 needed 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 increased from \$1,047,601 to \$3,727,695. 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 \$3,369,096 at August 31, 2016. This increase in governmental net position was the result of four factors. First, the District's revenues exceeded expenses by \$2,680,094. Second, the District acquired capital assets in the amount of \$29,675. Third, the District recorded depreciation and other expenses not recognized in the amount of \$159,858. Fourth, due to the required implementation of GASB 68 related to the District's participation in TRS, 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.

Exhibit III provides a summary of the Assets, Liabilities and Net Position for governmental activities for the years ended August 31, 2016 and 2015, respectively.



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

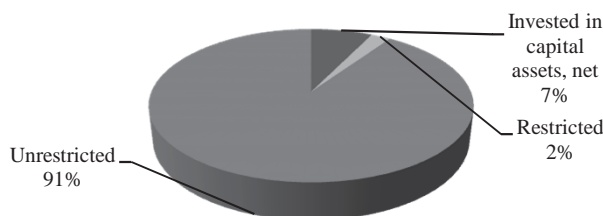
**Net Position** (continued)

**Exhibit III  
The District's Net Position as of August 31, 2016 and 2015**

	<b>Governmental Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>% Change</b>
<b>Assets</b>				
Cash and investments	\$ 3,244,418	\$ 764,971	\$ 2,479,447	324.12%
Property taxes, net	50,430	57,230	(6,800)	-11.88%
Accounts receivable	304,137	48,706	255,431	524.43%
Other assets	15,139	15,139	-	0.00%
Capital assets, net	1,660,973	1,791,156	(130,183)	-7.27%
Total Assets	<u>5,275,097</u>	<u>2,677,202</u>	<u>2,597,895</u>	<u>97.04%</u>
<b>Deferred outflows</b>				
Deferred outflow related to TRS	172,559	21,691	150,868	695.53%
Total Deferred Outflows	<u>172,559</u>	<u>21,691</u>	<u>150,868</u>	<u>695.53%</u>
<b>Liabilities</b>				
Accounts payable	37,586	34,700	2,886	8.32%
Accrued expenses	58,577	46,210	12,367	26.76%
Unearned revenue	708	708	-	0.00%
Noncurrent liabilities	1,606,859	1,556,731	50,128	3.22%
Total Liabilities	<u>1,703,730</u>	<u>1,638,349</u>	<u>65,381</u>	<u>3.99%</u>
<b>Deferred inflow related to TRS</b>	<u>16,231</u>	<u>12,943</u>	<u>3,288</u>	<u>25.40%</u>
<b>Net Position</b>				
Invested in capital assets, net	272,427	276,736	(4,309)	-1.56%
Restricted	86,172	77,652	8,520	10.97%
Unrestricted	3,369,096	693,213	2,675,883	386.01%
Total Net Position	<u>\$ 3,727,695</u>	<u>\$ 1,047,601</u>	<u>\$ 2,680,094</u>	<u>255.83%</u>

On August 31, 2016, the District's net position had increased by \$2,680,094, or 255.83%, from August 31, 2015. Unrestricted net position, the part of net position that can be used to finance daily operations of the District, increased by \$2,675,883, or 386.01%. Exhibit IV shows the District's allocation of net position as of August 31, 2016.

**Exhibit IV  
Net Position Allocation as of August 31, 2016**



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

Net Position (continued)

**Exhibit IV**

**The District's Changes in Net Position for the Years Ended August 31, 2016 and 2015**

	<b>Governmental Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>% Change</b>
<b>Revenues - Program</b>				
Charges for services	\$ 73,784	\$ 50,126	\$ 23,658	47.20%
Operating grants and contributions	203,509	239,749	(36,240)	-15.12%
<b>Revenues - General</b>				
Taxes - maintenance and operations	3,749,865	976,572	2,773,293	283.98%
Taxes - interest and sinking	159,490	163,982	(4,492)	-2.74%
State aid - formula grants	627,227	450,623	176,604	39.19%
Grants and contributions not restricted	3,515	6,687	(3,172)	-47.44%
Investment earnings	7,775	1,994	5,781	289.92%
Miscellaneous local and intermediate, net	67,213	8,550	58,663	686.12%
Total Revenues	<u>4,892,378</u>	<u>1,898,283</u>	<u>2,994,095</u>	<u>157.73%</u>
<b>Expenses</b>				
Instruction	1,121,298	942,553	178,745	18.96%
Instructional resources and media	20,359	16,118	4,241	26.31%
Curriculum and staff development	4,426	5,274	(848)	-16.08%
Instructional leadership	500	500	-	0.00%
School leadership	84,261	53,824	30,437	56.55%
Guidance, counseling and evaluation	29,813	24,960	4,853	19.44%
Health services	4,561	10,090	(5,529)	-54.80%
Student transportation	48,287	34,486	13,801	40.02%
Food services	74,836	66,982	7,854	11.73%
Extracurricular activities	154,913	137,321	17,592	12.81%
General administration	171,476	158,671	12,805	8.07%
Facilities maintenance and operations	289,048	267,030	22,018	8.25%
Security and monitoring services	1,236	-	1,236	100.00%
Data processing services	55,710	50,700	5,010	9.88%
Debt service - interest	52,931	68,845	(15,914)	-23.12%
Debt service - issuance costs	2,005	1,202	803	66.81%
Payments for shared services	24,781	-	24,781	100.00%
Other intergovernmental charges	71,843	41,923	29,920	71.37%
Total Expenses	<u>2,212,284</u>	<u>1,880,479</u>	<u>331,805</u>	<u>17.64%</u>
Increase (Decrease) in Net Position	<u>2,680,094</u>	<u>17,804</u>	<u>2,662,290</u>	<u>14953.33%</u>
<b>Net Position at Beginning of Year</b>	1,047,601	1,077,738	(30,137)	-2.80%
<b>Prior Period Adjustment</b>				
Required by GASB 68	-	(47,941)	47,941	100.00%
<b>Net Position at End of Year</b>	<u>\$ 3,727,695</u>	<u>\$ 1,047,601</u>	<u>\$ 2,680,094</u>	<u>255.83%</u>



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

**Net Position** (continued)

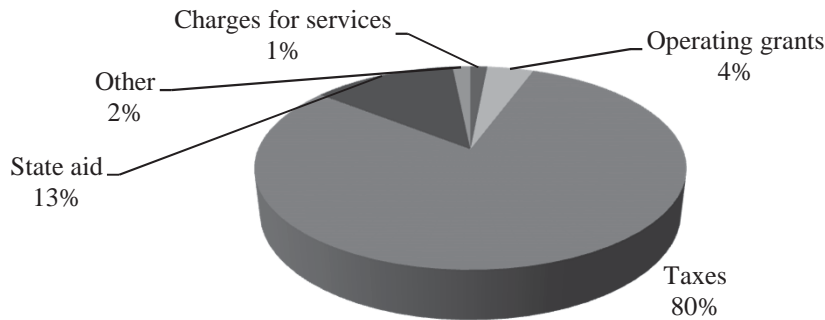
For the year ended August 31, 2016, the District's total revenues increased \$2,994,095, or 157.73%, over the prior year mainly driven by an increase in property taxes collected for maintenance and operations.

For the year ended August 31, 2016, the District's total expenses increased by \$331,805, or 17.64%, over the prior year mainly driven by an increase in expenses related to instruction and school leadership.

**Other Financial Highlights**

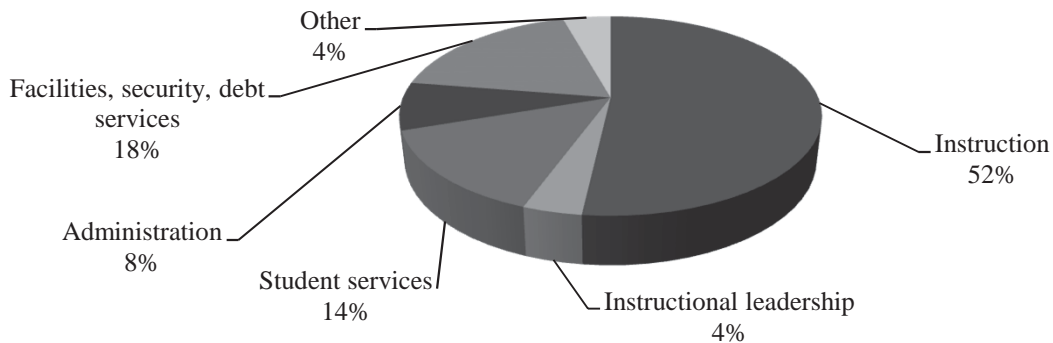
For the year ended August 31, 2016, the District's total revenues were \$4,892,378. Approximately 80% of the District's revenue was generated by property taxes, 13% was generated from state aid grants, 4% was generated from other operating grants, 1% was generated from charges for services and the remaining 2% was generated from miscellaneous revenue sources (see Exhibit V).

**Exhibit V - Sources of Revenues for the Year Ended August 31, 2016**



For the year ended August 31, 2016, the District's total cost of all programs and services was \$2,212,284. Approximately 52% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing and transportation services comprised 14% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 18% of the cost of all programs (see Exhibit VI).

**Exhibit VI - Expenditure Allocation for the Year Ended August 31, 2016**



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

**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 \$1.084 per hundred dollar valuation in 2016, which decreased from 2015. The tax rate will increase to \$1.31 per hundred dollar valuation for the 2016-2017 school year.
- The cost of all governmental activities this year was \$2.212 million compared to \$1.880 million last year. However, as shown in the Statement of Activities on Exhibit B-1 (page 17), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$3.909 million because some of the costs were paid by those who directly benefited from the programs (\$.074 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$.204 million) or by State equalization funding (\$.627 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 19) reported a combined fund balance of \$3.469 million, which is significantly higher than last year's total of \$.756 million. Included in this year's total change in fund balance is an increase of \$2,703,988 in the District's General Fund and an increase of \$8,520 in the District's Non-Major Governmental Funds. The primary reason for the increase is a significant increase in property tax revenues.

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 purchases.

The District's General Fund balance of \$3,382,657 reported on page 19 differs from the General Fund's budgetary fund balance of \$3,063,812 reported in the budgetary comparison schedule on page 53. This is principally due to cost savings and added revenues described above.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of fiscal 2016 the District had a net of \$1,660,973 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 \$130,183, or 7 percent, below last year.



**GROOM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended August 31, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION** (continued)

Capital Assets (continued)

This year's major additions included:

Security Doors	\$	29,675
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Debt Administration

At year-end, the District had \$1,388,546 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 wind energy.

The District's student enrollment increased as enrollment was 142 at the beginning of fiscal year 2015-2016 and enrollment was 150 at the beginning of 2016-2017.

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016-2017 budget and tax rates. The District approved to increase the operating tax rate to \$1.06 per hundred dollar valuation, for the fiscal year 2016-2017. The District approved to increase the interest and sinking tax rate to \$0.25 per hundred dollar valuation for the fiscal year 2016-2017.

These indicators were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund budget are \$3.1 million, and budgeted expenditures are expected to be \$3.2 million. The District has added no new major programs or initiatives to the 2017 budget.

For the 2016-2017 year, the District budgeted for Federal funding to remain the same and an increase of approximately \$825,000 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 3<sup>rd</sup> Street, PO Box 598, Groom, Texas 79039.



## **BASIC FINANCIAL STATEMENTS**





**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



GROOM INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 739,156
1120 Current Investments	2,505,262
1220 Property Taxes Receivable (Delinquent)	63,536
1230 Allowance for Uncollectible Taxes	(13,106)
1240 Due from Other Governments	296,435
1290 Other Receivables, net	7,702
1410 Prepayments	15,139
Capital Assets:	
1510 Land	137,661
1520 Buildings, Net	1,230,335
1530 Furniture and Equipment, Net	198,900
1540 Other Capital Assets, Net	94,077
1000 Total Assets	5,275,097
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	172,559
1700 Total Deferred Outflows of Resources	172,559
<b>LIABILITIES</b>	
2110 Accounts Payable	22,068
2140 Interest Payable	2,006
2160 Accrued Wages Payable	57,429
2180 Due to Other Governments	13,512
2200 Accrued Expenses	1,148
2300 Unearned Revenue	708
Noncurrent Liabilities	
2501 Due Within One Year	130,874
2502 Due in More Than One Year	1,257,672
2540 Net Pension Liability (District's Share)	218,313
2000 Total Liabilities	1,703,730
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	16,231
2600 Total Deferred Inflows of Resources	16,231
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	272,427
3820 Restricted for Federal and State Programs	4,176
3850 Restricted for Debt Service	81,996
3900 Unrestricted	3,369,096
3000 Total Net Position	\$ 3,727,695

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,121,298	\$ 27,667	\$ 138,098	\$ (955,533)
12 Instructional Resources and Media Services	20,359	-	1,076	(19,283)
13 Curriculum and Staff Development	4,426	-	3,737	(689)
21 Instructional Leadership	500	-	-	(500)
23 School Leadership	84,261	-	6,804	(77,457)
31 Guidance, Counseling and Evaluation Services	29,813	-	331	(29,482)
33 Health Services	4,561	-	-	(4,561)
34 Student (Pupil) Transportation	48,287	-	1,752	(46,535)
35 Food Services	74,836	14,401	29,884	(30,551)
36 Extracurricular Activities	154,913	31,716	3,451	(119,746)
41 General Administration	171,476	-	7,886	(163,590)
51 Facilities Maintenance and Operations	289,048	-	8,377	(280,671)
52 Security and Monitoring Services	1,236	-	-	(1,236)
53 Data Processing Services	55,710	-	2,113	(53,597)
72 Debt Service - Interest on Long Term Debt	52,931	-	-	(52,931)
73 Debt Service - Bond Issuance Cost and Fees	2,005	-	-	(2,005)
93 Payments related to Shared Services Arrangements	24,781	-	-	(24,781)
99 Other Intergovernmental Charges	71,843	-	-	(71,843)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 2,212,284</u>	<u>\$ 73,784</u>	<u>\$ 203,509</u>	<u>(1,934,991)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		3,749,865
DT	Property Taxes, Levied for Debt Service		159,490
SF	State Aid - Formula Grants		627,227
GC	Grants and Contributions not Restricted		3,515
IE	Investment Earnings		7,775
MI	Miscellaneous Local and Intermediate Revenue		67,213
TR	Total General Revenues		<u>4,615,085</u>
CN	Change in Net Position		2,680,094
NB	Net Position - Beginning		<u>1,047,601</u>
NE	Net Position--Ending		<u>\$ 3,727,695</u>

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, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 637,602	\$ 101,554	\$ 739,156
1120 Investments - Current	2,505,262	-	2,505,262
1220 Property Taxes - Delinquent	55,515	8,021	63,536
1230 Allowance for Uncollectible Taxes (Credit)	(11,266)	(1,840)	(13,106)
1240 Receivables from Other Governments	292,100	4,335	296,435
1260 Due from Other Funds	8,082	1,774	9,856
1290 Other Receivables	20	7,682	7,702
1410 Prepayments	15,139	-	15,139
1000 Total Assets	<u>\$ 3,502,454</u>	<u>\$ 121,526</u>	<u>\$ 3,623,980</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 17,912	\$ 4,156	\$ 22,068
2160 Accrued Wages Payable	54,140	3,289	57,429
2170 Due to Other Funds	1,774	8,082	9,856
2180 Due to Other Governments	-	13,512	13,512
2200 Accrued Expenditures	1,014	134	1,148
2300 Unearned Revenues	708	-	708
2000 Total Liabilities	<u>75,548</u>	<u>29,173</u>	<u>104,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	44,249	6,181	50,430
2600 Total Deferred Inflows of Resources	<u>44,249</u>	<u>6,181</u>	<u>50,430</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	15,140	-	15,140
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	4,176	4,176
3480 Retirement of Long-Term Debt	-	81,996	81,996
Committed Fund Balance:			
3510 Construction	100,000	-	100,000
3600 Unassigned Fund Balance	3,267,517	-	3,267,517
3000 Total Fund Balances	<u>3,382,657</u>	<u>86,172</u>	<u>3,468,829</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,502,454</u>	<u>\$ 121,526</u>	<u>\$ 3,623,980</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, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	3,468,829
<b>1</b> 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 \$3,782,392 and the accumulated depreciation was (\$1,991,236). 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.		267,613
<b>2</b> 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 2016 capital outlays and debt principal payments is to increase net position.		162,666
<b>3</b> 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 \$218,313, a Deferred Resource Inflow related to TRS in the amount of \$16,231 and a Deferred Resource Outflow related to TRS in the amount of \$172,559. This amounted to a decrease in Net Position in the amount of \$61,985.		(61,985)
<b>4</b> The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(159,858)
<b>5</b> 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.		50,430
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>3,727,695</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, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 3,808,822	\$ 196,262	\$ 4,005,084
5800 State Program Revenues	708,866	14,114	722,980
5900 Federal Program Revenues	-	77,912	77,912
5020 Total Revenues	<u>4,517,688</u>	<u>288,288</u>	<u>4,805,976</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	970,387	55,146	1,025,533
0012 Instructional Resources and Media Services	19,836	-	19,836
0013 Curriculum and Instructional Staff Development	689	3,737	4,426
0021 Instructional Leadership	500	-	500
0023 School Leadership	80,826	-	80,826
0031 Guidance, Counseling and Evaluation Services	29,625	-	29,625
0033 Health Services	4,561	-	4,561
0034 Student (Pupil) Transportation	22,832	392	23,224
0035 Food Services	-	72,298	72,298
0036 Extracurricular Activities	104,731	19,802	124,533
0041 General Administration	167,327	-	167,327
0051 Facilities Maintenance and Operations	231,714	-	231,714
0052 Security and Monitoring Services	29,675	-	29,675
0053 Data Processing Services	54,682	-	54,682
Debt Service:			
0071 Principal on Long Term Debt	30,874	95,000	125,874
0072 Interest on Long Term Debt	-	60,048	60,048
0073 Bond Issuance Cost and Fees	-	2,005	2,005
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	24,781	-	24,781
0099 Other Intergovernmental Charges	71,843	-	71,843
6030 Total Expenditures	<u>1,844,883</u>	<u>308,428</u>	<u>2,153,311</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,672,805</u>	<u>(20,140)</u>	<u>2,652,665</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	28,660	28,660
7949 Other Resources	119,843	-	119,843
8911 Transfers Out (Use)	(28,660)	-	(28,660)
8949 Other (Uses)	(60,000)	-	(60,000)
7080 Total Other Financing Sources (Uses)	<u>31,183</u>	<u>28,660</u>	<u>59,843</u>
1200 Net Change in Fund Balances	2,703,988	8,520	2,712,508
0100 Fund Balance - September 1 (Beginning)	<u>678,669</u>	<u>77,652</u>	<u>756,321</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,382,657</u>	<u>\$ 86,172</u>	<u>\$ 3,468,829</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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	2,712,508
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 2016 capital outlays and debt principal payments is to increase net position.		162,666
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.		(159,858)
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 decrease net position.		(6,800)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$20,743. Contributions made before the measurement date and during the 2015 FY were also expended in the 2015 FY and recorded as an increase in the net pension expense for the District. This caused a decrease in the change in net position 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 net pension expense decreased the change in net position by \$30,878. The net result is to decrease the change in net position by \$28,422.		(28,422)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,680,094</b>

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, 2016

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,622	\$ 20,067
Total Assets	<u>6,622</u>	<u>\$ 20,067</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 20,067
Total Liabilities	<u>-</u>	<u>\$ 20,067</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>6,622</u>	
Total Net Position	<u>\$ 6,622</u>	

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



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

	Private Purpose Trust Fund
DEDUCTIONS:	
Other Operating Costs	\$ 962
Total Deductions	<u>962</u>
Change in Net Position	(962)
Total Net Position - September 1 (Beginning)	<u>7,584</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 6,622</u></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, 2016**

**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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

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

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

**A. REPORTING ENTITY**

The Board of Trustees (the Board) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB 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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

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.

**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 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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (continued)

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.

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

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund 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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 intact” 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.

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, 2016, the District reports the following governmental fund balance classifications:

Nonspendable	
Prepaid	\$ 15,140
Total Nonspendable	15,140
Restricted	
Federal or State Funds Grant Restriction	4,176
Retirement of Long-Term Debt	81,996
Total Restricted	86,172
Committed	
Construction	100,000
Total Committed	100,000
Unassigned	3,267,517
Total Fund Balance	\$ 3,468,829





**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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, 2016, the amount of supplies and commodities on hand was not material.
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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. OTHER ACCOUNTING POLICIES** (continued)

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, 2016, the District had outstanding long term debt, including bonds and a capital lease, in the net amount of \$1,388,546.

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.
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 2016, 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*. TEA 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.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. OTHER ACCOUNTING POLICIES** (continued)

11. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position.

**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 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were considered by management to be significant:
  - Total General Fund budget amendments to local revenue amounted to an increase of \$95,000.
  - Total General Fund budget amendments to state revenue amounted to an increase of \$72,500.
  - Total General Fund budget amendments to other financing sources (other resources) amounted to an increase of \$60,000.
  - Total General Fund budget amendments to function 52 (Security and Monitoring Services) amounted to an increase of \$33,000.
  - Total General Fund budget amendments to other financing uses (other uses) amounted to an increase of \$60,000.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (continued)

**A. BUDGETARY DATA** (continued)

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. The District's expenditures exceeded budget appropriations for the Debt Service Fund for one functional category. This can be the result of expenditure accruals at year end, and other factors, some of which are in the control of management and others are not. Management is aware of the budget variances and will attempt to more closely monitor the budget in future years.

**C. DEFICIT FUND EQUITY**

There were no fund deficits during the year ended August 31, 2016.

**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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**A. DEPOSITS AND INVESTMENTS** (continued)

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, 2016, 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	\$ 765,845	\$ 765,845			
Investment Pools - Lone Star	<u>2,505,262</u>	<u>2,505,262</u>	-	-	-
Total	<u>\$ 3,271,107</u>	<u>\$ 3,271,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments 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, 2016, 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, 2016, the District's bank deposits consisted of the following collateral coverage:

Total bank deposits	\$ 765,845
FDIC insurance coverage	(250,000)
Fair market value of pledged securities	<u>(721,638)</u>
Over collateralized deposits	<u>\$ (205,793)</u>



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**A. DEPOSITS AND INVESTMENTS** (continued)

The District's investments as of August 31, 2016 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Rating</u>
Cash in Bank	\$ 759,223	\$ 759,223	n/a
Certificates of Deposit in Bank (included in Cash and Cash Equivalents)	6,622	6,622	n/a
Investment Pool - Lone Star	<u>2,505,262</u>	<u>2,505,262</u>	n/a
 Totals	 <u>\$ 3,271,107</u>	 <u>\$ 3,271,107</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.

**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**

Interfund balances at August 31, 2016, consisted of the following amounts:

Due to General Fund from:	
Non-Major Governmental Funds	\$ 8,082
Total Due to General Fund	<u>\$ 8,082</u>
Due to Non-Major Governmental Funds from:	
General Fund	\$ 1,774
Total Due to Non-Major Governmental Funds	<u>\$ 1,774</u>

Transfers are used to move revenues from the General Fund to supplement various Special Revenue Funds. Transfers for the year ended August 31, 2016 were as follows:

Transfers from General Fund to:	
Child Nutrition Program Fund	\$ 28,660
Total Transfers from General Fund	<u>\$ 28,660</u>



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**E. DEFERRED INFLOWS OF RESOURCES**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable revenue - property taxes	\$ 44,249	\$ 6,181	\$ 50,430

**F. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables in the Fund Financial Statements at August 31, 2016, 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	\$ 55,515	\$ 292,100	\$ 8,082	\$ 20	\$ 355,717
Non-Major Governmental Funds	<u>8,021</u>	<u>4,335</u>	<u>1,774</u>	<u>7,682</u>	<u>21,812</u>
Total - Governmental Activities	<u>\$ 63,536</u>	<u>\$ 296,435</u>	<u>\$ 9,856</u>	<u>\$ 7,702</u>	<u>\$ 377,529</u>

Amounts not scheduled for collection during the subsequent year	\$ (13,106)	\$ -	\$ -	\$ -	\$ (13,106)
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Payables in the Fund Financial Statements at August 31, 2016, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 17,912	\$ 54,140	\$ 1,774	\$ -	\$ 73,826
Non-Major Governmental Funds	<u>4,156</u>	<u>3,289</u>	<u>8,082</u>	<u>13,512</u>	<u>29,039</u>
Total - Governmental Activities	<u>\$ 22,068</u>	<u>\$ 57,429</u>	<u>\$ 9,856</u>	<u>\$ 13,512</u>	<u>\$ 102,865</u>

Fiduciary Activities:					
Agency Fund	-	-	-	20,067	20,067
Total - Fiduciary Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,067</u>	<u>\$ 20,067</u>





**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**G. CAPITAL ASSET ACTIVITY**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</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>137,661</u>
Capital assets, being depreciated:				
Building and improvements	2,801,243	29,675	-	2,830,918
Furniture and equipment	503,531	-	-	503,531
Vehicles	<u>339,957</u>	<u>-</u>	<u>-</u>	<u>339,957</u>
Total capital assets being depreciated	<u>3,644,731</u>	<u>29,675</u>	<u>-</u>	<u>3,674,406</u>
Less accumulated depreciation for:				
Building and improvements	1,513,069	87,514	-	1,600,583
Furniture and equipment	256,641	47,990	-	304,631
Vehicles	<u>221,526</u>	<u>24,354</u>	<u>-</u>	<u>245,880</u>
Total accumulated depreciation	<u>1,991,236</u>	<u>159,858</u>	<u>-</u>	<u>2,151,094</u>
Total capital assets being depreciated, net	<u>1,653,495</u>	<u>(130,183)</u>	<u>-</u>	<u>1,523,312</u>
Governmental activities capital assets, net	<u>\$ 1,791,156</u>	<u>\$ (130,183)</u>	<u>\$ -</u>	<u>\$ 1,660,973</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 52,261
Student (Pupil) Transportation	24,354
Food Services	284
Co-curricular/Extracurricular Activities	28,466
Plant Maintenance and Operations	53,257
Security and Monitoring Service	<u>1,236</u>
Total Depreciation Expense	<u>\$ 159,858</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. This bond is scheduled to mature on August 15, 2017.





**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**H. BONDS AND LONG-TERM DEBT** (continued)

The District sold new bonds in 2008. The new bonds had a face value of \$1,550,000. This 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, 2016 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 9/1/2015</u>	<u>Issued &amp; Accreted Interest</u>	<u>Retired</u>	<u>Outstanding 8/31/2016</u>
Unlimited Tax Building Bonds - Series 2000	5.25% to 6.75%	\$ 600,000	\$ 6,298	\$ 110,000	\$ -	\$ 55,000	\$ 55,000
Unlimited Tax Building Bonds - Series 2008	3.50% to 4.25%	1,550,000	53,750	1,325,000	-	40,000	1,285,000
Other Noncurrent Liabilities - Capital Lease	3.50%	<u>144,275</u>	-	<u>79,420</u>	-	<u>30,874</u>	<u>48,546</u>
Total Noncurrent Liabilities			<u>\$ 60,048</u>	<u>\$ 1,514,420</u>	<u>\$ -</u>	<u>\$ 125,874</u>	<u>\$ 1,388,546</u>

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, 2016.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**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>
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	115,000	38,300	153,300
2022-2026	650,000	116,575	766,575
2027-2031	<u>150,000</u>	<u>6,375</u>	<u>156,375</u>
Total Bonds Payable	<u>\$ 1,340,000</u>	<u>\$ 357,338</u>	<u>\$ 1,697,338</u>

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

Year ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,874	-	\$ 30,874
2018	<u>17,672</u>	<u>-</u>	<u>17,672</u>
Total long-term debt	<u>\$ 48,546</u>	<u>-</u>	<u>\$ 48,546</u>
Total Noncurrent Liabilities	<u>\$ 1,388,546</u>	<u>\$ 357,338</u>	<u>\$ 1,745,884</u>

**J. DEFINED BENEFIT PENSION PLAN**

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

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

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

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

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

	Contributions Required and Made
Member (Employee)	\$ 76,419
Non-employer contributing entity (State)	58,852
District	20,743



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

Contribution rates for Plan fiscal year (September to August) 2015 and 2016 follow:

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

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During 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.

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

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



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases *	3.50% to 9.50%
Payroll Growth Rate	3.50%
Benefit Changes During the Year	None
Ad Hoc Post Employment Benefit Changes	None
* <i>Includes Inflation</i>	

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

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	\$ 342,056	\$ 218,313	\$ 115,244
Plan net pension liability (in millions from TRS CAFR)	\$ 55,384,701,778	\$ 35,348,668,960	\$ 18,659,898,872



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. 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, 2016, the District reported a liability of \$218,313 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	218,313
State's proportionate share that is associated with the District		<u>702,364</u>
 Total		 <u>\$ 920,677</u>

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

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0006176%, which was an increase (decrease) of 0.0004592% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

*Other Demographic Assumptions*

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

*Actuarial Methods and Policies*

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

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

For the measurement period August 31, 2015, the District recognized pension expense of \$100,076 and revenue of \$100,076 for support provided by the State in the Government Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 544	\$ 8,390
Changes in actuarial assumptions	2,287	7,788
Difference between projected and actual investment earnings	44,067	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	104,918	53
Contributions paid to TRS subsequent to the measurement date	20,743	-
Total	\$ 172,559	\$ 16,231





**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**J. DEFINED BENEFIT PENSION PLAN** (continued)

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

Year ended <u>August 31</u>	\$	
2017	\$	25,806
2018		25,806
2019		25,806
2020		29,041
2021		15,565
Thereafter		13,561

**K. HEALTH CARE COVERAGE**

During the year ended August 31, 2016, the District provided medical benefits coverage (the Plan) to its employees through 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 \$300 per month per full time employee to the Plan. For the year ended August 31, 2016, total payments to the Plan by the District were \$105,091, of which \$48,391 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$56,700.

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](http://www.trs.state.tx.us).

**L. 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 TRS. 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](http://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.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**L. RETIREE HEALTH PLAN** (continued)

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 2016-2014:

Contribution Rates and Amounts						
Fiscal Year	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 6,899	1.00%	\$ 10,614	0.55%	\$ 5,838
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

**M. 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, 2016, 2015, and 2014, the District's portion of subsidy reimbursements received by TRS and recognized as equal expenditures/expenses was \$4,200, \$4,103, and \$2,757, 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.

**N. 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	\$ 292,100	\$ -	\$ 292,100
Non-Major Governmental Funds	1,265	3,070	4,335
Total	\$ 293,365	\$ 3,070	\$ 296,435



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**O. 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 Fund	Total
Property taxes	\$ 3,756,038	\$ 160,117	\$ 3,916,155
Penalties, interest and other	5,426	369	5,795
Investment income	7,560	215	7,775
Food sales	-	14,401	14,401
Co-curricular student activities	11,681	-	11,681
Other	28,117	21,160	49,277
Total	\$ 3,808,822	\$ 196,262	\$ 4,005,084

**P. LITIGATION AND CONTINGENCIES**

At August 31, 2016, 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, 2016 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.

**Q. CONSTRUCTION, SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District has no significant construction projects or other commitments and contingencies as of August 31, 2016.

**R. 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 contributed \$24,781 to the shared services agreement from the General Fund.

The District is fiscal agent for a SSA which provides Spring UIL Academic and Athletic Activities to six member districts. 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 approximately \$4,000 per member District.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**S. RISK MANAGEMENT - WORKERS' COMPENSATION INSURANCE**

During the year ended August 31, 2016, Groom ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Groom ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**T. PROPERTY PROGRAM**

During the year ended August 31, 2016, the District participated in the TASB Risk Management Fund's (the "Fund") Property Program with coverage in: auto liability, auto physical damage, legal liability, privacy and information security 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.

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, 2016, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.



**GROOM INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended August 31, 2016**

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

**U. UNEMPLOYMENT COMPENSATION POOL**

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**V. CAFETERIA PLAN**

During the year ended August 31, 2016, 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. LIMITED ASSESSED VALUE AGREEMENT**

The District has entered into multiple contracts for Limited Assessed Value Agreement 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 taxable value limitation period for these agreements began December of 2013 and ends December of 2028.

During 2016 the District received approximately \$120,000 of payments in lieu of taxes as a result of these value limitation agreements.



**GROOM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2016**

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

**X. 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 2016-2017 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 for the use of its accounting software, approximately \$13,000 annually. Also, the District pays Region 16 consulting services for certain compliance and administrative services, approximately \$14,000 annually.

**Y. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through January 16, 2017, the date the financial statements were available to be issued.

On September 26, 2016 the District approved and signed an agreement for limitation on appraised value of property for school district maintenance and operations taxes on qualified wind energy property with Grandview Wind Farm III, LLC.

On November 8, 2016, the District called a bond election for a total of \$19,500,000, which was passed by voters. The District plans to use bond funds for construction, renovation and improvement of District facilities.



**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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,672,400	\$ 3,767,400	\$ 3,808,822	\$ 41,422
5800	State Program Revenues	522,004	594,504	708,866	114,362
5020	Total Revenues	4,194,404	4,361,904	4,517,688	155,784
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	978,367	993,367	970,387	22,980
0012	Instructional Resources and Media Services	19,927	24,927	19,836	5,091
0013	Curriculum and Instructional Staff Development	1,750	2,750	689	2,061
0021	Instructional Leadership	500	1,500	500	1,000
0023	School Leadership	78,773	89,773	80,826	8,947
0031	Guidance, Counseling and Evaluation Services	20,350	35,350	29,625	5,725
0033	Health Services	6,670	8,670	4,561	4,109
0034	Student (Pupil) Transportation	32,783	37,783	22,832	14,951
0036	Extracurricular Activities	88,515	115,515	104,731	10,784
0041	General Administration	157,805	172,805	167,327	5,478
0051	Facilities Maintenance and Operations	223,867	238,867	231,714	7,153
0052	Security and Monitoring Services	-	33,000	29,675	3,325
0053	Data Processing Services	58,217	64,217	54,682	9,535
Debt Service:					
0071	Principal on Long Term Debt	31,350	31,050	30,874	176
0072	Interest on Long Term Debt	-	300	-	300
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	25,000	26,500	24,781	1,719
0099	Other Intergovernmental Charges	73,500	73,500	71,843	1,657
6030	Total Expenditures	1,797,374	1,949,874	1,844,883	104,991
1100	Excess of Revenues Over Expenditures	2,397,030	2,412,030	2,672,805	260,775
<b>OTHER FINANCING SOURCES (USES):</b>					
7949	Other Resources	13,315	73,315	119,843	46,528
8911	Transfers Out (Use)	(25,202)	(40,202)	(28,660)	11,542
8949	Other (Uses)	-	(60,000)	(60,000)	-
7080	Total Other Financing Sources (Uses)	(11,887)	(26,887)	31,183	58,070
1200	Net Change in Fund Balances	2,385,143	2,385,143	2,703,988	318,845
0100	Fund Balance - September 1 (Beginning)	678,669	678,669	678,669	-
3000	Fund Balance - August 31 (Ending)	\$ 3,063,812	\$ 3,063,812	\$ 3,382,657	\$ 318,845





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, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0006176%	0.0001584%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 218,313	\$ 42,311
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	702,364	671,514
Total	<u>\$ 920,677</u>	<u>\$ 713,825</u>
District's Covered-Employee Payroll	\$ 930,676	\$ 984,703
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	23.46%	4.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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



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

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 20,743	\$ 18,287
Contribution in Relation to the Contractually Required Contribution	(20,743)	(18,287)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 1,061,376	\$ 930,676
Contributions as a Percentage of Covered-Employee Payroll	1.95%	1.96%

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

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



**COMBINING AND OTHER SCHEDULES**



**NONMAJOR GOVERNMENTAL FUNDS**



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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 13,512	\$ 2,101	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	1,034	676	-
1260	Due from Other Funds	-	-	1,774	-
1290	Other Receivables	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 14,546</u>	<u>\$ 4,551</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 2,162	\$ -
2160	Accrued Wages Payable	-	943	2,346	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	13,512	-	-
2200	Accrued Expenditures	-	91	43	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>14,546</u>	<u>4,551</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ -</u>	<u>\$ 14,546</u>	<u>\$ 4,551</u>	<u>\$ -</u>



270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	481 Computer Repair Fund	482 Spring UIL Acad & Athlet Fiscal Agent	499 TASB Grant	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,850	\$ -	\$ 1,326	\$ 19,789	\$ 81,765	\$ 101,554
-	-	-	-	-	-	8,021	8,021
-	-	-	-	-	-	(1,840)	(1,840)
2,394	-	-	-	-	4,104	231	4,335
-	-	-	-	-	1,774	-	1,774
-	-	-	7,682	-	7,682	-	7,682
<u>\$ 2,394</u>	<u>\$ -</u>	<u>\$ 2,850</u>	<u>\$ 7,682</u>	<u>\$ 1,326</u>	<u>\$ 33,349</u>	<u>\$ 88,177</u>	<u>\$ 121,526</u>
\$ 1,994	\$ -	\$ -	\$ -	\$ -	\$ 4,156	\$ -	\$ 4,156
-	-	-	-	-	3,289	-	3,289
400	-	-	7,682	-	8,082	-	8,082
-	-	-	-	-	13,512	-	13,512
-	-	-	-	-	134	-	134
<u>2,394</u>	<u>-</u>	<u>-</u>	<u>7,682</u>	<u>-</u>	<u>29,173</u>	<u>-</u>	<u>29,173</u>
-	-	-	-	-	-	6,181	6,181
-	-	-	-	-	-	6,181	6,181
-	-	2,850	-	1,326	4,176	-	4,176
-	-	-	-	-	-	81,996	81,996
-	-	2,850	-	1,326	4,176	81,996	86,172
<u>\$ 2,394</u>	<u>\$ -</u>	<u>\$ 2,850</u>	<u>\$ 7,682</u>	<u>\$ 1,326</u>	<u>\$ 33,349</u>	<u>\$ 88,177</u>	<u>\$ 121,526</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 14,401	\$ -
5800 State Program Revenues	-	-	1,901	-
5900 Federal Program Revenues	<u>2,228</u>	<u>20,368</u>	<u>27,336</u>	<u>3,737</u>
5020 Total Revenues	<u>2,228</u>	<u>20,368</u>	<u>43,638</u>	<u>3,737</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,228	19,976	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	3,737
0034 Student (Pupil) Transportation	-	392	-	-
0035 Food Services	-	-	72,298	-
0036 Extracurricular Activities	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>2,228</u>	<u>20,368</u>	<u>72,298</u>	<u>3,737</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(28,660)	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	28,660	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	481 Computer Repair Fund	482 Spring UIL Acad & Athlet Fiscal Agent	499 TASB Grant	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,300	\$ 19,802	\$ -	\$ 35,503	\$ 160,759	\$ 196,262
-	8,699	-	-	-	10,600	3,514	14,114
24,243	-	-	-	-	77,912	-	77,912
24,243	8,699	1,300	19,802	-	124,015	164,273	288,288
24,243	8,699	-	-	-	55,146	-	55,146
-	-	-	-	-	3,737	-	3,737
-	-	-	-	-	392	-	392
-	-	-	-	-	72,298	-	72,298
-	-	-	19,802	-	19,802	-	19,802
-	-	-	-	-	-	95,000	95,000
-	-	-	-	-	-	60,048	60,048
-	-	-	-	-	-	2,005	2,005
24,243	8,699	-	19,802	-	151,375	157,053	308,428
-	-	1,300	-	-	(27,360)	7,220	(20,140)
-	-	-	-	-	28,660	-	28,660
-	-	1,300	-	-	1,300	7,220	8,520
-	-	1,550	-	1,326	2,876	74,776	77,652
\$ -	\$ -	\$ 2,850	\$ -	\$ 1,326	\$ 4,176	\$ 81,996	\$ 86,172





## **AGENCY FUNDS**



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

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 10,755	\$ 60,244	\$ 50,932	\$ 20,067
Liabilities:				
Due to Student Groups	\$ 10,755	\$ 60,244	\$ 50,932	\$ 20,067
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 10,755	\$ 60,244	\$ 50,932	\$ 20,067
Liabilities:				
Due to Student Groups	\$ 10,755	\$ 60,244	\$ 50,932	\$ 20,067



**REQUIRED TEA SCHEDULES**



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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.096250	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	1.105000	0.187000	88,688,220
2016 (School year under audit)	1.040000	0.044000	362,836,120
1000 TOTALS			



(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 7,715	\$ -	\$ -	\$ -	\$ (1,423)	\$ 6,292
783	-	-	-	-	783
1,058	-	14	3	33	1,074
837	-	22	4	52	863
2,710	-	24	5	(1,008)	1,673
4,637	-	59	12	(155)	4,411
4,429	-	165	33	(1,466)	2,765
28,114	-	369	68	(22,522)	5,155
20,126	-	6,013	1,017	14,059	27,155
-	3,922,382	3,749,372	158,975	(670)	13,365
<u>\$ 70,409</u>	<u>\$ 3,922,382</u>	<u>\$ 3,756,038</u>	<u>\$ 160,117</u>	<u>\$ (13,100)</u>	<u>\$ 63,536</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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 16,220	\$ 16,220	\$ 14,401	\$ (1,819)
5800 State Program Revenues	2,612	2,612	1,901	(711)
5900 Federal Program Revenues	25,700	25,700	27,336	1,636
5020 Total Revenues	<u>44,532</u>	<u>44,532</u>	<u>43,638</u>	<u>(894)</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>69,734</u>	<u>84,734</u>	<u>72,298</u>	<u>12,436</u>
6030 Total Expenditures	<u>69,734</u>	<u>84,734</u>	<u>72,298</u>	<u>12,436</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,202)	(40,202)	(28,660)	11,542
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>25,202</u>	<u>40,202</u>	<u>28,660</u>	<u>(11,542)</u>
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 155,948	\$ 155,948	\$ 160,759	\$ 4,811
5800	State Program Revenues	-	-	3,514	3,514
5020	Total Revenues	155,948	155,948	164,273	8,325
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	155,948	95,000	95,000	-
0072	Interest on Long Term Debt	-	60,048	60,048	-
0073	Bond Issuance Cost and Fees	-	900	2,005	(1,105)
6030	Total Expenditures	155,948	155,948	157,053	(1,105)
1200	Net Change in Fund Balances	-	-	7,220	7,220
0100	Fund Balance - September 1 (Beginning)	74,776	74,776	74,776	-
3000	Fund Balance - August 31 (Ending)	\$ 74,776	\$ 74,776	\$ 81,996	\$ 7,220



**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**







# JOHNSON & SHELDON, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2017.

#### **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as **2016-001**.

**The District's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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**

January 16, 2017



**GROOM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended August 31, 2016**

**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*.**

**2016-001 - Budget Variance:**

Criteria: Under current State regulations, the District is required to adopt an annual budget for the General Fund, Debt Service Fund and Food Service Fund. The budgets should be monitored throughout the year and amended as needed by the District's Administration.

Condition and Context: We noted that at year end, the overall expenditures for the Debt Service Fund exceeded the final amended budget in one functional category. The cause for this variance was due to unbudgeted bond fees incurred in the current year.

Cause: The District did not maintain adequate Internal Controls over the budgeting amendment process to ensure that the debt fees are considered in the final budget amendment process.

Effect or Potential Effect: The District did not properly budget for expenditures incurred in the Debt Service Fund for the year ended August 31, 2016, which is a potential violation of State budgetary laws.

Recommendation: We recommend that the District enhance its Internal Controls to properly monitor the budgeted amounts to actual expenditures incurred, with any necessary budget amendments being made and approved by the Board of Trustees.

Responsible Official's Response: The District's budgets will be monitored by the Board of Trustees at monthly meetings. The District's Business Manager will run the PEIMS edit annually, during August, to ensure the District's expenditures do not exceed budgeted amounts. The budgets will be amended by the Board of Trustees to cover all expenditures.



**GROOM INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended August 31, 2016**

(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, 2016**

(Prepared by the District's Administration)

**2016-001 - Budget Variance:**

- The name of the contact person responsible for the corrective action: Jay Lamb, Superintendent
- The corrective action planned: The District's budgets will be monitored by the Board of Trustees at monthly meetings. The District's Business Manager will run the PEIMS edit annually, during August, to ensure the District's expenditures do not exceed budgeted amounts. The budgets will be amended by the Board of Trustees to cover all expenditures.
- The anticipated completion date: No later than August 2017.



## SCHOOLS FIRST QUESTIONNAIRE

Groom Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	218,313
SF13	Pension Expense (6147) at fiscal year-end.	28,422

